

What Happens Next – Sunday June 6, 2021

Stopping Aging, IRS Audits, and China

My name is Larry Bernstein.

What Happens Next offers listeners an in-depth analysis of the most pressing issues of the day.

Our experts are given just SIX minutes to present. This is followed by a Q&A period for deeper engagement.

This week's topics include Stopping Aging, IRS Audits, and China.

Our first speaker today is Andrew Steele who made an unusual leap from his PhD in Physics at Oxford to working on the computational biological problem of aging. Andrew writes about science for the layman about the latest medical developments in longevity. Andrew has a new book *Ageless: The New Science of Getting Older Without Getting Old* that is a best seller.

President Biden has asked congress to double the IRS budget by an additional \$87 billion increase IRS staff to dramatically increase the number audits of wealthy Americans. Biden expects to generate an additional \$700 billion of tax revenues. Today, we have a panel of two experts who have spent their lives in tax preparation and IRS controversy.

Our first speaker on the IRS panel is my friend and my accountant Phil Ryan, who is a co-founder of Ryan and Juraska. I've asked Phil to discuss what activities the IRS will find ripe for audits.

Our second speaker on the IRS panel is my friend and my tax lawyer Tom Durham who is a former partner at Mayer Brown. Tom will discuss how previous tax changes have increased revenue from wealthy taxpayers and reduced tax shelter opportunities.

What Happens Next then segues to containing Chinese power in South East Asia. In previous episodes, we have focused on America's military challenges and the use of the Quad (India, Japan, Australia and the US) to work together to confront aggressive Chinese behavior in the South China Sea.

Today, we are going to discuss China's relations with its SE Asian neighbors and the likelihood of escalation in US-China disputes.

Our first panelist is Sebastian Strangio who is an Australian Journalist who has written a fascinating book entitled *In the Dragon's Shadow: Southeast Asia in the Chinese Century* that analyzes Chinese relationship with 10 of its neighbors. Sebastian explains how these countries view the opportunities and the risks of getting closer with the Chinese.

Our final speaker today is Marko Papic who is the chief strategist at Clocktower Group. Marko advises hedge funds on how to evaluate geopolitical risk and his new book is entitled

Geopolitical Alpha: An Investment Framework for Predicting the Future. Investors need to evaluate political risk and Marko will explain which tools to employ to make better predictions. I've asked Marko to detail how to use his methods to evaluate the current disputes between the US and China.

Each month I discuss the US employment payroll data because it is the single most important economic statistic.

The headline monthly change in the number of employed Americans increased by 559,000 which was good but less than economists' forecasts of 100,000. Teenagers are doing spectacularly well. A year ago, in the height of the pandemic teenage unemployment was an unbelievably high 30% and it is now less than 10% and falling fast. With the reopening of restaurants and hospitality, there is going to be enormous demand for teenage labor.

I want to give you a sense of the scale of the US employment situation. Total employment pre-COVID was 158 million. At the lows in April 2020, employment shrank to 133 million or down by 25 million. Today 152 million people are employed, so we are up 19 million from the lows and down 6 million from Pre-COVID.

Of the six million lost jobs, nearly half of job losses are just from leisure and hospitality alone.

In a previous episode of What Happens Next, University of Chicago labor economist Casey Mulligan highlighted that we will slowly get back to normal because we are paying significant unemployment benefits. We have sort of a natural experiment going on as 25 states have reduced these benefits; all of these states have Republican governors. Many of these states are now back to full employment with unemployment rates at around 3 odd %.

America's big blue states have much higher unemployment rates. Illinois, Pennsylvania, and New Jersey have unemployment rates above 7 percent and Connecticut, NY and California have unemployment above 8%. I do not know why these states are suffering so badly but it might relate to the tighter lockdowns during COVID or the higher unemployment benefits. But as lockdowns end, kids go back to school, unemployment benefits are reduced, and businesses reopen, then hopefully NY, IL and CA will see employment levels in line with the rest of the country.

I would like to expand our audience of What Happens Next so that more people can enjoy our programming. I am starting a social media outreach using Twitter. We want to increase user engagement and we want you to be part of a community of interested listeners. I am going to do an experiment today where I include twitter questions on the show, so please tweet us and I will do my best to include your comments. Our twitter username is [whathappensin6](#), where six is the number. I am really excited about hearing from you. So please tweet.

With that I would like to introduce our first speaker Andrew Steele who is the author of *Ageless: The New Science of Getting Older without Getting Old*.

Andrew Steele:

Every year you're alive, your chance of death increases by 10%. This doesn't start out so bad. I'm in my 30s, and my annual chance of death is something like 1 in 1,000 per year. It's worth thinking about what that actually means. If my odds of death stayed at 1 in 1,000 for the rest of my life, I could expect to live to 1030 on average. But clearly, that's not what happens.

That .001% per year, like morbid compound interest, gradually builds up. And by the time you're 65, your odds of not making 66 are more like 1%. At 80, your risk of death is 1 in 20. And if you're lucky enough to make it into your 90s, your chance of death is a sobering 1 in 6. Life and death in a role of a dice.

The reason that it's increasing the chance of death is an increase in the chance of disease, the risk of cancer, heart disease, stroke, dementia, and even the risk of death from Corona virus all rise exponentially with age too.

Do the math, and aging is easily the world's largest cause of death and suffering. Of the 150,000 people who die on Planet Earth every day, over 100,000 of them die because of aging. As a human, this sounds terrifying. We've all got this exponentially increasing wall of death coming at us at incredible speed. But as a scientist, this is fascinating because we've got this strange process that means our chance of death is rising so suddenly. But around the same age, no matter how old we are... no matter who we are, sorry. It suggests there may be some underlying process and, if we can understand that process, and intervene in it, we could all live much longer, healthier lives. It turns out that this process exists, and some animals have already cracked it.

One example is the Galapagos tortoise. The oldest recorded Galapagos tortoise, Harriet, made it to the ripe old age of 175 before she died. Further, what's more exciting is that Galapagos tortoises have a risk of death which doesn't rise as they get older. This is known as negligible senescence, the scientific phrase for not aging. And these Galapagos tortoises can, in a very real sense, be said not to age. They don't get more frail with time. They even stay reproductively active almost until the end of their lives.

Harriet was likely as sprightly at 150 years old as she was at just 50. She's, to say, not married. She is a tortoise. But her example shows us that aging isn't an iron law of biology but one we can do something about. So how can we be more tortoise and live longer lives which, most importantly, are healthy at the end?

Scientists are decoding the aging process. And we now know that some of the biggest factors behind the process are things that we can intervene in. The fundamental cellular and molecular changes that are behind everything from wrinkles and gray hair to frailty, forgetfulness and incontinence, to cancer and dementia. And the idea is that by intervening in these processes, we could delay or even prevent multiple age-related diseases and dysfunctions all at the same time.

Thanks to this new understanding, scientists now have dozens of different ways to slow, and even reverse, the aging process in the lab. From changing their diets, to manipulating their genes, to giving them drugs, we can turn back time in everything from individual cells to whole

animals like mice. Perhaps the most exciting idea is removing a type of age itself, known as senescence cells, from the bodies of old animals.

Scientists have developed a new kind of drug called Senolytic. It can kill the senescent cells while leaving other cells in the body intact. Scientists gave these anti-senescent drugs to 24-month-old mice. Obviously, mice have a shorter lifespan than humans have; mice at 2 years is roughly equivalent to 70 in human years. And the drug basically made the mice biologically younger. They lived a few months longer, and maybe a few years in human terms, but they don't stumble on in geriatric ill health. The mice get less cancer and heart trouble, and fewer cataracts. They're less frail, and can run further and faster on the little mousey treadmills they use in these experiments. Then, more curious, like younger mice, and they even have better fur. These animals just look great.

So, what this shows is the senescent cells are a fundamental driver of the aging process, responsible for multiple dysfunctions and diseases that occur with age. Getting rid of them can delay many, or even all, of the signs of getting older, all at once.

And, most excitingly, these drugs are already in human trials. The first human trial of such drugs started in 2018, and there are now more than two dozen companies working to get these treatments from the lab into the clinic. But first, these will be treatments for specific diseases, where we know the senescent cells are implicated. But if these drugs prove effective and, most importantly safe, they could be the first examples of the dream of a real anti-aging medicine, a treatment that you could take in your 50s or 60s, hopefully before you get ill, which would pump the problems of old age a little further into the future, and allowing us all to live healthier or longer.

This idea could be the greatest revolution in medicine since the discovery of antibiotics. Medicines which, like antibiotics, can treat many different bacterial infections; can't just treat, but prevent, many, or even most of the diseases of old age.

The first of these exciting treatments could well be with us in the next 5 or 10 years and, with sufficient funding and a bit of luck, real anti-aging medicine could be here soon enough to improve the lives of most people alive today.

I think we should make it our mission to cure aging. Even if we don't quite make it as far as a cure, we'll all be able to enjoy some more healthy years. And, if we do succeed, we can dramatically reduce the burden of disease right across our aging global population, saving billions of lives and trillions of dollars. For this reason, I think the understanding and treating aging, is the single most important question in contemporary biology.

I wrote my book to raise the profile of this field. And I'd like all of you to help. What happens next is up to scientists, doctors, lawmakers, and all of us.

Larry Bernstein:

Andrew, thank you. That was terrific. Needless to say, we're all hoping for a longer life. Let's start out with these senescent cells. Could you explain to us what that even means in a cell, how it works, and why it's so problematic? And then, how are you going to kill these things?

Andrew Steele:

These are cells that are aging, is the easiest way to think about them but it's a little bit more complicated than that under the biological hood. The idea is that cells that have... Perhaps they've divided too many times, or they've got damage to their DNA, the cellular instruction manual inside all of them. And this is something that can obviously happen as we age. Because, as you know, our tissues are constantly replenishing, so our cells divide to do that. And that means they've divided more times by the time you're older. Or there are all kinds of different that processes that damage that DNA. Everything from smoking or UV exposure. It's just the sort of random damage from every day just being alive.

And so, as these processes accumulate with age, we accumulate these senescent cells. And the problem is they don't just sit there not dividing, sort of benign elders of the cellular community. They actually pump out this toxic cocktail of molecules, and try and repurpose of what is the call over the immune system because these cells aren't needed in our bodies. So, the idea is these cells would come and gobble them up and get rid of them.

The issue is that this cocktail of molecules can actually accelerate aging in a whole load of different ways. It can contribute to this, what's called chronic inflammation, which is a sort of paranoia in the immune system. As we get older, it can drive diseases like cancer, like heart disease, and so on. And it, as I say, basically, they make you get older faster.

A lot of cells in a state where they've got damaged DNA, or they divided a lot of times, well, basically commit suicide. It's a cellular process called apoptosis. And actually, that's the way I think that most cells tend to go. There's just this handful of cells that are hanging on being senescent that is the source of the problem.

But as it happens, they've actually got a lot of these apoptosis genes. So the genes that are full-sail suicide activate inside them. All the drugs have to do is go in and sort of suppress some of the anti-suicide mechanisms in these senescent cells, and sort of push them over the edge. And then they die, leaving all the cells around them, hopefully, intact, getting rid of that sort of process that accelerates our aging, while leaving the rest of the healthy cells in our bodies divide and take their place.

Larry Bernstein:

One of the things you mention in the book is that the telomeres can divide a certain number of times, and then they stop. And those probably turn into senescent cells, I imagine, as well.

To what extent is that one of the primary causes? I think you gave an example in the book as to why our hair goes gray, related to telomeres, the end of it being able to split. Do we have enough other cells? Do we have enough stem cells internally to recreate cells if we blow out our older cells and get rid of our defective ones? And how can we use the change in the color of the hair as an example of this sort of phenomenon?

Andrew Steele:

Yeah, it's a really fascinating question. There's a lot to unpack there. The first thing is, when you're asking about root causes, it's very, very challenging in aging to lay out actual definite prime movers, as it were. There are things that ultimately go into cause all these other kinds of dysfunction. And that's because these processes are often very interrelated.

So, in the book, I break it down to 10, what are called hallmarks of aging. And these are things that do increase as we get older. They do seem to drive multiple different diseases. But it's often very hard to pin which exact one is the root cause. And that's sort of an ongoing process in science.

Telomere shortening is definitely something that drives cellular senescence. The talent is in these little caps on the end of our DNA. And every time our cells divide, those caps get shorter. It's sort of a way for cells to keep track of how many times they're dividing. And if those telomeres become what's called critically short, then the cell will indeed turn into a senescent cell. They're clearly very closely related mechanisms.

However, we also know you can go in, and you can activate a gene called telomerase, which will then extend those telomeres. And this is a very important gene, for example, in development. When you have a new baby, it's vitally important, if its telomeres don't get critically short before it's properly developed. So, when you're developing in the womb, the very earliest of your stem cells activate telomerase and regenerate those telomeres at the start of your life. And we've noticed that telomerase therapy, just like removing senescent cells, seems to be able to slow and reverse aging as well. It's a real question as to which one of those, or what combination of those things, is going to turn out to be the most effective.

In terms of whether we have enough stem cells or other cells to divide and take the place of all the senescent cells that we kill, that's actually very much an open question. And one of the scientists I spoke to while I was writing the book said that if we're going to attack these in order, the first thing we do is we've got these drugs on the way that can remove the senescent cells. Maybe we'll give people these drugs, get rid of their senescent cells, and improve their aging.

What will they then die of? And the answer, they thought, was stem cell exhaustion. They will indeed run out of cells. So perhaps the next thing we'll have to do is give those stem cells some extra telomerase, or do some stem cell therapy, or there's a technique called cellular reprogramming, which you can use to rejuvenate stem cells.

I don't know which of those it will be but perhaps that'll be the next step. And then the question will be once you got rid of your senescent cells, and you now have plenty of cells to replace those cells, what's the next thing, and the next thing. And that's sort of the slow process by which you're going to chip away at the phenomenon of aging, and improve all of our health] later in life.

Larry Bernstein:

Our audience are not scientists, and yet we are desperate to improve our health, reduce morbidity, and delay mortality. And each week on What Happens Next I try to bring in speakers to talk about various aspects of it. So, a few weeks ago, we had an episode on nutrition, for example, with Dr. David Katz formerly of the Yale Nutrition Program. He talked about how, if you ate a proper diet, it would significantly increase/extend life, sometimes by more than decades.

Larry Bernstein:

Diet is something we can work on right now. Your other suggestions of where science is going is obviously fantastic, but I imagine it's in combination with good diet and exercise as well. How should we think about diet as part of this arsenal?

Andrew Steele:

I've already been energized to follow basic health advice by writing this book, and that's for a few different reasons. I've got a chapter of health advice in the book, actually. And some of it is surprisingly basic. It's things like making sure you get a good balanced diet, eating a variety of different things, trying not to eat too much of that, so you can maintain a healthy weight. It's like very approximately, a BMI between 18 1/2 and 25. That's if you divide your weight by your height squared. Get that number and you try and keep it in that healthy range.

What I found was it's very hard to give highly prescriptive dietary advice. One of the most fascinating results in aging biology is this idea of something called dietary restriction. And where, in fact, we've learned about this since the 1930s. The first experiments were doing rats. They radically cut back the number of calories while making sure they got adequate nutrition in every other way, so all the relevant vitamins and minerals.

And what they found was that those animals lived about half as long again than animals who were eating what they liked. And so, there's this fascinating idea that perhaps if we all dramatically cut back on our calories, we too could live longer in good health.

Unfortunately, the picture's a bit complicated. It's not entirely clear that that's going to work in humans. However, I think there is, as your previous guest said, a huge scope. You know, optimizing our diet, and making sure you try and get half an hour of regular exercise a day, not smoking, all of these things that your mother could have told you. And they can literally add 5 or 10 years to your life, which is incredible. And the first reason that writing this book has made me much more excited about that is just because you begin to understand that lot of these things are literally slowing down the aging process. That's not an exaggeration.

It's not as though you're deferring one particular disease or something like exercise, you can really imagine how that improves your heart health. But actually, exercise can reduce the chance of many kinds of cancer as well. And it can even ward off dementia and cognitive decline.

That's just this incredible breadth of these interventions to improve your health in so many different ways. That's the first reason I was really excited. Understanding a bit about the biology, it shows you how powerful these things are.

And secondly, because these treatments are on the horizon, like I said, Senolytic drugs, they're probably 5 or 10 years away. We've got other drugs that are repurposing existing drugs. There's a diabetes drug called Metformin that's currently being tested to see if it can slow down the aging process.

These things are going to be available soon. And so, if you are alive and healthy enough to take these treatments at the time when they're developed, you could potentially stand to benefit and live a little bit longer. And what that means then, is that you live a little bit longer again, as the scientists develop more treatments. Because there's this real sort of virtuous circle, a

positive feedback loop. The longer you keep yourself healthy and alive, the more of these treatments you can benefit from.

So that's just two reasons why understanding a bit about the aging biology, like how this health advice impacts on it, and its potential for the future has just really reinvigorated my passion to try and stay healthy

Larry Bernstein:

One of the experiments that you discussed in the book was literally combining two mice; one an older male with a younger female, where the blood supply was shared. And what you noticed was a rejuvenation in the older male mouse. Why do you think that that is? And are there lessons to be learned from that experiment that could extend human life?

Andrew Steele:

I think the first lesson which will come as a relief to any younger listeners is that the conclusion for humans is not going to be that we need to sew old and young people together to try and benefit the health of the older person.

I think the most exciting thing about this is that it demonstrates that the cells inside an old mouse aren't in some irreversibly decrepit state. One of the experiments they did on the older mouse is they make a very small injury in the mouse's muscle. And they found that an old mouse attached to an old mouse or an old mouse on its own, heals more slowly than an old mouse attached to a young mouse. And so, it's as though that young mouse, by some mechanism that's not... It's hard to put your finger on... is rejuvenating the power of those cells to regenerate. It's improving the healing of the muscles, and it actually improves the brain, and the heart, and all kinds of different parts of the body. There's clearly something going on.

Those early experiments, where you sew two mice together, apart from the fact they sound quite Frankensteinian, the other reason that they're not so widely done anymore is because there's sort of a proof of principle. Because it's really hard to work out what the effect is in that particular case. Because when you've got an old mouse sewn to a young mouse, it's not like they're just sharing blood and suppressing some chemistry in the blood that's slowing down the aging. The old mouse is also benefiting from the young mouse's kidneys and liver, which are filtering any toxins out of the blood. It's benefiting from the young mouse's heart and lungs, which are giving it a nice fresh oxygen in the blood supply.

But even that, when I spoke to scientists who are doing some of these experiments, or had done them in the past, they said that because the old mouse is attached to the young mouse, young mice tend to run around a lot more. So, the old mouse gets dragged around on this enforced exercise program. And as we were just discussing, exercise is incredibly good for your health in a variety of ways. So, what's really sort of, these first results came out in about 2005, that really showed this conclusive, it seemed to be rejuvenating themselves. And since then, scientists have looked at just swapping the blood between the two mice. And now we're trying to get more advanced and understand which factors in their blood might be driving those changes, to identify individual chemicals.

There have been some experiments that have been done in humans, we have to get inconclusive results, that has to be said. There are also private companies offering transfusions of young people's blood for inordinate sums of money. Again, there isn't really a huge amount of evidence that that's going to work. The more exciting thing is that we're going to delve down into the molecular, nitty gritty of what's going on here. Find the factors that go up in old blood that we want to try and remove, try and find the factors that go down in old blood that we might want to try and add a little bit more of. And then hopefully we can bring the body a bit close to that youthful equilibrium, reinvigorate some of those stem cells, and hopefully reverse the aging process in that way.

Larry Bernstein:

In other episodes of What Happens Next, we had Nobel Prize winner, Angus Deaton speak. And what he highlighted was, for the first time in modern history, the United States mortality rates have actually worsened. And I suspect it's because we've been eating more, exercising less. And we hit a down tick. And from that, we had another speaker Dietrich Vollrath, an economist at the University of Houston. And he spoke about the fact that, although we're spending more and more money on healthcare, we're not getting much marginal improvements in outcomes. But what you're talking about is not sort of a linear improvement in aging, but a non-linear acceleration in extending life and reducing morbidity, something totally outside the bounds of what we're looking at. Why are you so optimistic? Why haven't these ideas of optimism taken hold in the scientific community? Why are you so excited, while the rest of the industry so concerned?

Andrew Steele:

I think the excitement around aging biology is just starting to take off and it's taken an incredibly long time. I looked back over the history of the field when I was writing my book and it's hard obviously to write a narrative about the incredibly complicated direction of thousands of scientists over many, many generations.

But the feeling I really got was that, originally aging was seen as this incredibly complicated and actually slightly boring process because we know that our machines, they wear out, they fall apart and they rust. So, it was just sort of seen as this gradual inevitable process of degradation. It wasn't really that interesting to study biologically. And when scientists started to investigate the evolutionary causes of aging. So why is it that animals, survival of the fittest? Why would animals that have evolved, grow old? How is it fitness optimizing to degenerate in late life?

And basically, that sort of short version of those theories suggested it's probably a huge combination of different things. There might be hundreds of thousands of different processes driving aging. And so again, scientists just thought this is irreducibly complex. It's not that exciting.

But we got to a point in the early 90s when we can make single gene, single DNA letter alterations to a nematode worm. And that's this tiny millimeter long organism. It's often used as a sort of test that's an experimental subject in labs. And that single genetic change could double its life span. And suddenly that was a lot more exciting because previously scientists had

thought it's just something that's impossibly complicated. There can't possibly be a single gene you can change that will affect the course of aging. And we've now got single genes where you can intervene and change a single DNA letter.

And you can multiply the lifespan of a worm by a factor of 10. And we can all say, yeah, this is fairly significantly increased the life span of mice by genetic changes as well.

So suddenly this gave scientists a whole new toolkit and they could actually do these experiments in the lab. They weren't impossibly complicated. And having got to that stage, there was a bit more excitement in the field, but the problem was still, there's still a huge issue in biology that a lot of biologists thought it was this impossible problem. And that means it's very hard to get critical mass because I think about my own career, and I think about the career of the people around me when I worked as a computational biologist. I came in as a physicist. I often knew more than my colleagues did about aging biology.

And this isn't because I'm some kind of genius, absolutely not the case. It's just because I've done a bit of reading about it. And I'd speak to someone who'd got an excellent degree in biochemistry, from one of the UK's top universities, and he literally hadn't had learned about aging biology. My wife's a doctor and they talked about aging in her medical school, but they talk about dealing with older patients, they talk about how to cope with patients who are on lots of different drugs or have difficulties in their social life at home because of their age. They don't talk about how we can use drugs and other methods to intervene in the aging process. And I guess it's rarely up to doctors because we haven't got those drugs yet, nothing she can prescribe today. But there might be in five years' time, it's certainly relevant to her career.

But I think it's just this vicious cycle. Because if you don't learn about it as an undergrad, you don't have a lecture on it, it's not in your textbooks, you don't want to do a PhD in aging biology. And once you've done your PhD in something else, concept biology or biology, you're going to continue in that path for the rest of your career.

So, when you're a professor giving a lecture to your own students, you're not going to infuse them with excitement about aging biology either. You're going to tell them all about cancer research or whatever it is you work on. And the fact that the field is small, can be the sort of self-perpetuating cycle. It makes it hard to get a job if you're a PhD, if you're a postdoc therapy. That's this uncertain cycle perpetuates. I actually think it's not based in science. My optimism is because we've got these, as I said, dozens of different ways that we can slow and reverse aging.

This is real. There are people doing really amazing work at top universities, pharmaceutical companies are starting to get interested. We're finally seeing billions of pounds of venture capital and private equity come in and try and get biotech companies that are working on this stuff.

I think we're really on the cusp of a revolution. That's why I'm so excited. I think it's just a question of spreading the word. We really have to tell scientists; you stop what you're doing and work on this. This is very, very exciting, it could change the world. I tell doctors, this is an emerging field of new medicine. We need policymakers and representatives. I love people to write to their professors, write to their senators, give them a call, tell them that this is such an exciting process. This is real science. We have to invest in it because I think we just got to get that ball rolling and we can start see the incredible non-linear change we discussed.

Larry Bernstein:

My last question for you, Andrew, relates to Alzheimer's and dementia. As we get older, we all seem to recognize that we're a little bit slower in word retrieval, memories, particularly short-term memories, and other elements of mental decline. The idea of living to 110, but having Alzheimer's, doesn't appeal to many people. How is the same science applicable to Alzheimer's and dementia, that we can be optimistic to have not only a long life, but a fruitful one?

Andrew Steele:

I think this is a really, really important point in general. I think when you talk about treating aging, well, a lot of people imagine this, but you're going to get to 80. Then you're going to, maybe you'll live to 120, but you'll spend your last 40 years in a decrepit state in a nursing home. But absolutely isn't what is likely to happen. Because the fact is, the reason that you die, and this is going to sound incredibly basic, but the reason that you die is because you get ill, people don't die of old age, it's a sort of myth that you can just pass away in your sleep, aged 87, you go to bed basically fine, you just don't wake up the next morning. But actually normally, it's an extended battle with cancer, it's an extended battle with heart disease, it's a gradual loss of your memories, your personality, to something like dementia.

And so finally, one of these diseases becomes severe enough to take your life. But what's really optimistic about aging biology, and actually why I think it might be easier to treat aging than it is to treat something like dementia or treat something like cancer which obviously we've been struggling to do for decades, is because these fundamental underlying processes are behind all of these different diseases although it varies, to what extent, which ones the most major in which diseases or which parts of the body, the fact is that senescent cells are behind, they're partially responsible for everything from cancer to heart disease, to cataracts, to cognitive decline.

All of these different aspects are dealt with by this one more fundamental cause I'm going to hesitate to say root cause after my answer earlier. But the fact is that because we can address these more fundamental causes, we can not only prevent multiple diseases at once, but also in a way that modern medicine might go in and... it works in silos, you get cancer, you go to a cancer doctor, your cancer doctor doesn't really care about the health of your heart, and can't give you anything that will improve both your cancer and your heart health.

But if we could give you a drug that would slow down, or reverse, we could reduce your risk of cancer, we can reduce your risk of heart attack, and rather than trying to pick up these diseases one by one in an aging body that's been ravaged by time, we can potentially slow down the whole process at once. And that means that we're going to get less cognitive decline at the same time as we're going to get less heart disease, same time as we're going to get less cancer, at the same time, we're going to get less frailty. We're going to be more active in our later years. We can play with our grandkids now, our great grandkids or just get around the house. Things like incontinence or impotence that we don't necessarily give a clinical diagnosis, but are nonetheless embarrassing inconvenient changes. These are all essentially caused by these same underlying aspects of the aging process. And that's why I'm so excited about teaching this, this

isn't just about extending frail life. This isn't just about treating one disease. It's about essentially making us younger for longer.

Larry Bernstein:

Andrew, thank you very much. I do encourage listeners to check out Andrew's book, *Ageless, The New Science of Getting Older Without Getting Old*. It is packed with interesting ideas, but it's available for the layman to understand and appreciate this exciting new science.

Andrew, thanks again for joining us.

Larry Bernstein:

All right. We're going to discuss the doubling of the IRS budget. What will this new IRS staff and enforcement team do to raise revenue from wealthy Americans. Biden thinks the IRS will likely to raise \$700 billion of additional tax revenues. We're going to start today's discussion with Phil Ryan, who is the founder and partner at the accounting firm, Ryan & Juraska.

Phil Ryan:

Thanks, Larry. I'd like to talk about four areas. The current IRS, the additional funding, IRS audits in general, and future reporting requirements. Some of the numbers that I will talk about compare the current IRS with what we had 10 years ago, in terms of tax returns, that in 2019, the IRS processed roughly 154 million individual returns, over 2 million corporation returns, 12.25mm flow through entity returns. And by flow through entities, I mean subchapter S corporations, partnerships and trusts. These entities do not pay tax. The income flow flows through to the individual shareholders, partners, or beneficiaries. This compares with 10 years ago, where 141 million individual tax returns were filed 2mm corporations and 10mm flow through entities.

If we look at the IRS personnel, there's great concern here on the part of the federal government. The IRS lost a net of 15% of its employees between 2010 and 2020. They lost 30,000 full-time positions in this period. And these were in areas of enforcement and criminal investigation.

Now the IRS has about 78,000 employees. The agency projects, that 31% of the remaining workers will retire within the next five years. What you see at the IRS are aged employees; employees not too far from retirement. The good news, I guess if you're a taxpayer, is that the IRS audits 0.45% of personal income tax returns. The year before in 2018, it audited 0.59% of individual income tax returns. If you compare it to 2010, that statistic was 1.1%. So basically, the IRS is auditing 50% fewer individual returns than they did 10 years ago.

But the bad news, if you're a higher income person, is that the IRS audits 9.26% of taxpayers that report more than \$10 million.

This is the lowest percentage of audits in the last 40 years. And the corporate side, the IRS audits about 0.97% of corporate returns. And in the IRS operational audits, they have two types. They have correspondence audits and field audits. Correspondence audits are where the tax payer receives a letter asking for verification of income and also deductions, and 26.2% are

field audits. Field audits are what we seem to all remember where the IRS comes into your business or your representative's office and reviews accounting records, financial records.

Together in the last year generated \$17 billion in those audits. But there's a third type of audit. And that's the automated reporter program. That generated \$6 billion. And that has to do with the IRS's matching program. What the IRS has done well over the last 20 years, is matching 1099 Bs which are from brokerage firms, 1099 Is, which is interest income or 1099 Ds, which are dividend income or schedule K1, which is a partner or shareholders income from a flow through entity.

These audits are not people intensive and are very efficient. And in a minute, we'll talk about additional reporting the IRS is proposing through the refunding bill for the IRS.

The IRS spends less today on tax compliance than we did 10 years ago.

In 2019, it took 33 cents to collect \$100. And in 2011, it took 51 cents to collect \$100. The IRS opened about half as many criminal investigations in 2019 than it did in 2010. Another tremendous problem the IRS is having is antiquated technology. Their technology was developed in 1962. They use a programming language that is no longer taught. They have a data platform that's highly complex. It's hard to maintain. And one of the greatest risks is about half of the people that support this antiquated system are eligible for retirement.

Now let's talk about the additional funding. As Larry shared with us, that it's been proposed that funding be increased by \$80 billion. The 30 billion of that funding boost would pay for technology upgrades. The lion's share would go for enforcement. The congressional budget office has said the \$20 billion of enforcement would yield \$60 billion more in revenue. That's somewhat questionable.

The IRS has based their statistics on a paper done by John Guyton and four other people. And that paper indicates that a very large percentage of high-income people, 36%, account for the tax gap. The tax gap being the difference between taxes owed to the government and what they actually paid.

They base this on the results of random audits. And random audits, there's sometimes called information audits. In the 80s they were called tax compliant measurement program audits. But they are audits that are done randomly for the sole purpose of developing a model that would help the IRS pick taxpayers to audit.

But in this paper, the writers use, what's called detection control estimation, which increases the collected underpayments by three times. And their justification for this is that if the taxpayer's audited, especially if it's a recently hired IRS auditor, chances are that they will not be able to capture all of the unrecorded income or expenses that should be non-deductible.:

There's another paper that was written by Gerald Lawson and Dave Splinter that take exception to this detection-controlled estimation formula, or referred to as the DCE calculation.

If the \$80 billion increase in the IRS budget is passed by congress, you will see 87,000 new IRS employees by 2031. It'll roughly double the agency's work force. Now let's talk about IRS audits for a minute. We have really three types. We have the compliance research audits, I just mentioned, which the objective is to just collect data, though if you're the taxpayer and you go

through one of these audits, I can assure you if there's an adjustment, the agent will make it, whether it be that you overpaid taxes or you underpay taxes. Then there's just the regular operational audits that we talked about. And then there's the automated under-reporting programs, CP 2000. And this is the matching program of 1099s and K1s to the individual returns.

Now where's the IRS going? In the IRS's studies, they found that only 1% of wages were under-reported. They came up with the number of pensions, interest in dividends, only 5% are under reported. Partnership income and capital gains, 17% under reported. Rents and sole proprietorship income were 55% under reported. If you look at these statistics, you can focus on wages, pensions, interest, dividends, partnerships, and most capital gains are reported on third party reports. 1099s or K1s.

The focus of the IRS has always been on fraud. That what every agent, when he starts an operational audit, he goes through an audit program that tries to determine the likelihood of fraud for this particular tax payer. And one of the areas that has been a focus of the IRS, is offshore bank accounts.

If you have an offshore bank account, you're required to check a box to say that. If the bank account is over a certain level, you have to file what's called an F-file return, which is just an information return. Starting in 2008, the IRS created a program called OVD, and that's offshore voluntary disclosure. If you had an offshore bank account, which you did not report a US tax return, you can voluntarily make the disclosure, and you would pay the back taxes, you would pay the penalties and you would pay the interest, but there would be no criminal ramifications.

Larry Bernstein:

Phil, let me cut you off there. Let's go on to our next panelist, which is Tom Durham. Tom is a retired partner at Mayer Brown. He has focused his career on IRS controversy.

Tom Durham:

I try to stay out of Facebook arguments, but one that I can't resist, is when seemingly educated people claim that the rich don't pay taxes, and that their tax rates need to be increased, particularly back to the levels of the 1960s, when they were 90% or 70% through much of the 60s. And I hear these arguments from some of my old college professors who ought to know better if they were educated on the topic. And I try to intervene in these sometimes because I try to increase the level of the discourse, but it doesn't work very often.

The truth is that over the last 40 years, the so-called rich have paid an ever-increasing share of taxes. And the lowest 50% of income earners have been virtually released from any tax obligations, the lowest 50% of the income earners pay next to no income tax. And most of my time here I'm going to be talking about income taxes, and not necessarily including the payroll taxes.

When I was a young tax lawyer back in 1980, one of my first assignments was figuring out whether the then top rate of 70% applied to book royalties, because that was the top rate back then. And a lot of my work during the 1980s was with various tax shelters that people use to

lower the rates, but those have, for the large part, been eliminated over the years. The tax rates have been as high as 90% back in the early 1960s.

But very few people paid at these tax rates, and really almost no one did. In 1962, the IRS statistics indicate that only 447 returns out of 71 million paid taxes at the 90% rate. And since 1980 as rates have fallen, actually the rich have paid an increasing share of income tax. And this has come from broadening of the base and elimination of many deductions that people used to be able to claim, since 1980 the interest deduction has been eliminated, except of course, for mortgage interest and investment interest under some limited circumstances. Charitable tax deductions have been reduced. Personal deductions have been reduced and phased out, and there has been an increasing broadening of the tax base, and so much so that our tax code, most people don't realize this, is much more progressive than most countries. In fact, it's probably the most progressive tax code in the world.

And there are some statistics which can be cited to prove this out. In 1980, the top 1% of income taxpayers paid approximately 19% of the total share of US income tax. And by 2018, that doubled to over 40%, so that the top 1% of income earners now pay 40% of all income tax collected. And on the other end of the scale, in 1980, the lower 50% of income earners paid 7% of the total share of all tax.

In 2018, and that's the latest year for which we have figures, that had been reduced from 7% down to 2.9%. There was a very interesting graph in the Wall Street Journal, it was on May 12th, 2021, and it was in an article written by Phil Gramm. And it published a graph showing the statutory marginal income rate, beginning up at 90% in the early 60s and coming down over the years, and this graph compares the marginal tax rates to the shares of income of their individual incomes paid by the top 10%, top 1%, and the bottom 50%.

This graph includes payroll taxes. So, it's a little bit different. And in particular, it shows the lowest 50% being a little bit higher amounts of tax than what I've given to you earlier. But what the graph shows is that the top 1% and 10% have paid an ever-increasing share of their income to taxes over the years.

It hit a high point around 2000 when Clinton tax increases had kicked in and the Bush decreases had not come out yet. But the line shows an ever-increasing trend through the years. While the bottom 50% pay about the same rate that they've always paid, but much of that is payroll tax.

And through these years, ever since 1980, the taxes as percent of a GDP, remained about the same, they roughly bounce around between 16 and 18% of GDP. And there's been a long historical trend of ever-increasing taxes on the so-called wealthy.

And one of the big issues that we face right now is, can Joe Biden change this? And he needs to change it significantly if he's going to get more income for his program. And what the statistics that I told you about, is that the truth is that most of our untaxed income is that the middle class. In the Scandinavian countries, the tax revenue percentage of GDP is north of 40%. And it's about half of that in the United States. Now, the Scandinavian tax rates are much lower than ours, but those rates extend deep into the middle class so that those in the top 50% are usually paying close to the highest marginal rate.

Now to paraphrase Willy Sutton, the middle-class is where the untaxed money is. It's going to be an interesting question of whether Biden administration is going to be able to reach into

that middle-class income bracket to increase rates on them, because there's a pretty good argument that the rates have reached their maximum possibilities on the top 1%, top 10% and even the top 25%.

Larry asked us what we're optimistic about, and I continue to be pessimistic over the low state of discourse in this area, because most people really don't understand the system, but I'm optimistic that there probably are going to be minimal increases that can be supported on higher earners..

Larry Bernstein:

We're doubling the IRS budget. Historically, you spent many years defending taxpayers for various types of tax shelters, re characterization of incomes between capital gains and ordinary rates, and other aggressive tactics that taxpayers have done. You mentioned earlier that a lot of those shelters have been closed. What do you think the IRS is going to go after among individual taxpayers to get some of this \$700 billion in revenues?

Tom Durham:

Well, I have a hard time figuring that out. Phil mentioned that their offshore income was a big issue, around the time I retired five or six years ago. That was a very big issue. There were enforcement amnesty programs against people with offshore income, and through increased cooperation with some foreign countries.

I think that's probably no longer a very viable source, at least for most people who don't want to take those risks. I have a hard time figuring out where the tax gap is going to be on the upper-income people, which I think is sort of what the same thing as Phil was saying. With increased information reporting on 1099s and so on and partnerships, et cetera, I don't think that there's a huge pool of untaxed or unreported income out there. I mean, there is certainly some, but I don't think that there's going to be a huge amount out there. My doubt is one of the things I think Phil also mentioned, is Bitcoin, either some of the crypto currency, possibly that's going to be an area of exploration, but I'm not convinced there's going to be a huge amount.

In the 1980s, 1990s, there was huge amounts of tax shelters and some of those were quite legit and worked, some of them didn't. When those were audited, the ones that didn't work produced additional income. I'm just not sure that there's a lot of low hanging fruit for individuals these days. It's going to be interesting to see how that develops over the next few years,

Larry Bernstein:

Let me bring Phil into the conversation. Phil, you've done tens of thousands of tax returns over the years. Now that there's all this excellent reporting to the IRS, do you see in the returns that room for the IRS to find income?

Phil Ryan:

No. No, I think there's very little. I tried to point out that on the third-party reporting that the IRS has what the financial institutions say you made in interest or dividends. I would want to reconfirm what Tom has said. I think one of the focuses in the future will be virtual currencies. And that in the Biden plan proposed comprehensive financial reporting so that every financial institution will report to the IRS that for each bank account, what your total deposits were for the year and what your total disbursements were for the year. That would go into effect in 2023, if it passes Congress.

Larry Bernstein:

Did you just say that the IRS is going to get your bank accounts and go through with a fine-tooth comb using some computer, using machine learning or whatnot, and on that basis, they're going to try to audit you? Is that what you're saying?

Phil Ryan:

The proposal, Larry, is not for the 12 monthly statements, but that the IRS would get a number from your bank that would be your total deposits for the year and then your total disbursements for the year. What they're looking at is sole proprietorships, basically that they want to make sure that all the income that goes into the bank account shows up on their Schedule C because that's the tax form a sole proprietor would prepare.

Larry Bernstein:

Let me try to rephrase what you just said, Phil. I think what you're saying is, look, for an individual who gets a W2 and gets a 1099 from his broker and bank, there's nothing to do here. We're just copying the numbers right in the form and there's really very little chance of raising a fraud or raising additional tax revenues. But for those individuals who own and operate their own business and fill out their sole proprietary statements and use that to generate a tax return, that may be more open to under-reporting of income. Those were the sort of numbers you said, where there were 17% of sole proprietors were under-reported. They want to dig into those sole proprietors.

Phil Ryan:

Yeah, Larry, 55%, according to the IRS.

Larry Bernstein:

These sole proprietors are maybe a scope for enforcement. What kind of businesses are those that they'll probably be going after? Are those restaurants, doctors' offices, and law offices? What do you suppose that is?

Phil Ryan:

Any business that would deal in cash. I'll give you an example, marijuana businesses. Marijuana businesses can only deal in cash because under federal law, the banks can't service their

business. Restaurants, people, tradesmen that do work that could be paid in cash. But again, we're talking not about material amounts. I mean, we're not talking billions of dollars here.

Tom Durham:

Yeah, I agree with what Phil just said. Most of these Schedule C businesses are not going to be material amounts in reference to the goals that Biden has stated. There are just not hundreds of billions of untaxed income generated from these types of businesses, which is where I'm just not sure where this tax revenue is going to come from.

Larry Bernstein:

As someone who's been audited in the past, the audits can be very annoying and very time-consuming.

Tom Durham:

Yes.

Larry Bernstein:

Your sense is that with greater and greater numbers of audits, how should taxpayers prepare themselves for this onslaught of audits, which may or may not generate any revenue at all, but will definitely be a waste of time? Should we be working on our own recordkeeping? What thought process should we have in terms of interacting directly with the IRS, either through our agents or directly, in terms of trying to minimize the waste of time?

Tom Durham:

It's always good to have your ducks in a row and to have your records prepared well, both so you can do your return and for the future. It's a pain, obviously, but it's a good idea, especially for people who think they may have some issues, to have their records organized well, to make sure they're accessible, in a logical form, because that will speed things up when the audit comes. I think it's of increasing importance to have those prepared and ready.

You know how time consuming this is too, which is another reason why I'm just not convinced that there's going to be that much money resulting from this. The new plans mean that there's going to be thousands of new agents who are going to be less skilled than prior agents and are probably going to take more time to perform an audit, and sometimes there's not going to be that much money at the end of the tunnel. I'm just not sure where all of this is leading.

Larry Bernstein:

There's a lot of thought when the auditor gets there, I imagine he's under a lot of pressure to find something. Even if you find something that may be not true, sometimes it's better just to pay the guy off and just get him out of your hair. To what extent do you think this is going to just be, "Come in, look at whatever you want. You don't understand what you're doing, but fine, do you want a few thousand dollars? Here you go, just get out of my hair. I don't think I owe that money, but so what?" Would that be the more common response to all this?

Tom Durham:

I think that's possible. There may be pressure to do audits more quickly and try to close them out without collections. I'm not sure about that, but I think it's certainly a possibility.

Larry Bernstein:

Phil, what do you think?

Phil Ryan:

In any IRS audit, the agent starts out looking for fraud. Then he gets into income and deductions. There's a point where he has to justify his time. If the agent doesn't see a pot at the end of the rainbow, he's going to try to cut it off either with a no change or, Larry, what you're suggesting is that he questions a \$2,000 expense and your representative says, "Fine, just disallow the \$2,000 deduction and let's move on."

Larry Bernstein:

Do you think that's the future, what we're talking about here? Just a lot of those minor quibbles? And if so, how time consuming would that be for taxpayers?

Phil Ryan:

Well, it is going to be time consuming because the agent, he has an audit program that he's going to go through. Maybe 80% of the audit steps that have nothing to do with their particular taxpayer, but that he'll still go through them and so it'll still be time consuming. I have to go back to something Tom said and something that preparing for this presentation I've concluded. The numbers that people are throwing out in terms of unreported income for higher income people are ludicrous. I mean that they're not there.

Tom Durham:

I mean, I certainly agree with Phil on that. I was a partner in a law firm for many years where we had high incomes, and to the best of my knowledge, partners in this firm were not doing anything fishy. We were all paying the high tax rates and all grumbling about it.

Phil Ryan:

Especially today, with third-party reporting.

Tom Durham:

Yes, yes.

Larry Bernstein:

Why do you think that the Biden administration decided to double the IRS budget? It was not something that was talked during the campaign. Why do they think that this is such an opportunity for generating revenues if both of you guys think that there's nothing there? What got them excited?

Tom Durham:

Well, as Phil has mentioned, there has been a reduction in the high-risk budget over the last 10, 20 years, so it probably needs to come back up. I've been talking to IRS people over the last 20 years and they all felt the cuts in a lot of ways and complained about it, so I think that there is some underfunding. As Phil mentioned, their computer systems are a mess. I once had a trial where the issue was whether certain computers were state-of-the-art or valuable or not. We found an expert witness who testified that this particular computer was the most common computer in the IRS system, and the IRS lawyer stipulated, he said, "Well, I'll stipulate that our computers are worthless." Their computer systems are very, very much behind the curve. They need to be fixed, especially with all of this new reporting requirements. I think it'll make it more efficient. They are aging out. I think there's a number of reasons why it's logical to think that there needs to be an increase in the budget, but I continue to believe, as Phil said, it's just not going to produce that much extra income.

Larry Bernstein:

Well, thank you very much to both of you. We're now going to go onto our final panel on US-Chinese relations as it relates to the South China Sea and to predicting any escalation in disputes between the two countries.

I would like to introduce our next speaker, Sebastian Strangio, who is an Australian based journalist. He is the author of the book *Dragon's Shadow: Southeast Asia in the Chinese Century*. Please go ahead, Sebastian.

Sebastian Strangio:

In 2012, Xi Jinping acceded to the leadership of the Chinese communist party with a promise to lead a great rejuvenation of the Chinese nation. In the years since, he has tightened control at home, reasserting the position of the Communist Party at the center of the country's political and economic life. At the same time, he's flexed China's muscle abroad, casting off Deng Xiaoping's sage advice that China should hide its capabilities and bide its time.

China's increasing ambition and assertiveness have become a subject of concern in Washington, DC and other Western capitals. A few nations stand so exposed to China's growing power than the 11 nations of Southeast Asia. Five of the regions' countries dwell directly to China's south. In recent years, these countries have become bound tightly to their Northern neighbor by a new network of highways, railways and oil and gas pipeline that smashed through what was once an impenetrable barrier of mountains and forest.

On the upper Mekong River, Chinese dams have choked off the flow of water to downstream nations in Southeast Asia. Threatening one of the world's great waterways and giving the power of life and death over tens of millions of people living downstream.

Meanwhile, seven Southeast Asian nations are faced with the reality of China's rapidly growing Naval and maritime power. This includes the large flotillas of Naval and maritime militia vessels that are routinely dispatched to assert China's expansive claim to the South China Sea, which are opposed by Malaysia, Vietnam, Brunei, and the Philippines. It also includes the massive fortresses built on reclaimed islands that China has erected in parts of the disputed waterway.

As these developments indicate, Southeast Asia is central for China's goal of reclaiming its former status of the superpower that was lost during what many Chinese view as the country's century of humiliation at the hands of the Western empires and imperial Japan. The region straddles the crucial maritime trading routes that grant Chinese goods access to the global market. And also bear to China, the imports of Middle Eastern crude oil that keep its economy raging.

In many ways, Xi Jinping's road to national rejuvenation runs directly through the mountain passes and island straits of Southeast Asia. To the governments of peoples in Southeast Asia China is nothing new. For more than a millennium, the two regions have been bound closely together by commerce and tribute, as well as the large-scale migration of ethnic Chinese who have contributed greatly to the social, cultural and commercial life of the region.

However, China's current power is quantitatively different from the past. One result of its growth and wealth and power and the rapid development of infrastructure, has been to collapse the distance between China and the nations of Southeast Asia. Whether in the rugged borderlands of mainland Southeast Asia or the burnished expanses of the South China Sea. China, its people, and the power of its state are now closer to Southeast Asia than at any point in recorded history.

For Southeast Asian nations, this has been very much a mixed blessing. On the one hand China's rise has been a subject of unsurprising concern. It has reawakened dormant memories about China's past actions in the region, particularly its support for communist insurgencies across the region during the Cold War.

It has also prompted concerns about debt, about the negative social and environmental impacts of large-scale Chinese infrastructure projects, and about the arrival of large numbers of Chinese workers and business people in the region. A perennially sensitive question for many Southeast Asians.

Yet while it is common in the United States to hear China described as a threat to freedom on a global scale, Southeast Asian views are more complex and anguished. Over the past four decades as China scaled down its support for foreign communist parties, it has become a leading economic partner of every nation in the region.

Despite its authoritarian political system, it is also a convenient economic partner and political patron, able to offer significant amounts of financing for infrastructure and other development projects, untethered from the good governance and human rights conditions often attached by Western governments and institutions, like the World Bank.

Perhaps the greatest concern for Southeast Asia is the extent to which the rise of China has ushered in a new period of strategic turbulence, as the United States and its allies take increasingly assertive actions to contain Beijing and curb its ambitions. As tensions between the US and China increase, Southeast Asia once again finds itself at the center of a heated strategic economic and ideological competition.

China's rise has posed each of the nations of Southeast Asia with a similar challenge. One that could later be faced by many other small nations as Chinese power continues to grow. How to benefit from this new power's economic growth without compromising their sovereignty, or being drawn into making all or nothing choices between China and the United States?

But each nation has gone about this differently, in line with patterns of historical interactions with China, as well as the vicissitudes of domestic politics. My book examines how the question of China's growth and the challenges it poses, have been refracted through each nation's particular history and experience of relations with China.

In general, the rise in tensions between the US and China has added an additional complicating layer to Southeast Asia's ability to maintain a judicious strategic balance between the two super powers, with which the region enjoys close security and economic relations. Yet, for centuries Southeast Asia has been the crossroad of empires of superpowers and has long experience in managing such challenges. Indeed, arguably few regions are better equipped in terms of their history and strategic culture to preserve their freedom of maneuver in this new age of superpower competition.

Larry Bernstein:

We spoke with Rory Medcalf, who is the Dean of your Australian Naval War College. And he highlighted that in order to tame Chinese power, there would be four countries: India, Australia, the United States and Japan. Why did you decide to focus on the smaller, more peripheral players?

Sebastian Strangio:

Lying at the pivot of the Indo-Pacific, is the region of Southeast Asia: 11 nations of varying size and level of development, representing a vast diversity of cultures and languages and histories, and this region, given its geographic location, is bound to be central to any strategic competition between China and the United States, as an arena in which China and rivals, like the quad countries, will play things out.

Southeast Asia is a region of small nations. And it's a fragmented region in which Chinese strategists have long seen that they could extend their power. We're going to see in the years to come increasing competition between China and the quad countries.

Larry Bernstein:

I did a book club with Victor Cha, who's a Georgetown professor. And he tried to answer the question, why does the United States have individual alliances and relationships with each Southeast Asian country, as compared to in Europe where we have one large NATO European organization?

Cha thought that the Americans were much more concerned about actions by an individual Asian power that would result in the United States being forced into war. What I thought was interesting was in your chapter when the Philippines was considering its military alliance with the United States, it was more worried about being brought into war in Asia caused by the United States coming to someone else's help, than about China going after the Philippines. How do the individual Southeast Asian countries think about being dragged into conflict?

Sebastian Strangio:

There's a strong desire for a robust American presence in the Asia Pacific as a counterweight to China's growing power. But at the same time, the nations of the region are quite uncomfortable with any prospect of an armed conflict between the two sides.

The framing of the conflict as this ideological struggle between freedom and authoritarianism, strikes a lot of people in the region as a concern. As it's positing a situation in which countries might have to choose sides. Every nation in the region engages in huge amounts of trade with China. And it's not an exaggeration to say that China is central to the economic health of the region and its future prosperity.

One of the reasons that the Southeast Asian version of NATO, the Southeast Asia Treaty Organization, established in the 1950s, never really got off the ground, is that the region did not want to be bound into an alliance structure that would oblige it to take part in an armed conflict.

Larry Bernstein:

How should we think about China's lack of interest in human rights and the limitations it puts on US actions in the region because of our fundamental desire to maintain democratic norms?

Sebastian Strangio:

Well, the general view in Southeast Asia, at least at the government level, is that Western pressures related to human rights and good governance are often hypocritical and condescending.

I think that references to human rights and lecturing other countries about how they should conduct their affairs, teases out the anti-colonial reflex that exists in many parts of Southeast Asia. These nations fought in some cases through armed insurgency to throw off the yoke of Western empires in the middle of the 20th century. And the idea that foreigners preaching free trade and the rights of man. They came in the 19th century using many of the same arguments as a justification for the colonization, the conquest of the region.

China is practical and doesn't lecture nations about their government actions, and it sort of states that whatever a country does within its borders is its business.

It's hard to describe any nation in the region as a consolidated liberal democracy. And you do have electoral democracies, like Indonesia and the Philippines, that have increasingly illiberal characteristics. And then you have one-party states, like Vietnam and Laos, an absolute monarchy in Brunei, and countries that are sort of semi-democratic that hold elections but that manipulate using the legal system to ensure that favored elites remain in power, countries like Thailand and Cambodia and, in a slightly different way, Singapore.

Larry Bernstein:

In the book, you discuss the fact that there's 35 million ethnic Chinese across Southeast Asia. Yet, oftentimes this results in friction between local populations. How do you think about how China views its ethnic Chinese in these other countries? And how is that going to create foreign policy?

Sebastian Strangio:

The presence of ethnic Chinese populations in Southeast Asia has been a sensitive question for more than a century, as has the particular relationship that the Chinese government has with these communities. The Chinese were brought in to work the tin mines and rubber plantations in Malaya, the sugar plantations of Java, et cetera.

And in many places, Chinese became sort of defined as an “other” who were fundamentally alien to the Thai community or the Malay community. And because of the numbers of Chinese that came in during this period, they altered the demographic balance in certain parts of Southeast Asia. They had a reputation of being economically prosperous.

I think it's worth noting that at the end of the late 1970s when China wound down its support for communist insurgencies across Southeast Asia and opened relationship with Southeast Asian nations, like Thailand and Malaysia, the Philippines, Indonesia, there were two questions that were really on the table. One was China's support for communism. If China stopped its support for communist insurgents, then it would help build relations between these countries. The other question was China's relationship with the ethnic Chinese. In 1980, China passed a new nationality law, which essentially drew a firm division between ethnic Chinese who were foreign citizens and Chinese nationals, speaking of passport-carrying PRC citizens.

And that laid the foundation for a resumption of diplomatic relations and an increasingly lucrative economic relationship between China and the nations of Southeast Asia. What we've seen in recent years is once again the Chinese government beginning to sort of speak of Chinese abroad as members of the Chinese nation. They've begun to blur that distinction that they created in 1980 with the passage of the nationality law. President Xi Jinping has spoken of ethnic Chinese abroad and in Southeast Asia as members of the great Chinese family who have a role to play in building the China dream and pursuing the great rejuvenation of the Chinese nation.

It's something that could potentially boomerang on ethnic Chinese populations in the region given long histories of prejudice and violence against them.

Larry Bernstein:

What is China's foreign policy objectives? Why are they being so aggressive in their military operations, building these islands, sending fishing boats and causing trouble and creating panic among these neighboring countries? And what is exactly do they want? These are their big trading partners. Why do they want to push the Vietnamese into American arms? What do they want, why is what they're doing make sense?

Sebastian Strangio:

It's a good question. If one was to sum it up, I think it would be the idea that China wants to reclaim the position of centrality and power and primacy that it is perceived to have once enjoyed, prior to the arrival of the Western imperial powers in Southeast Asia in the 18th and 19th centuries, before the so-called century of humiliation that the country experienced at the

hands of these powers. So I think that sort of vague goal encompasses a large number of apparently contradictory actions and goals. I think China wants the small nations of the region, particularly the Southeast Asian nations, to sort of accept its primacy and to bow to its core strategic goals in exchange for prosperity within a Chinese orbit.

When it comes to something like the South China Sea, you see China's core security concern about maintaining control of these sea lanes of communication that run through the South China Sea and preventing them from being cut off by the US Navy, clashing or undermining its bilateral relationship with several of the Southeast Asian nations. But I think ultimately the Chinese, as good dialectical materialist, will probably say that money will eventually win the day and that China's economy and the economic ties that the region has with China will eventually ensure that these nations are acquiescent to China's demands.

Larry Bernstein:

You mentioned in the book that no one has benefited more from American hegemony than the Chinese. They benefit from global sea lanes. They benefit from the global multilateral institutions and they benefit from very low tariffs all over the world as it exports its goods. Why do they seem to be most aggressively challenging this US hegemony? Why don't they just say, "You want to protect all the sea lanes, including mine? That's great." Why are they creating this challenge when they're the chief beneficiary?

Sebastian Strangio:

No Chinese strategist can completely believe that the United States would not, at some point in the future, threaten to blockade China, or to use its control over these sea lanes of communication to assert its dominance over China. There's this constant lack of trust, which I think is arguably inherent to relations between states.

Larry Bernstein:

You mentioned the very important trade ties that go on between China and these nations. But if I were to guess who are the three biggies that China deals with, it would be the United States, Japan and Europe, and these actions undermine the most important relationships that it has. Also, you're right, they'll be able to control the waterways directly on its border, but they won't be able to protect the sea lanes for trade with those counterparts, and they'll also be exposed to potentially oil and gas shutoffs as it goes through the Indian Ocean. I just don't understand why they think that if they act aggressively in this one small sector that they've lost the larger strategic picture.

Sebastian Strangio:

I do think that there is an element of Chinese behavior that is counterproductive and self-defeating.

But over the past decade, Chinese actions have begun to elicit a strong and increasingly coordinated Western pushback, and it could end up being that China ends up undermining its own stated strategic goals. But it's also worth noting the large domestic dimension to a lot of

what China does on the world stage. The fostering of nationalism as a substitute for democratic legitimacy has been a feature of the Chinese communist regime for several decades now, and it in turn creates nationalist commitments that the CCP cannot simply walk away from.

Larry Bernstein:

Let's talk about the Belt and Road initiative, the building of high-speed rail, highways, ports, massive Chinese investments in the region. It's causing concern that the enormous debt associated with it will result in loss of domestic sovereignty. Is it like temptation, for example, for the Laos government to get this tremendous investment? Is there fear, like what was experienced in Sri Lanka when the port was lost when the interest payments weren't made? How should we think about the benefits and costs associated with the Belt and Road initiative?

Sebastian Strangio:

I think the important thing to recognize about the BRI is that it really is not a cohesive and coherent strategy. The BRI includes large numbers of Chinese actors who've used this project to advance their own economic and political interests. It has also been taken advantage of by recipient governments, who have used this Chinese project as a way of gaining access to Chinese funds for the use of patronage within their own political systems. There are no two BRI projects that are exactly the same.

There are cases obviously in which taking on a huge amount of debt to any nation is potentially problematic. And we've seen in Southeast Asia, Laos recently was forced to sign over control in its national energy grid to a Chinese firm because COVID had impacted its ability to service its debts to China. The Sri Lankan case is a good example. China was very much responding to a request from the Rajapaksa brothers, who were in charge of Sri Lanka, for a project that served their own political and patronage interests.

The Belt and Road leverages China's strengths. It creates connectivity, fosters economic intercourse, and establishes China at the center of a geo-economic zone. It also provides very handy outlets for China's excess labor and manufacturing capacity, so Chinese steel and concrete, Chinese labor.

There's a lot of mixed feeling about the BRI in Southeast Asia, but it does answer legitimate development needs in many places.

Larry Bernstein:

I like to end on a note of optimism. What are you optimistic about?

Sebastian Strangio:

I think there are growing partnerships within the region that are strengthening the ability of various Southeast Asian nations to stand on their own two feet and to stand up to China when it is necessary to do so. I think the role of Japan in the region is very positive. The Japanese have offered Southeast Asia perhaps the closest thing to an alternative to what China is offering in the form of large-scale infrastructure. It has very good reputation in Southeast Asia for high quality and its durability.

And I think that we've even seen it just in the last couple of months, calls between the Japanese Prime Minister Suga Yoshihide and several Southeast Asian leaders sort of pledging to work to strengthen maritime security and to bolster these nation's ability to stand up to China in the South China Sea. I think that we're seeing sort of a dense web of bilateral relationships emerge which could help the nations of the region stand up or manage the challenge posed by a rising China to get that balance right between benefiting from China's rise, but not succumbing to its power.

Larry Bernstein:

Sebastian, thank you very much.

Larry Bernstein:

I'd like to welcome our final speaker today, Marko Papic. He is a partner and chief strategist at Clocktower Group. He's also the author of *Geopolitical Alpha: An Investment Framework for Predicting the Future*. Go ahead, Marko.

Marko Papic:

Much has been said about the paradigm shifts that have caught many investors by surprise. Take, for example, the erosion of the *Washington Consensus* and *laissez-faire* capitalism. Or the purported decline in US relative geopolitical power and the emergence of a messy, multipolar, world. These shifts have brought politics and geopolitics into our purview.

However, that's not why I think there is alpha to be harvested from geopolitics. These are all ontological issues that are part and parcel of being an investor. I think that, by far, the greatest reason why the opportunity for *Geopolitical Alpha* is growing has to do with our own epistemic community. And there are three issues in particular:

- First, the investment industry has become overly professionalized and quantified. As such, it is unprepared, from a human capital perspective, to deal with the messy, non-black&white, world of politics.
- Second, the quality of information at our disposal is fraying. This is in large part the consequence of the collapse of media quality. You can blame social media companies or closing of foreign desks, but this is a reality.
- Third, we don't understand who the experts are. Most investors believe that talking to an ex-policymaker is equivalent to speaking with an expert. But that would be akin to speaking to an astronaut about astrophysics. We lack the culture of recognizing the true experts of geopolitics. It's not the practitioners who are often seeing the trees for the forest and sometimes even mistaking op-eds for analysis.

So let's begin there... With the current conventional wisdom among most "practitioners and ex-practitioners" of geopolitics and the increasingly consensus view that the US and China would decouple. It always amazes me that investors are taking advice about the future of US-China relationship from the very same "experts" who in 2012 were whistling in the dark while obsessing about Islamic terrorism. I'd check the credentials of every Johnny-come-lately by asking them what they focused on, in their geopolitical risk briefings, 10 or even five years ago.

Now, it is the consensus to linearly extrapolate the past decade into the future. By that trajectory, the US and China would be lucky to end in a completely decoupled world resembling the Cold War.

However, I think that the conventional wisdom is missing five factors that constrain US and China from going to war:

1. The Cold War is an anomaly of history. Rarely does the planet neatly decouple into two armed camps. In fact, ahead of both WWI and WWII, enemies traded and invested in one another.
2. Political science theory teaches us that a multipolar ordering of power is unlikely to produce decoupling. Why? Because Allies CHEAT.
3. Empirical evidence supports this. When China put sanctions on Australia against their wine, cotton, barley, timber, and coal exports, it was *American* exporters that filled in the gap. Think about that for a second. Australia has been the tip of the spear of a more assertive US attitude towards China. And yet it lost market share to its purported ally!
4. China is not the Soviet Union. By any measure of imagination. American policymakers seem to not understand this. But they didn't really live under the yoke of the Soviet Union so of course they do not understand the differences (they are not nuanced, by the way... they are dramatic).
5. Ultimately, the US will learn that the best way to contain China is to continue to pry its economy open. Given China's woeful demographics, its current account will eventually fall into a deficit, necessitating the good will of foreign capital for a healthy balance of payments. This is perhaps the ultimate difference with the Soviet Union. The USSR was a communist country to the end. It never claimed to be offering a middle-class end point – it claimed to be offering a *proletariat* future. As such, China's ultimate constraint is that its people fully expect to become members of the global middle class.

Investment implications: The world will not violently bifurcate. The decoupling will occur in only some industries. In the meantime, we will rebuild supply chains over a period of the next decade. This rebuild will be gradual. It won't collapse our economy. In fact, it will support the ongoing commodity bull market and be a boon for CAPEX companies. I particularly like semiconductor CAPEX plays.

Larry Bernstein:

Marko, thank you very much.

Larry Bernstein:

You make fun of experts. We had Phil Tetlock on this program about a year ago, where he too questioned the capability and accuracy of experts in every dimension, particularly in geopolitics. I think investors have historically looked to former policymakers in the relevant country to help predictive decision making, and they have done poorly. What would you advise investors in evaluating expert testimony?

Marko Papic:

Well, unfortunately we have to trust ourselves, and that's what the book is about. The book is a manual for investors to start thinking about politics and geopolitics as part of a critical portion of being an investor.

My point is that politics and geopolitics should be in that toolbox. You can't get some former official who's now retired, doesn't have access to their security clearance anymore, basically regurgitate Financial Times op-eds to you across your boardroom table. That's what's happening with the industry for the most part. And I think that what we need to rely on is our own ability. When you're talking to someone from that field, it's like asking a race car driver how their car works. They're going to try to push it to the limit. You want to talk to the engineers.

The two approaches that I really promote in my book is, first talk to the academics that nobody ever talks to, because they've actually thought about these things in a much more holistic way. The second is focused on the material constraints to policymakers. You shouldn't care what they think, you shouldn't care what their preferences are, you should care what they can actually do given a holistic set of constraints.

Larry Bernstein:

As you think about this US-China example, what are the constraints that will limit both US and Chinese actions, as a case study for the constraint method of analysis?

Marko Papic:

I would say the three most important constraints, first and foremost in China is the unwritten agreements between the Communist Party of China and the people it rules is that it will deliver a middle-class lifestyle, that so-called China dream, to its population. That's the first constraint.

The second constraint is the allies of the United States. The allies of the United States just don't see China as big of a threat. The United States is not going to have an easy time coalescing a coalition against China.

Then the third constraint is that China is going to face significant macroeconomic difficulties going forward because of its demographics.

Larry Bernstein:

The IMF and the State Department have been encouraging China for decades to spend money, consume American products, and to not run this enormous deficit.

Marko Papic:

It's actually succeeding. This is the irony. The US policy makers, including the Biden Administration, have now suddenly decided that that's not going to work anymore. But, first of all, the data doesn't reveal that. Current account surplus of China has gone from 12% of GDP to flirting with a deficit. It has been happening.

I think that American policymakers have to pause, breathe, and maybe count until 10, and realize that mercantilist China is eroding.

The reason for that is that people are getting wealthier in China. They're seeking to buy foreign goods from China or going on these trips abroad and buying a lot of stuff there. Eventually Chinese demographics is the sort of Damocles that will kick what is currently a precariously balanced current account into a deficit.

Larry Bernstein:

Sebastian Strangio mentioned in his talk. He mentioned a different kind of constraint, which is the relationship of domestic politics within China and its relationship with the Communist Party, the CCP. He was focusing on Chinese nationalism as an excuse for being both militarily aggressive and oppositional with its neighbors. How do you think about domestic Chinese constraints in this calculation?

Marko Papic:

I'm very sympathetic to that view. I thought Sebastian's talk was really, really good, especially when he talks about the way the neighbors of China have this love and hate relationship.

In terms of nationalism versus this middle-class aspiration, I think that's something that we need to think about really carefully. Because if you're a China hawk, you're going to talk about nationalism. If you're a China dove, you're going to say that, "But they want middle-class lifestyle." I think the truth is somewhere in the middle, that there's an interplay of those two factors.

Larry Bernstein:

Do I understand your point is that we should separate military and foreign policy from foreign trade? That they really don't have anything to do with each other? That if tensions increased between the US and China, we shouldn't expect material changes in the amount of foreign trade between China and the West?

Marko Papic:

Prima facie? Absolutely. There's absolutely no evidence in human history that the two go hand in hand. The only reason that the investor community is obsessed about this is because the only geopolitical event that they're anchoring to is the Cold War. Cold War was a unique situation. Honestly, throughout human history, we haven't had that re-decoupling between two camps.

If you spend some time reading history and looking at the economic relationship of countries that were enemies against one another prior to conflict, you will see that decoupling of trading investment flows almost never happens. There's some erosion of enthusiasm for plowing into long-term FDI in your enemy, but trade and investment continues.

Larry Bernstein:

I want to give you a hypothetical, and then apply the toolbox to analyze the geopolitical problem with the concept of constraints. Here's the hypothetical.

We had Admiral James Stavridis on the program a couple of weeks ago, and he discussed a piece of fiction he wrote called 2034, which was about a war between the US and China. In his example, the Chinese decided that they wanted to take Taiwan, and their first move was to take out an American aircraft carrier in the South China Sea. Let's just imagine that there's heat going on in the South China Sea and Taiwan is up for grabs and China is being bellicose, and financial markets are starting to be chaotic. How should investors place bets, how to evaluate the likelihood of China succeeding and buying the dips on Taiwanese semiconductor companies?

Marko Papic:

I think that the biggest constraint of China is that it simply doesn't have enough power projection to fight a war with the United States over Middle East oil supplies, and other wider global trade routes. And so, that's why I think the scenario you've painted is focused very much in China's neighborhood, where I do agree they have their own home court advantage, but they are constrained by the wider realities, which is that the US is a global power. They're a regional power. And so, that's why I do think you will eventually have a buy and dips opportunity in a crisis like that.

Larry Bernstein:

It's funny, when you described the Australian wine issue before, where Australia reduces exports to China and the US filled the gap, the way you kind of described the problem was Australia was doing us a favor and how could we have cheated and backstabbed them? What I think is interesting in the example of Southeast Asia, it's the other countries in Southeast Asia trying to co-opt American military and foreign policy to benefit them, not the other way around.

Every country wants to cheat, not only in the economic sphere, but also in the military sphere. So, back in the sixties, during the Vietnam war, the Australians helped, but they weren't critical in protecting against communism in Southeast Asia, when they would expect to be the true beneficiaries of American policy. When you think about Taiwan should we think of the US trying to get the other allies to help them? Or should we think of the other countries in the region trying to get the United States to help them to preserve Taiwan?

Marko Papic:

Well, I don't think anyone really has Taiwanese interests at heart, to start with, and I'm making just a geopolitical realist point, which is that it's not clear to me that anyone really worries about Taiwan. What will it mean for me?. They will ask the United States for help for maintaining the status quo.

But where I think the US will struggle is in getting these countries of Southeast Asia that, Sebastian talks about, Japan and South Korea to change the status quo, to push China into a box. That's not going to work, and it's not going to work because for most of these countries, the United States ceased to be a relevant economic power 20 years ago. They're all completely

addicted to China. So, if the United States policy is to maintain the status quo, that's fine. But if the United States policy is to somehow tip China into a crisis or force China to weaken, to basically beat down China, that's not something these countries are going to go along with.

The United States, especially under the Trump Administration, but also in the Biden Administration, has been going around the world creating a coalition, but it's been using rhetoric that just doesn't resonate with the rest of the world. So, China's not the Soviet Union, they need to acknowledge that's the messy multipolarity that we exist in today. And throughout human history, that messy multipolarity has been the norm. The Cold War was not the norm.

Larry Bernstein:

And just for fun, how would I use your toolkit to analyze the next French presidential election, particularly as it relates to Le Pen? It seems that when you get the talking heads in the room, they say there's just no chance of Le Pen; she was beaten very badly in the runoff race last time with Macron. How would we use our toolkit to evaluate that sort of risk?

Marko Papic:

And it's so funny because in 2017, it was the exact opposite that you remember. Actually, this was one of the most lucrative investment calls I've ever made, which was to just go long the Euro ahead of the French election. Why? Well, because Brexit happened, then Trump happened, and then all the talking heads are like, "Well, we have to linearly extrapolate. Next is Marine Le Pen." And she was trailing in the polls massively. And actually, if you looked at her appeal, her approval rating in France was basically precisely the opposite of support for the Euro. So, she made a critical mistake in 2017, she was anti-Europe, and the median voter on the European continent is just not a Euro-skeptic. The journalists in New York and London are Euro-skeptics, but the actual voters are not. And so, she got crushed.

And the funny thing about this is that the data was clear she was going to get crushed. And I think that they're just not looking at the polls again. She's actually very close. It's neck and neck with Macron. And the reason it's neck and neck is that she has finally understood her ultimate constraint. She has learned from her previous errors, that her ultimate constraint is Euro-skepticism. And so, she has modified it. She's become pro-EU, accepted the Euro area, the way that Charles de Gaulle begrudgingly accepted European integration. That's why I think she has a chance to win.

Larry Bernstein:

Polling. We've done a number of programs on What Happens Next, analyzing the deficiencies in polling. We focused mostly on Trump-Biden and Trump-Hillary. I'm wondering how we should consider the use of polling in examples of French elections or English elections, Brexit. Is there something broken in global polls?

Marko Papic:

Polling is extremely useful, let me put it that way. If you think the opposite, then you're being

irresponsible as an investor.

What I mean by that is you should think of polling the way you should think of a casino setting a line on a football game. The Patriots are favored by 10 over the Bills. Okay? That's the line that's set by the casino. You can bet on it, or you can bet against it. You can go over, you can go under. That's the way to think about polling. It's really the combination of polling which informs the sentiment of where the market is. Then that's it. You can't use it to actually predict the outcomes.

For example, Marine Le Pen versus Macron in 2017. Polling was clear that Macron had a huge lead over Le Pen. I think it was 20%. Yet the betting market, especially the price of the Euro, were pricing in a much tighter election. That was a mistake.

Larry Bernstein:

It seems like the investment community oftentimes has a different consensus than the rest of the population. I'll give you two examples. The investor community was individually very pro-Biden. They actually didn't know many people that were pro-Trump. The same would go with Brexit. If you went to the London investor community and said, "Who's going to win Brexit or not?" They would have gotten that wrong because everyone they knew was opposed to Brexit and saw no reason to go for it.

Marko Papic:

Oh, man, that's such a good question.

So, you're so right about that. I would say that it goes two ways, though. A lot of people tried to correct for the bias of their friends in the financial community, but they over-correct in really stupid ways. How many times has somebody told you that they spoke to a cab driver in Milan or Athens to your Euro crisis?

Because talking to people is a mistake. Driving into the heartland of America to check signs is not a statistically significant form of analysis. And the best way is to understand where the median voter is. That's it. If you look at the Biden-Trump election swung to Biden because he won the 50 to a hundred thousand dollar income group of people. Relative to Hillary Clinton, he had a 10% gain with that population.

I called it for Biden in 2019. I doubled down on the call after the pandemic, and my reasoning was very simple. Trump did not actually do enough for the median voter, specifically the 50 to a hundred thousand group. When Mitch McConnell prevented that stimulus effort ahead of the election, that to me was the death nail. So, if you're a Republican, if you're a conservative, and you're mad that Trump lost, go back to that September, October, November, period, and look at Mitch McConnell's behavior. In my view, he lost that election to Trump. Why, I don't know.

The easiest explanation is that McConnell misjudged the median voter in the United States, because the loss of support in that income segment was massive for Donald Trump ahead of

the election. And that's something that Biden won, and I think that Trump didn't, I think he didn't work enough in those last moments to push McConnell to pass the yet another stimulus effort.

So what I would say to you is it's a combination of kind of figuring out where the median voter is, what mood is the median voter in, and also figuring out what the polls are saying. definitely not looking at yard signs or talking to the financial industry, or talking to cab drivers.

Larry Bernstein:

Marko, thank you very much.

That ends today's session. I want to make a plug for next week's program.

Next Sunday on June 13th our first speaker will be Heather Mac Donald who is an advocate for the police, which is a viewpoint that we don't hear from very often these days. Heather has written the Book the War on Cops: How the New Attack on Law and Order Makes Everyone LESS Safe.

Our second speaker is Lisa Pacard who runs office real estate at Blackstone. I want to learn more about the future of the office and where the opportunity is to invest in office real estate.

Our third speaker is Chris Varelas who used to work with me at Salomon Brothers who will discuss the lessons he has learned from his career in financial markets. He has a new book entitled How Money Became Dangerous.

Our fourth speaker is Aljean Harmetz who is a film historian who wrote the book The Making of the Casablanca: Bogart, Berman and WW2. Aljean's book is the definitive history of this movie. So please watch the film Casablanca for next week's show so you can really enjoy the conversation. Casablanca is an all-time classic that just gets better with each viewing.

Our fifth speaker will be Tal Ben Shahar who will speak about his new book Happier, no matter what: Cultivating Hope, Resilience, and Purpose in Hard Times. In this time of COVID we all desperately need hope and resilience for the challenges that we face.

If you are interested in listening to a replay of today's What Happens Next program or any of our previous episodes or wish to read a transcript, you can find them on our website Whathappensnextin6minutes.com. Replays are also available on Apple Podcasts, Podbean and Spotify.

Also, as I mentioned in my introduction, please check out our new social media outlet on Twitter at [Whathappensin6](https://twitter.com/Whathappensin6) (please use the number 6). We want to engage our audience and hear your views and ask questions for the show. I want to create a community that learns together.

I would like to thank today's speakers for their insights. I would also like to thank our listeners for their time and for engaging with these complex issues. Please stay tuned for next Sunday to find out What Happens Next.