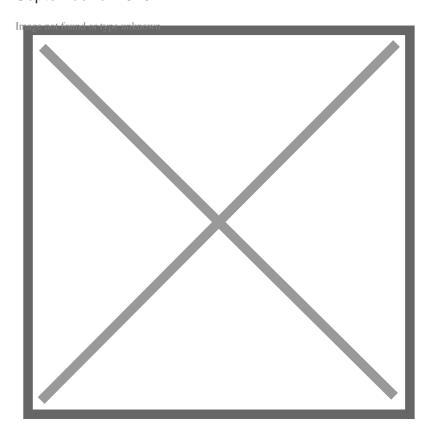
7 Tipping Points for the 2020s

- "To expect the unexpected shows a thoroughly modern intellect."
- Oscar Wilde
- "Those who have knowledge, don't predict. Those who predict, don't have knowledge."
- Lao Tzu, 6th Century BC Chinese Poet

A century ago, the Roaring Twenties were an era marked by economic prosperity, technical innovation and societal progress. Following the end of the Great War (now known as WWI) and "The Forgotten Depression" (which occurred between 1920 and 1921 when GDP plummeted by 24%), the stock market surged for the better part of the decade, jumping 250% through late-September of 1929.



Source: Bloomberg, Evergreen Gavekal

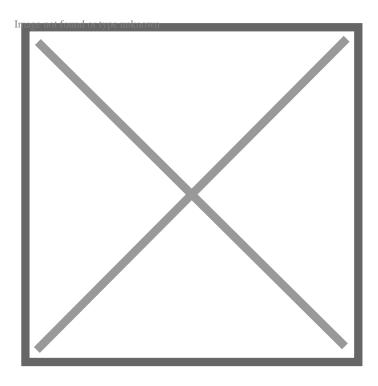
During this period, the first working televisions were invented, the American home became "networked" and connected to the electrical grid and indoor plumbing, the first cross-Atlantic flight was successfully navigated, and the first jukeboxes were introduced. Additionally, urbanization led to more densely populated cities, the widespread adoption of the internal combustion engine led to a proliferation of motor vehicles, and the development of electrical machinery spread to households and the manufacturing sector. This great transformation led to a sharp rise in productivity and fundamentally altered the size and organization of households, workplaces, and the lives of women. Unfortunately, the bustling party came to an abrupt halt on October 28th and October 29th of 1929 – infamously known as Black Monday and Black Tuesday – when the stock market crashed -13.47% and -11.73% respectively. As most are

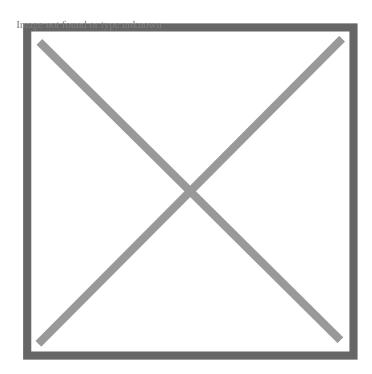
aware, this precipitous decline ushered in the start of the Great Depression, which stands as the longest, deepest, and most widespread depression in modern history.

In many ways, the 2010s were as astonishing as the majority of the 1920s in terms of financial prosperity, technological innovation, social development and, yes, rampant speculation. Following the Great Recession in the late 2000s, the stock market surged to close the decade at record-highs (up 385% from its 2009 low point), several blue-chip stocks joined the "trillion-dollar club", and fringe investments such as Bitcoin led to truly ungodly returns for early speculators adopters (up an eye-popping 8,900,000%).

Technology has also flourished over the past decade, ushering in technological innovations and products that have fundamentally altered the way humans interact and conduct business. In the 2010s, the cloud computing market exploded, billions of devices were connected to the cloud through the Internet of Things (IoT), Virtual Reality (VR) and Augmented Reality (AR) revolutionized perceptions of the physical world, advances in Artificial Intelligence (AI) and Machine Learning (ML) created new fascinations and fears around the boundaries of the digital world, and the space race took on new meaning and became a private competition amongst several of the world's most prominent billionaires. To think that at the turn of the last decade 4G networks didn't exist, products such as the iPad, Apple Watch, Amazon Alexa, and Oculus hadn't been released, and applications such as Snapchat, Airbnb, Instagram, Uber and Lyft hadn't taken off is truly remarkable and underscores just how dynamic the last ten years have been in terms of technological progress.

But, before getting too far ahead of ourselves with the comparisons, it's worth noting that there were plenty of differences between the economies of the Roaring Twenties and the second decade of the 21st century. One major difference is that the federal government ran a budget surplus every year of the 1920s, whereas the federal government ran a budget deficit every year of the 2010s.





Additionally, total debt and federal government spending were a much smaller percentage of GDP in the 1920s than they were in the 2010s, productivity growth surged in the Roaring Twenties but languished over the past decade, wage growth grew at a significantly faster clip in the Roaring Twenties than in recent memory, and the US population ballooned in the 1920s but has stalled of-late.

Regardless of how you perceive the last decade, and what comparisons you draw to decades-of-past, by many measures the 2010s were one of the most financially, technologically, socially, and politically dynamic decades in human history. As we kickoff the first week of a new decade, one question that many pundits and economic commentators have examined recently is whether we will roll into the 2020s continuing with many of the previous decade's trends, or whether we are in store for something entirely different. Some have even speculated we could be on the cusp of another Roaring Twenties.

While it is impossible – and downright foolish – to attempt to predict the future, as we turn the page on a very remarkable decade and look towards the period to come, there are several "tipping points" that will have a significant impact on how the next ten years unfold. In the rest of this article, we will dissect seven of these tipping points and their potential consequences.

Tipping Point #1: Fiat or Digital Currency?

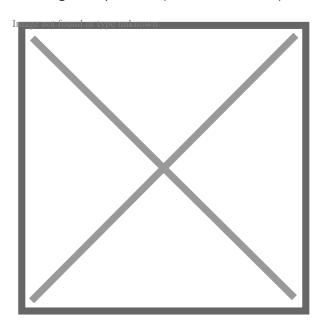
Fiat currency is money issued by the government and regulated by a sovereign authority suchas a central bank. Fiat currencies (such as the US Dollar, Pound or Euro) derive their value from the forces of supply and demand in the market. One risk facing these currencies is that they become worthless due to hyperinflation as they are not linked to any physical reserve. Venezuela is one prime example of how pumping an endless supply of money into the system has resulted in the devaluing of a fiat currency. While this form of tender is usually stable and controlled, economic recessions over the years have highlighted several deficiencies with fiatmoney. With the recent rise of cryptocurrencies such as Bitcoin and Ethereum, one risk for fiatcurrency is that during the next recession, central banks will face blowback that could spark an entirely new monetary system based – at least in part – on digital currencies.

Tipping Point #2: Globalism or Nationalism?

While free trade and a globalized economy have been positive for many corporations and developing nations in the 20th and 21st century, the working- and middle-classes of several developed countries have suffered as a result. This has led to a sudden rise in nationalism over the last few years. And, while most industries and national economies have become so intertwined that it is almost impossible to completely reverse course, new policies and trade wars have attempted to curtail the momentum. The US, UK, France, Hungary and Italy are ground zero for this debate, and the result of several upcoming elections will likely dictate whether the 2020s are an era characterized by increasing globalism or narrowing nationalism, with broad implications for both the global economy and local economies.

Tipping Point #3: Automation or Evolution?

According to PricewaterhouseCoopers (PwC), AI, robotics and other forms of smart automation have the potential to contribute up to \$15 trillion to global GDP by 2030. This windfall will generate demand for many new jobs, however, it also has the potential to displace many existing occupations (see chart below).



Source: PwC

Less educated workers will be most vulnerable to these changes and will be at risk of having manual and routine tasks replaced by machines. If projections for widespread automation live up

to the hype, it will force workers to adjust, retrain, and seek education in STEM subjects (science, technology, engineering, math) to keep pace with the evolving job market. The question becomes, will workers evolve quickly enough or will job automation outpace reeducation? The answer to this question will likely have a significant impact on key economic metrics such as the unemployment rate and wage growth over the next decade.

Tipping Point #4: Data Privacy or Transparency?

Having a digital presence has evolved rapidly over the past decade. Just 10 years ago, it meant having a mobile phone number, email address and maybe a Facebook page. Now, many people's digital presence extends to their smart watch, tablet, virtual assistant, car, Twitter account, LinkedIn page, Instagram, and much more. Security around data is currently at a premium, exacerbated by countless leaks and hacks that have distributed private information into the public sphere. In our increasingly connected world, the battle to determine what information should remain private verses public – and how to go about doing so – will likely intensify in the 2020s as areas such as the Internet of Things explode. It's hard to imagine that the trend to collect information everywhere is going anywhere but towards a radically more open world. However, as privacy is shattered in the process, it is possible a wary populace takes action to curb seemingly unchecked data collection practices.

Tipping Point #5: Demographic Explosion or Slowdown?

It is projected there will be 8.5 billion people living on the planet by 2030 – up from 7.3 billion in 2015. The fastest growing demographic amongst this populace are those 65 years or older, which will make up a remarkable 1 billion people by 2030. Due to longer anticipated life expectancies, rising healthcare costs, and financial insecurity, a much larger percentage of this group is expected to continue working past what has been the traditional retirement age and into their "golden years" (which may end up decidedly tarnished for millions of them). Advances in technology and medicine are key contributors to longer life-expectancy; however, longer, healthier and happier lives could end up reserved for those at the top of the economic pyramid, rather than the majority who fall into the middle class – potentially exacerbating an already fragile co-existence between classes. While most high-income countries continue to extend life expectancy, a troubling trend has emerged in the United States. In 2010 US life expectancy plateaued and in 2014 began reversing, dropping for consecutive years. This is despite the US spending more on health care per capita than any other country in the world. In fact, the US expends a stunning 2% more of GDP on healthcare than any other leading country. This amounts to about \$500 billion of "excess" healthcare costs with life expectancies actually below peer nations. A recent study points to drug overdoses, suicides, alcohol-related illnesses and obesity as the main perpetrators of this alarming trend. Furthermore, while most global estimates point to longer life-expectancy and a rapidly growing population, a continuation of this trend may put pressures on the environment that could slow or change the expected outcome.

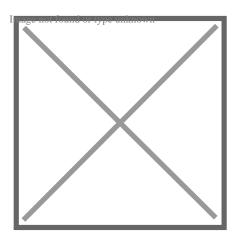
Tipping Point #6: Climate Crisis or Control?

Speaking of the environment, one of the most pertinent topics of this era is whether we are heading down a one-way path towards climate disaster. Like many matters, politics will likely dictate various local and international responses to the issue. Wherever you stand on the topic, this will undoubtably be one of the most important and fiery matters over the next decade, with potential ramifications for everything from the auto industry, to the oil and gas industry, to the renewable energy industry, to the agriculture industry.

Tipping Point #7: Urbanization or Ruralization?

It is estimated that nearly two-thirds of the ballooning global population will live in cities by 2030,

creating large mega-cities, as well as small- and medium-sized metropolises. However, there are several countervailing forces that could tip the scales away from mass urbanization – chief among them are the changing nature of work. Several studies show that telecommuting and remote work are on the rise with over 53% of professionals working remotely for at least half of the work week. As several factors, such as the cost of living, have applied pressure on living in large cities, a rise in remote jobs have allowed workers to live further away from the workplace. In fact, as the *Wall Street Journal* reported, millennials aged 25 to 39 are continuing to trade big city life for suburban life, pointing to potentially waning – rather than roaring – urban growth.



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