



# THE PRICE OF PROSPERITY

Why Rich Nations Fail  
and How to Renew Them

TODD G. BUCHHOLZ

Bestselling author of *New Ideas from Dead Economists*

What's at Stake?  
FHLB Indianapolis  
August 2016

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# Part 1: Volatile Economy





### Regulation is for others

Labour- and product-market regulation indicators, 2013  
 0=least restrictive, 6=most restrictive



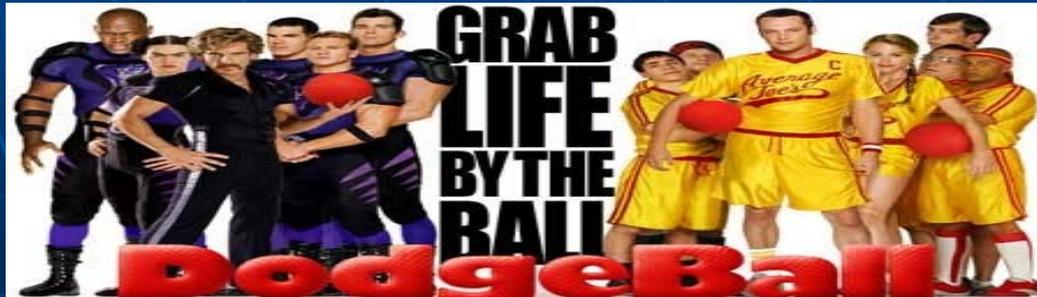
Source: OECD  
 Economist.com

# Who's Faster? Who's Bigger?



# Hyper-Competition

- ▣ Speed
- ▣ Scissors
- ▣ People



# Problems Ahead

- Work
- Trade
- Debt
- Population
- Nationalism

MarketWatch

## Opinion: 5 factors that could turn America into another collapsed empire

By Todd G. Buchholz  
Published: June 6, 2016 12:35 p.m. ET

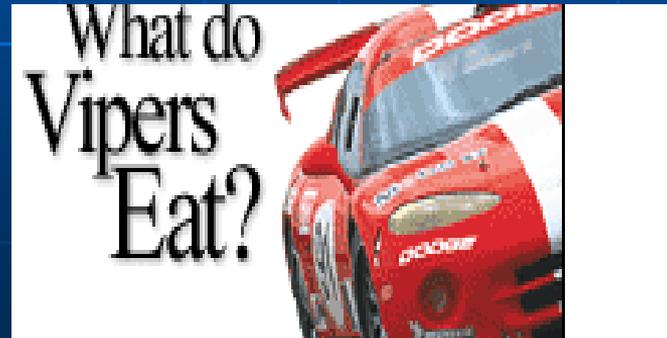
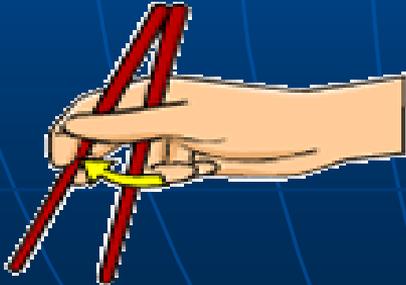
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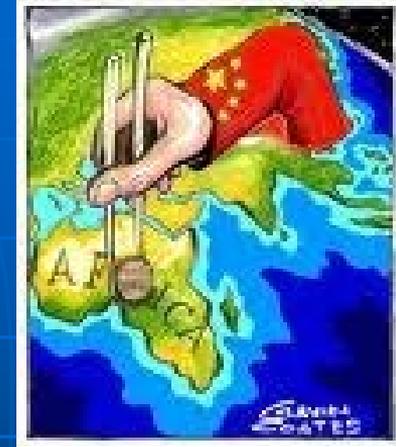
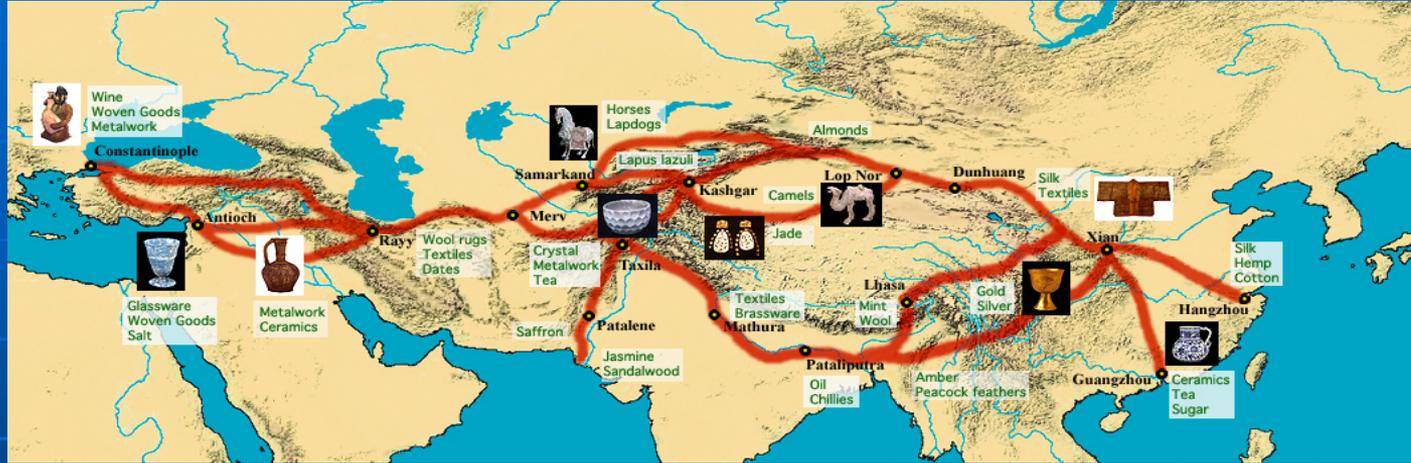
*Nations are just as likely to unravel after periods of prosperity as after periods of depression*



# Age of Anxiety

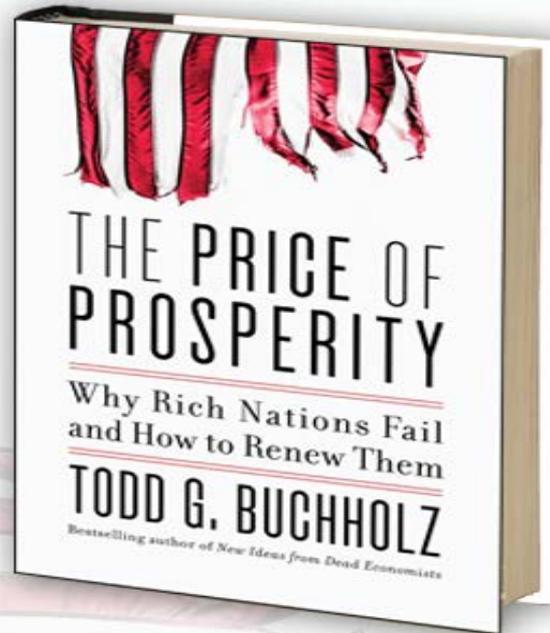


# New Silk Routes



<u>RANK</u>	<u>1999</u>	<u>2005</u>
Sinopec	50	7
Sabic	32	10
Formosa PI	47	11

How did we go  
from  
**MADE IN USA**  
to  
**MADE IN  
WHEREVER'S  
CHEAPER?**



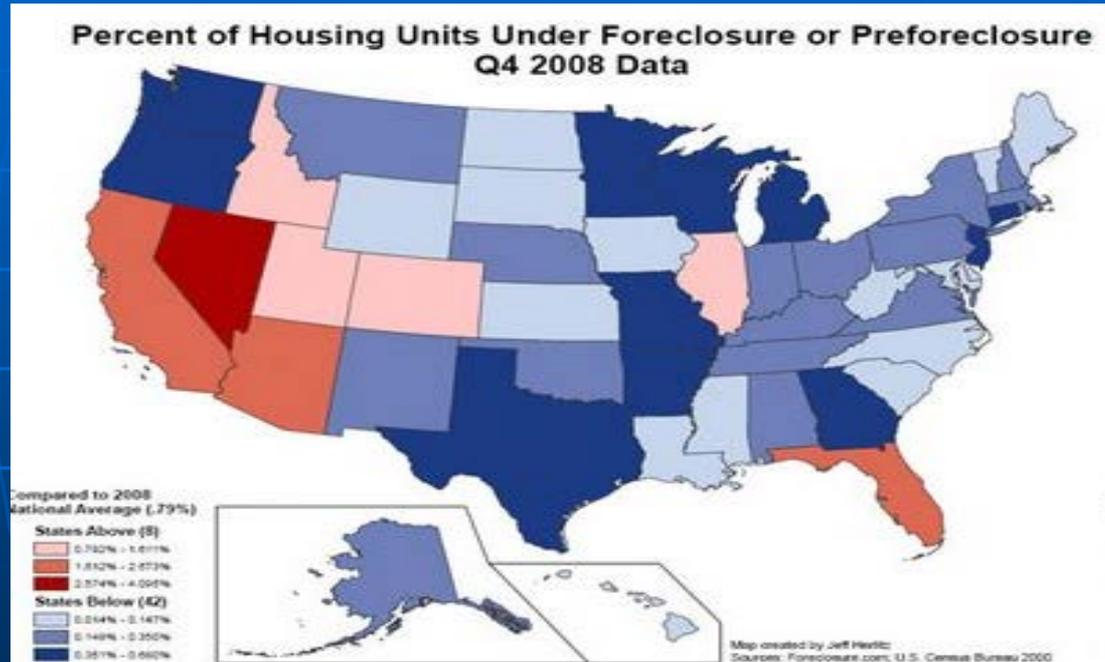
**On Sale June 7th**



# The Agony of Work & Play



# Pick Up a Club

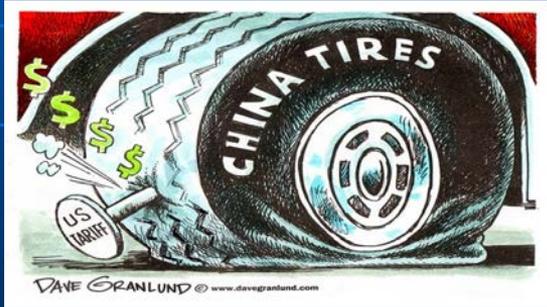


# No “Skin in the Game”



- ▣ “trust me” paper
- ▣ Avalanche of defaults, downgrades, CDS, mark-to-market, pension exits

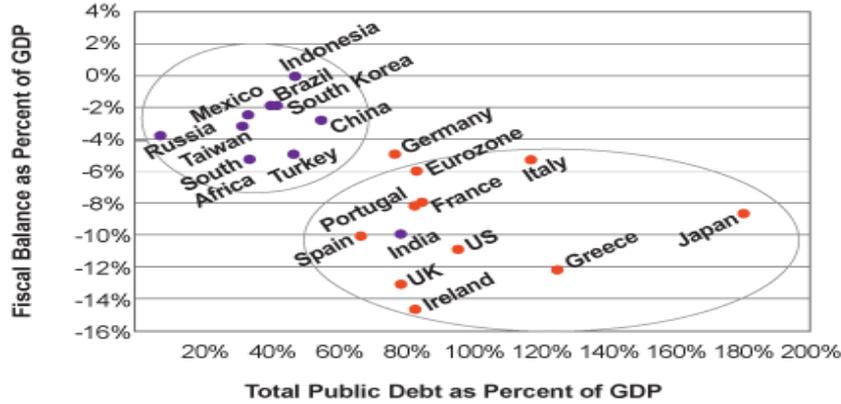
# Free Trade Backlash:



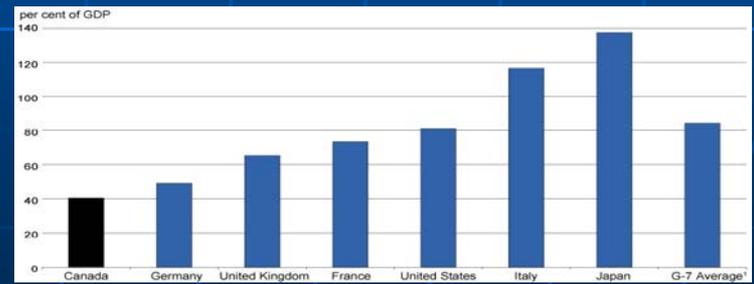
- ▣ Dems vs. Obama
- ▣ Trump & Sanders!
- ▣ Sovereign Wealth Fears
- ▣ "Buy America?"
- ▣ India v. Steel; Russia v. Cars and Chickens; Argentina v. auto parts
- ▣ Boeing vs. Airbus

# Who's in Debt?

**Total Public Debt vs. Fiscal Balance as Percent of GDP  
(2010 forecast)**

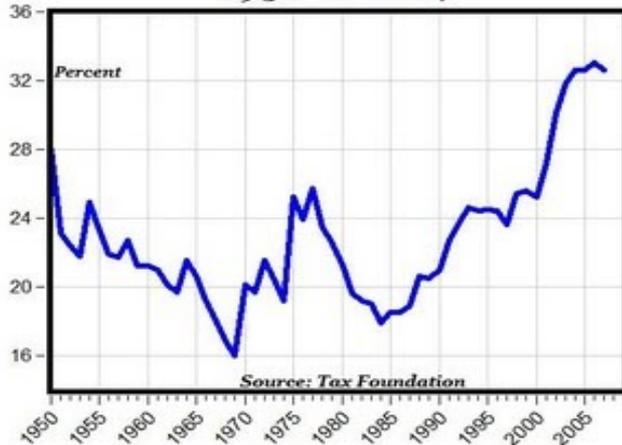


Source: Eurostat, IMF.



# The High Price of a Free Lunch?

**Percent of Individual Income Tax Returns  
with Zero or Negative Tax Liability  
1950 to 2007**





One of the Great Moments of your life... *His First Day At School*

*Why it's one of the most important times to see your life insurance agent.*

Do you remember how he looked? Eager... and scared. Proud, too. Remember how you felt... such a little boy taking such a big step. Both your lives changed that day—yours with the responsibility to see him through high school... and per-

haps college. His with the hopes of the future.

Great changes in your life, like these, are times when you should see your Massachusetts Mutual Agent... for he's been especially trained to help you get the extra security and protection you may need.

It does not necessarily mean that you must buy more life insurance. Perhaps all you need to do is reprogram your present

life insurance, so that it has a flexibility planned for your son's education.

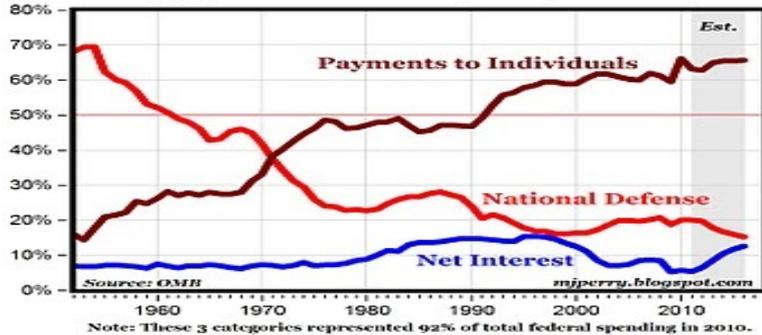
Providing life insurance programs of "planned flexibility" to meet changing insurance needs has been our job for almost one hundred years... another good reason why, at the great moments of your life, you should talk over your plans with your Massachusetts Mutual Agent.

**Massachusetts Mutual Life Insurance Company**  
 SPRINGFIELD, MASS.

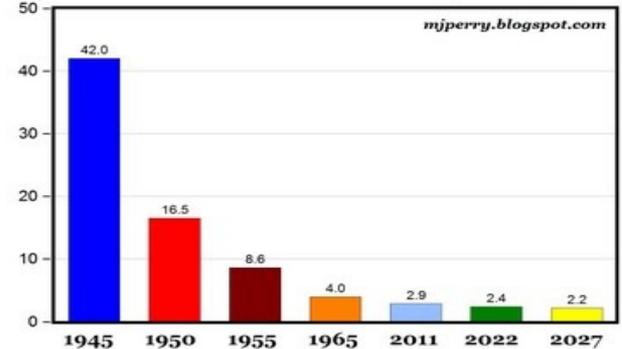
*For nearly 100 years... a great name in life insurance.*

# Taking from Peter...

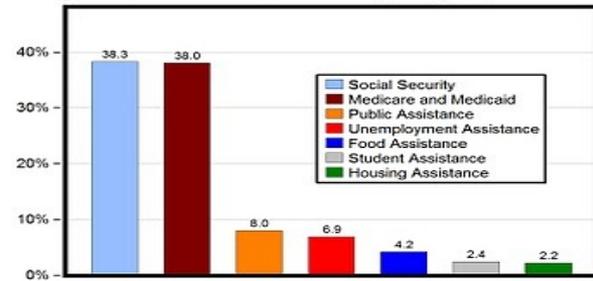
## Composition of Federal Spending 1952 to 2016 (Projected)



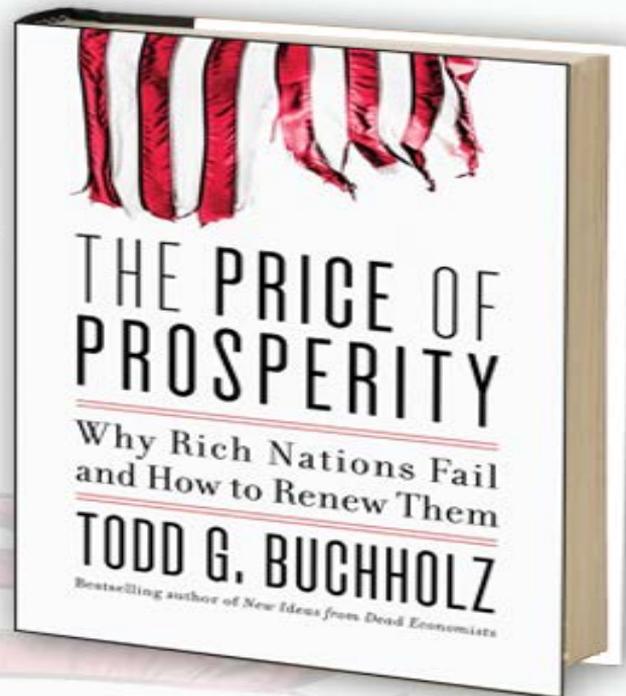
## Workers Per Social Security Recipient



## Federal Payments to Individuals By Share of Total (\$2.3T) in 2010



We used to size up  
a man by counting  
his children. Now  
we count Rolex  
watches, six-pack  
abs, and Twitter  
followers.



On Sale June 7th



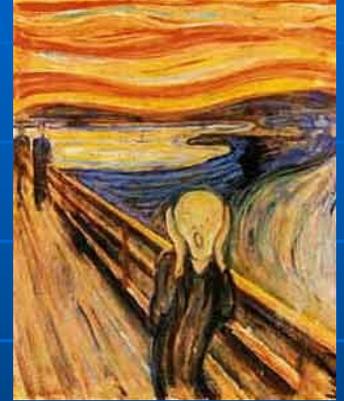




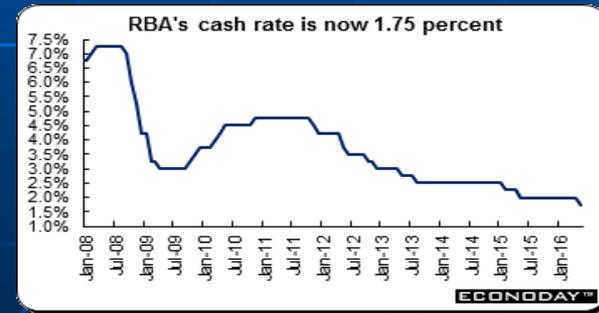
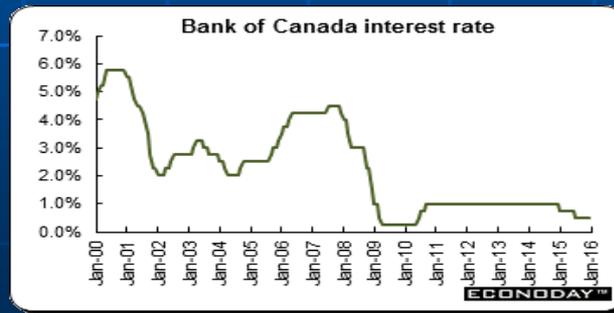
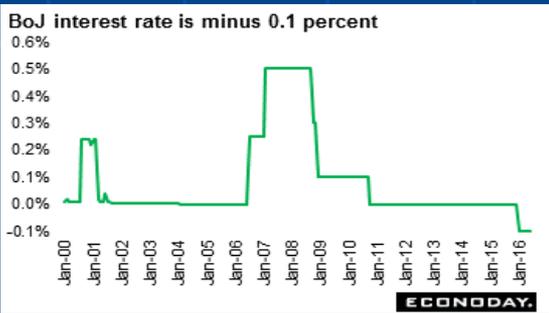
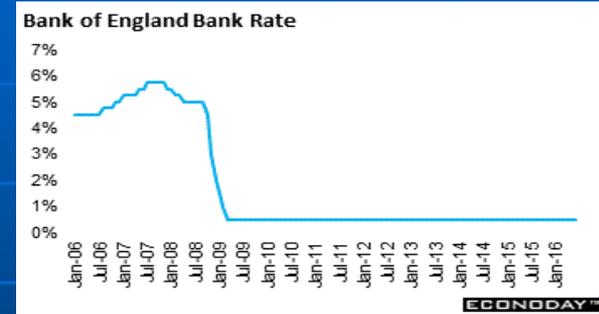
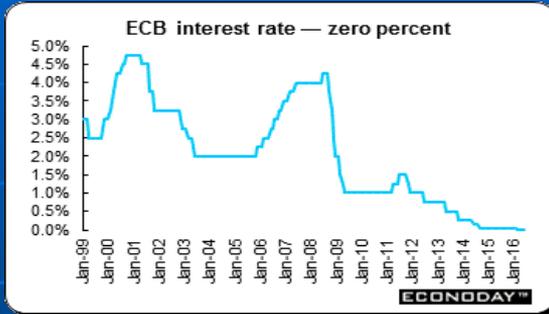


# We Can Beat Our FOE's

- Federal Reserve's New World
  - Sparks risky schemes?
- Oil and Gravity
- Euro under pressure



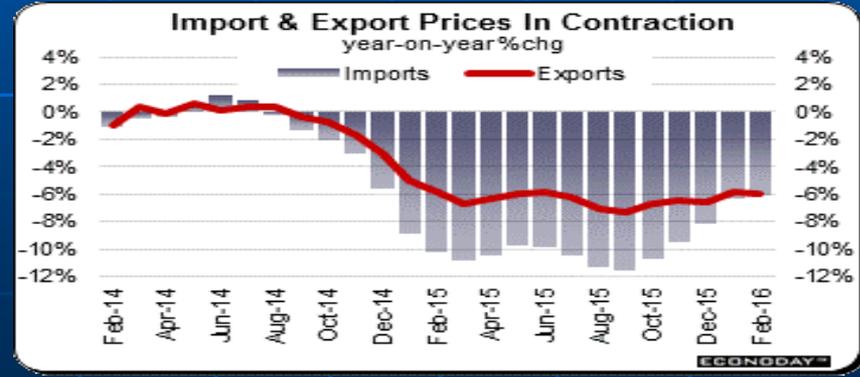
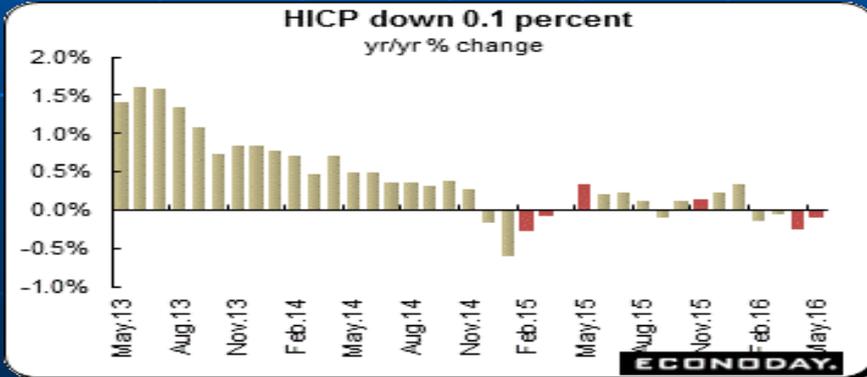
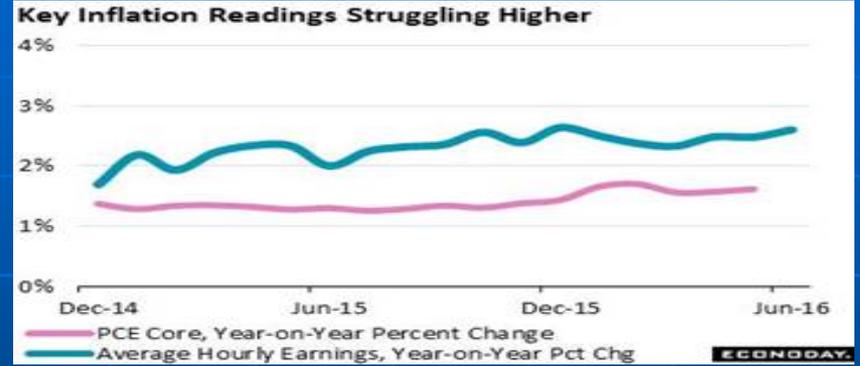
# A Flood of Money...Pass It On



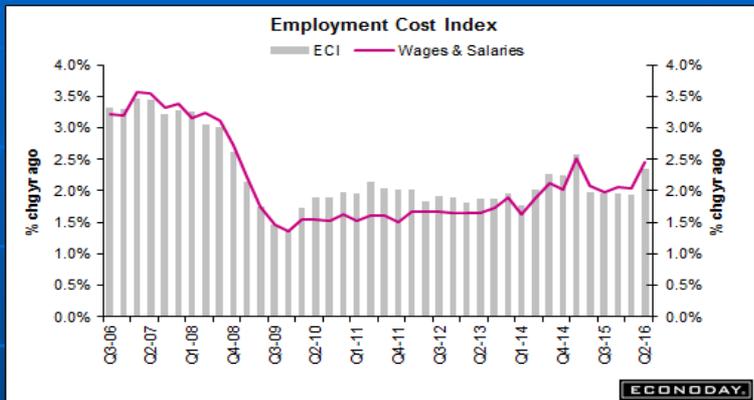
# Back to the '70s?



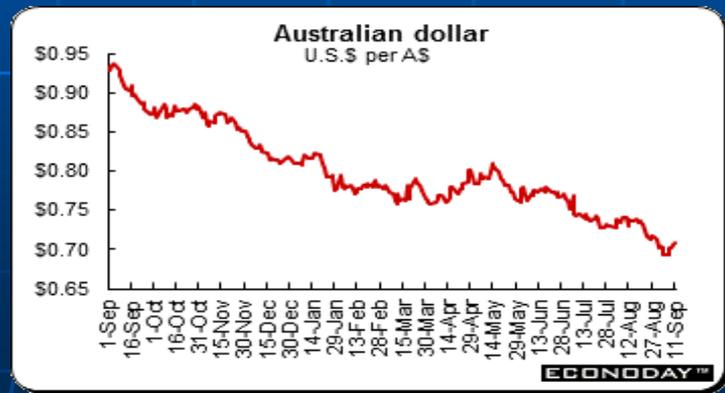
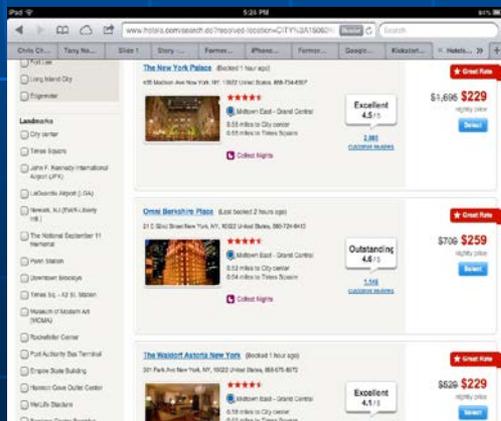
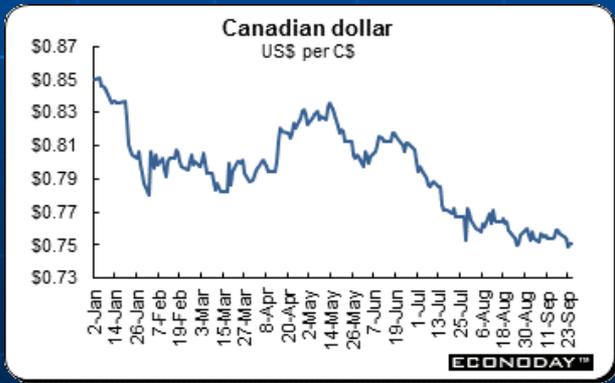
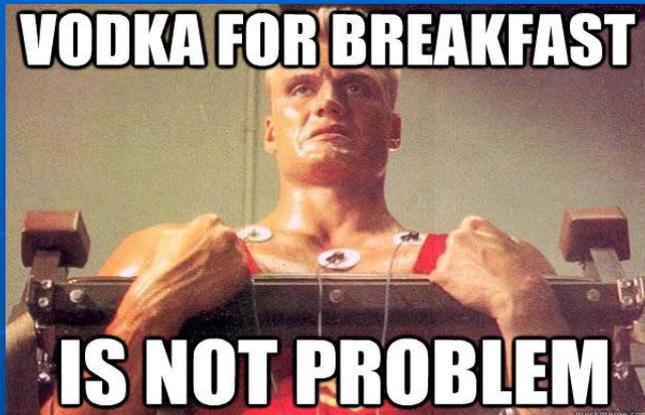
# Is Inflation Baked in the Cake?



# Will Wages Wag the Dog?



# Why's the Abercrombie Dude Lonely?





**OIL CRUDE (SWEET) (CL/)**

3 YEAR 100.76 ▼ 0.82 TODAY'S CHANGE (-0.81%)

HIGH ▲ 4/29/11 | LOW ▼ 9/30/11

12 13 14

76 87 98 109 120

OPENING BELL CRUDE OIL ▼ ON CHINA FACTORY DATA, CRISIS IN UKRAINE

FOX

00:44 / 04:22

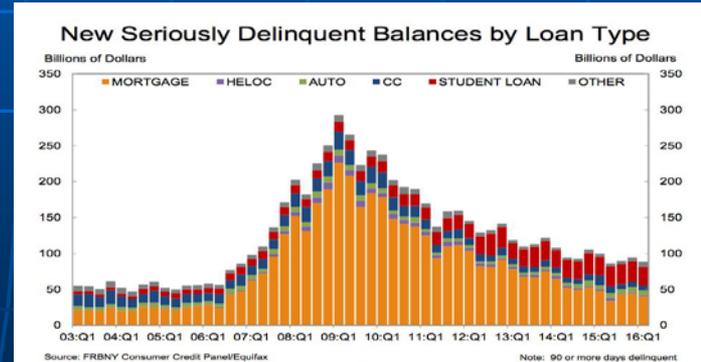
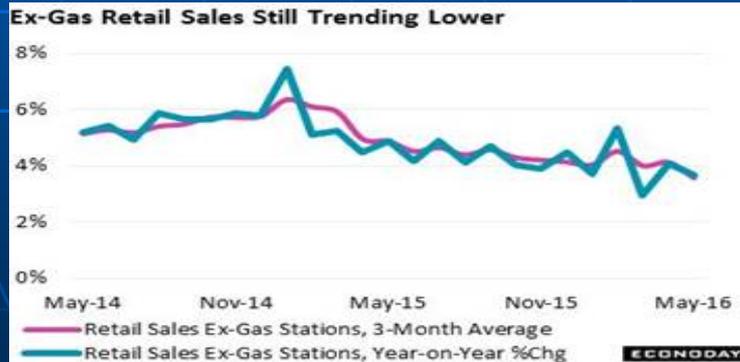
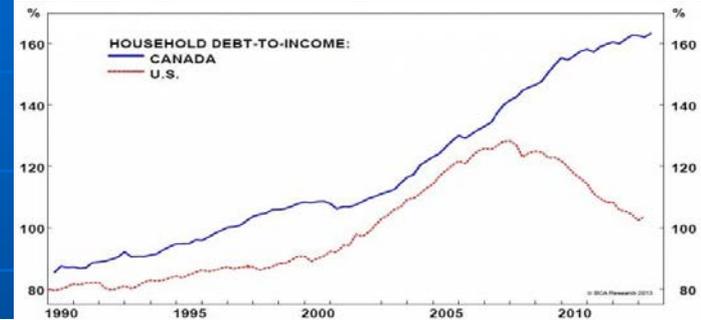
Shrink player

### Oil headed for \$50 a barrel?

Apr. 01, 2014 - 4:22 - Former White House economic policy director Todd Buchholz gives his outlook for oil and energy.



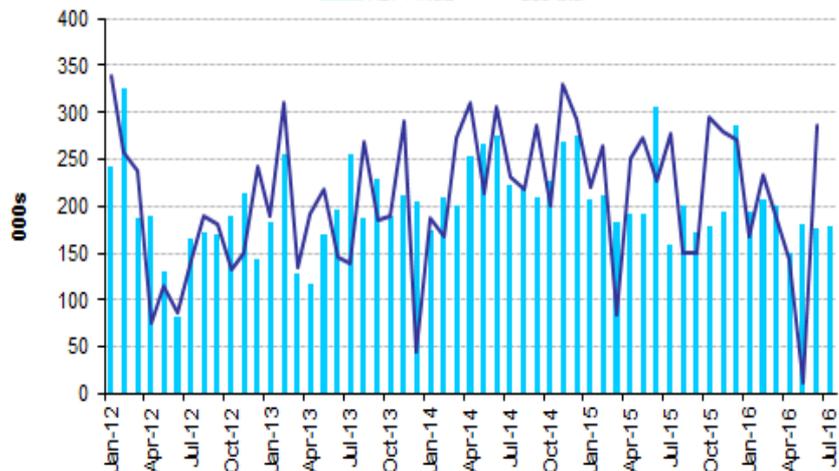
# Consumers Stable..in US



# Jobs?

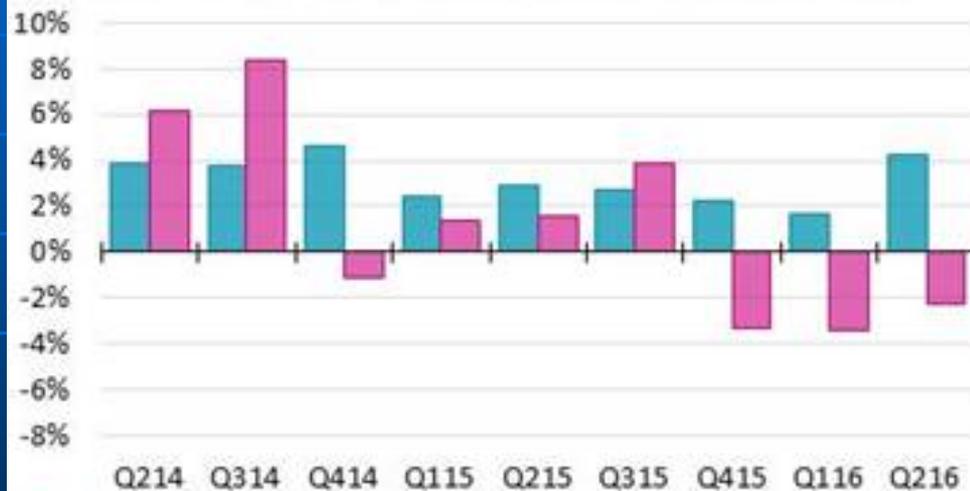
### Payroll Measures

ADP Private — BLS total



ECONODAY™

### Consumer Holding Up, But Business Investment Drops



Personal Consumption, Annualized Rate

Nonresidential Investment, Annualized Rate

ECONODAY™

# Supply Side and the Gig



17% increase hotel rooms



# Tech and Jobs

## Twitter to lay off up to 8% of workforce

Jessica Guynn, USA TODAY 7:53 p.m. EDT October 13, 2015



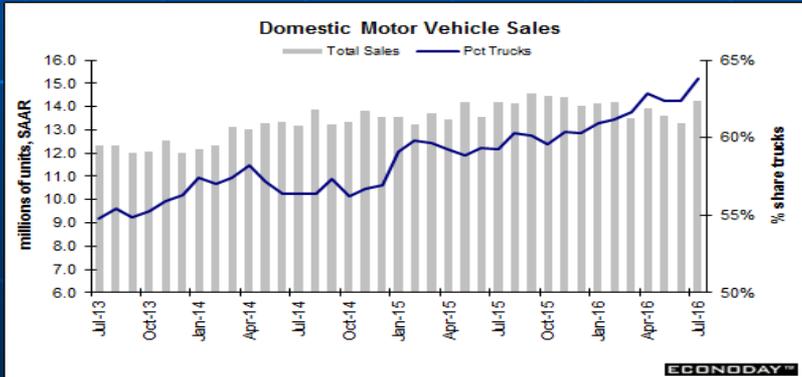
Jack Dorsey's new tenure as Twitter's CEO is off to quite a start: the company's cutting almost a tenth of its workforce. The Associated Press reports that the social media company announced 336 layoffs today. USA TODAY

# Minimum is Zero

- ❑ Public Relations or Economic Pressure?
- ❑ Can min. wage industries raise prices?
- ❑ Minimum = \$0.00



# What Are They Buying?



# Part II: Leading Amid Uncertainty



# 2016: What's at Stake and Who's Left Standing?



# Favorites and Dark Horses

- ▣ Tim Kaine
- ▣ Julian Castro
- ▣ Cory Booker
- ▣ Elizabeth Warren
- ▣ Mike Pence
- ▣ Chris Christie
- ▣ Rudy Giuliani
- ▣ Newt Gingrich

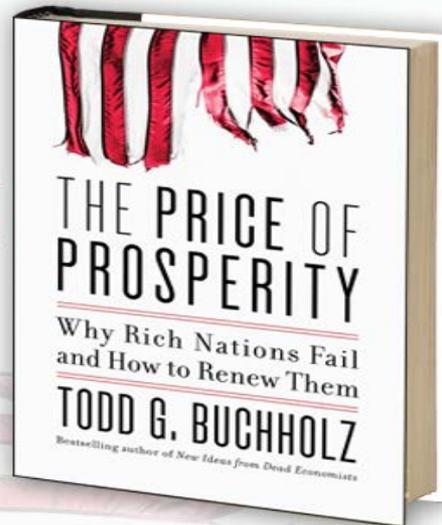


- ❑ Tax Cuts or Hikes?
- ❑ Trade Wars?
- ❑ Obamacare?
- ❑ Debts
- ❑ Regulation?



# Regulation or Public Safety?

Hair stylists in Arizona must take 1,600 hours of classes. A policeman gets 600. Apparently, it's nearly three times as dangerous to wield a blow-dryer than a .40 caliber Glock.



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# Friends, Foes or Fiends?



What is Putin  
Auditioning for?



Pad 5:36 AM 100%

time.com/3824928/doctor-zhivago-vladimir-putins-russia/

A Glory... Dr Zhivag... Economi... SCHOOLI... Chris Chr... Three Da... Tony No... StayCon... Slide 1 x Forme... +

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LATEST MAGAZINE VIDEOS

**Former White House Adviser: What Vladimir Putin Could Learn From 'Doctor Zhivago'**

Todd G. Buchholz @rushbook April 19, 2015

Twitter Facebook LinkedIn

**IDEAS** Todd G. Buchholz is a former White House economic adviser and recipient of the Allyn Young Teaching Prize at Harvard. He is co-writer of the new musical about the Italian Resistance against Fascism "Glory Ride."

Matthew Murthy-Palm and Co. Kelli Barrett as Lara and Tam Mutu as Doctor Zhivago.

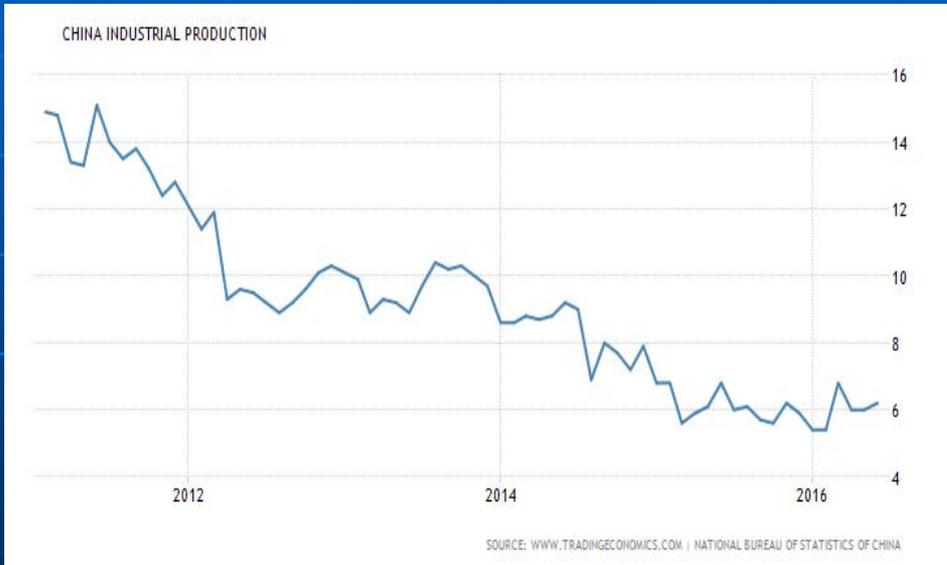
**There is still greatness in the Russian people – but they have been bottled up for 100 years**

SCROLL TO SEE MORE

# Does China Take Over?



# China Aging





- ▣ U.S., Canada, and Mexico work alone
- ▣ The Fed may be a target of Trump win
- ▣ Commodity/China hype is over
- ▣ Nationalism means trade friction
- ▣ Debt overhang may worsen under either
- ▣ Stay in touch: @EconTodd  
[www.toddbuchholz.com](http://www.toddbuchholz.com)

# The Race for IQ Points 1992-2002

- ▣ Stevedores -17%
- ▣ Timber -32%
- ▣ Farm -20%
- ▣ Sewing -50%
- ▣ Typesetters -62%
- ▣ Elect. Engineers +28%
- ▣ Med. Scientists +33%
- ▣ Architects +44%
- ▣ Legal Assistants +66%
- ▣ Fin. Services +78%<sup>44</sup>



# Kids, Math & You!

