

Global Policy Briefing

Going Beyond an Emerging, Unacceptable Status Quo



“People (as Prosumers), Global Value Chains, and Leaders must begin Waking Up, Transcending History, and Leading From the FutureSM NOW ... if we want to revitalize the seed of Human Well-Being on behalf of Y(Our) children’s children.”

— Global Leadership Artist, Woody Buckner

As Albert Einstein once said:

“The world we have made, as a result of the level of thinking we have done thus far, creates problems we cannot solve at the same level of thinking at which we created them.”

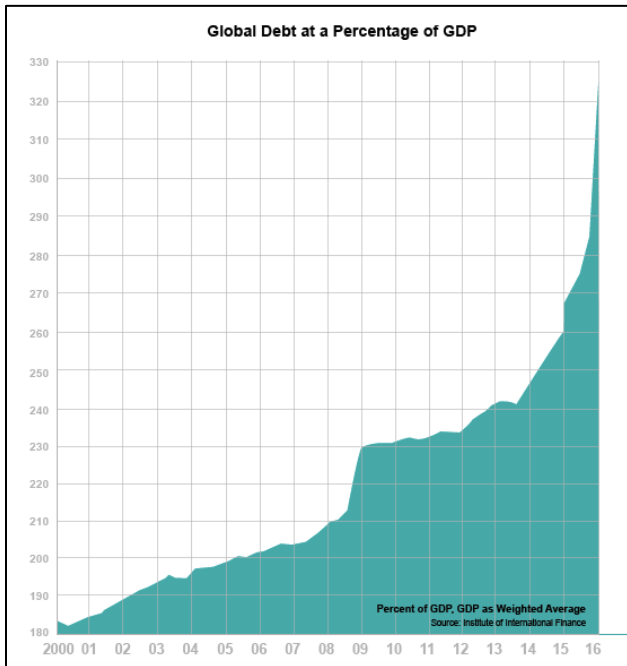
There are rising global economic predicaments that must concern us today and demand our attention, for they are forming a menacing tidal wave of potentially unstoppable interdependent risks, issues we inherited from building the 20th century.

These interrelated crises have worsened over the past ten years and are projected to accelerate over the next ten as the industrial giants of the 21st century place all their cards on Big Data and the profitable gains realized through automation at the expense of labor force participation and human productivity.

Global-minded leaders must address these problems very quickly, and to do so with an entirely different level of thinking in search of entirely new outcomes. In the coming onslaught of the Industrial Internet of Everything, industrial and political leaders must offer an authentic, inspiring, and sustainable pathway that preserves the needs and intentions of humanity.

A Decade of Exponential and Unsustainable Debt

Worldwide debt today exceeds \$217 trillion,¹ and our global economy has far surpassed the point of no return, for in truth, there is no possibility that this debt will ever be repaid. The level of global debt to global GDP was already at an alarming ratio in 2000 when debt exceeded GDP by 185 percent.² Yet, by



the end of the global financial crisis in 2009, global debt spiraled up to 230 percent³ of GDP, and it hasn't declined since. As the chart from the Institute of International Finance indicates, the world has reached an entirely new, inconceivable level of global debt.

Over the last decade, the central banks have accommodated political expediency in fiscal and monetary policies, and as of 2016, the ratio of global debt to GDP reached 325 percent,⁴ an unprecedented debt load hurtling the global economy toward a global Debt Armageddon assured. Banking policies have forced record low interest rates to control interest expense, which in turn leads to even more

public and private debt issuance, creating a dangerous toxic loop. Since 2007, no major economy in the world has reduced its debt-to-GDP ratio. In fact, rather than decreasing indebtedness, all major economies today have higher levels of borrowing relative to GDP than they did in 2007.

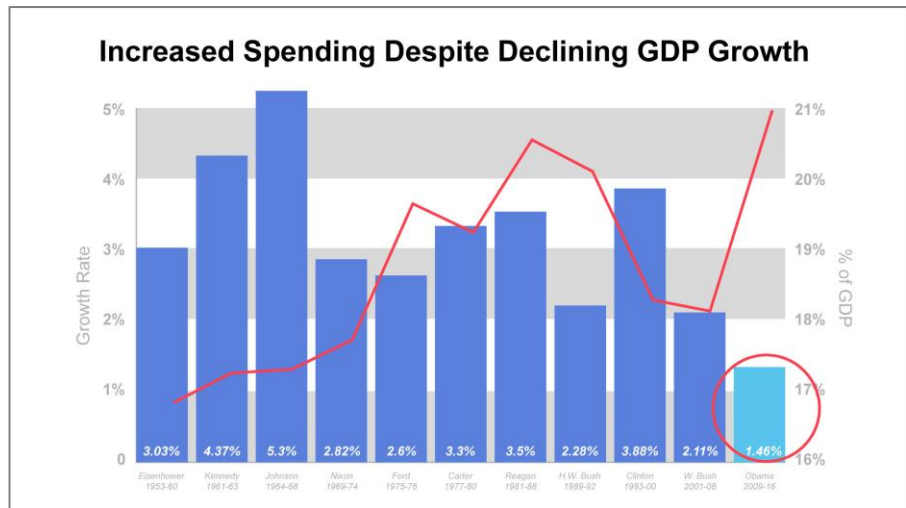
We can see the results of those policies in the United States with its credit market of \$62.5 trillion and GDP of \$18.0 trillion, putting the U.S. at a total debt to GDP ratio of 350 percent.⁵

The global financial crisis of 2008 not only elevated the world to a new and uncharted level of debt, but also slowed economic growth in First World developed countries, making the possibility of a future global financial crisis even more likely. Low economic growth and very low interest rates intended to jump start business development are making it harder for governments, business, and households to pay down their debt.

The interrelatedness of the debt-to-GDP crisis to most all of the other global economic predicaments becomes very apparent, for paying down debt leaves less money available for investment in new factories and other infrastructure that could otherwise increase productivity and create jobs.

A Decade of Economic Chaos and Anemic GDP Growth

As illustrated in the following graphic, despite record deficit government spending financed by the central banks, and the highest corporate tax rate in the world, the annual GDP in the United States has averaged only 1.46 percent growth over the last eight years.⁶ The pace of economic growth in the United States since the end of the recession in 2009 has been slower than the previous 10 expansions, with the worst rate of growth since 1949.⁷ Concurrently, spending as a share of the economy has averaged 21 percent, the highest spending to GDP since the end of World War II.⁸



In 2009, total U.S. debt was 87 percent of the economy; and in 2016 it's risen to 104 percent.⁹ These results amount to the worst record of economic growth since 1949, while setting the modern record for borrowing and spending.

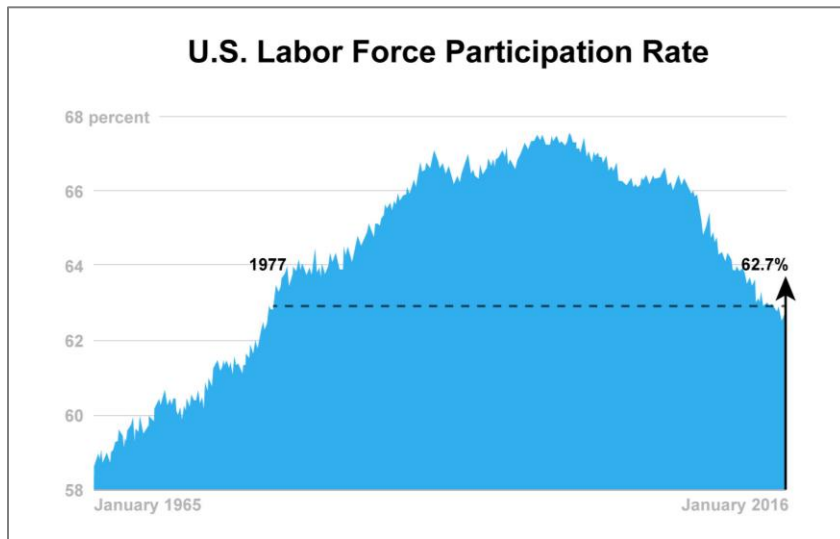
According to Keith Hall, Director of the Congressional Budget Office, “Three decades from now, if current laws remained in place, U.S. debt would be nearly twice as high, relative to GDP as it is in 2016, and it would reach a higher percentage than any debt level previously recorded. Such high and rising debt would have serious negative consequences for the budget and the nation, including an increased risk of a fiscal crisis.”¹⁰

Measured as a share of GDP, the biggest long-term growth in federal spending has come in human services that include social security, health, education, and veterans’ benefits. To lend perspective, spending was one percent of GDP during World War II when many programs were created to put men back to work following the Great Depression and upon returning home from military service. Spending on human services today is 15.5 percent of GDP, and it will continue to expand.¹¹

The main growth drivers of human-services spending—now and over the next thirty years—will be Medicaid, Medicare, and Social Security, all three of which will continue to expand in costs as baby boomers retire, age, and demand more from these government services.

A Decade of the Lowest Labor Participation Rate Since 1977

Only 62.7 percent of American adults were gainfully employed at the close of 2016. As shown in the following chart, the U.S. Labor Force Participation Rate—the share of the potential workforce that are



either working or actively looking for work—is the lowest since 1977, and underemployment is now a chronic condition in the United States.

There is a principal reason why government spending in the United States as a share of the economy is the highest since the end of World War II. In 2016, 30 million Americans were out of work or

severely underemployed.¹² According to the Bureau of Labor and Statistics, 20 percent of American families—one in five households—did not have a single person who was working.

According to Jim Clifton, CEO of Gallup, the official unemployment rate, as often reported by the U.S. Department of Labor, “is extremely misleading. Though we're hearing much celebrating from the media, the White House, and Wall Street about how unemployment is “down” to 5.6 percent, those who have given up looking for work are not counted as unemployed.”¹³

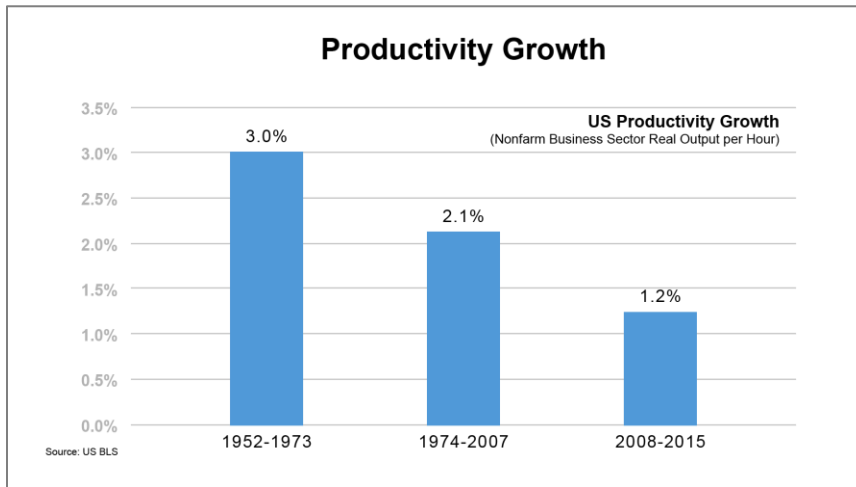
Without enough jobs, tens of millions of additional Americans have been forced to reach out to the government for help. At this point in time, the number of Americans receiving money or benefits from the federal government each month exceeds the number of full-time workers in the private sector by more than 60 million people.¹⁴

Spending as a percent of GDP is already at a post-WWII all time high and will continue accelerating for the next thirty years with the aging of the Baby Boomer generation and associated increases in Medicare and Social Security outlays.

According to the U.S. Census Bureau, nearly a quarter of Americans, 75 million people, were born between 1946 and 1964 and were at their peak in their working lives by the late 1990s.¹⁵ What was once an economic force though will increasingly become an economic burden as the gap widens between Americans unemployed and receiving benefits and Americans in the workforce producing tax revenues.

A Decade of the Lowest Productivity Growth in 30 Years

U.S. productivity growth, measured in real labor output per hour, has plunged to the lowest rate in three decades. During the 25 years leading up to the Great Recession of 2008, U.S. productivity growth



in business, as illustrated, generally averaged more than two percent per year. Since 2010, the five-year average has plunged to one-half percent—its lowest level in 30 years.¹⁶

Research by the Conference Board also shows the rate of productivity growth in the U.S. sliding behind

the weak rates of other advanced economies. This stresses both the instability of global economic prospects and pressure on blue-collar workers whom have made their voices of displeasure with the policies of the elite establishment heard through the Brexit Referendum, the presidential election in the U.S., and most recently the French presidential election.

Productivity growth lies at the heart of economic progress. Without an improvement in output for every hour worked, economies can grow only if people work harder and longer or more people find jobs. Yet, as we shared earlier, the labor force participation rate in the U.S. is at the lowest level in 40 years.

Economies will go through ups and downs as technology changes, so a downturn in productivity growth in one year can be regained, but a persistent decline presents a much more serious prospect. Unless the rate of productivity growth increases, advanced First World economies will struggle to raise their living standards and pay for the costs of their nation's ageing populations.

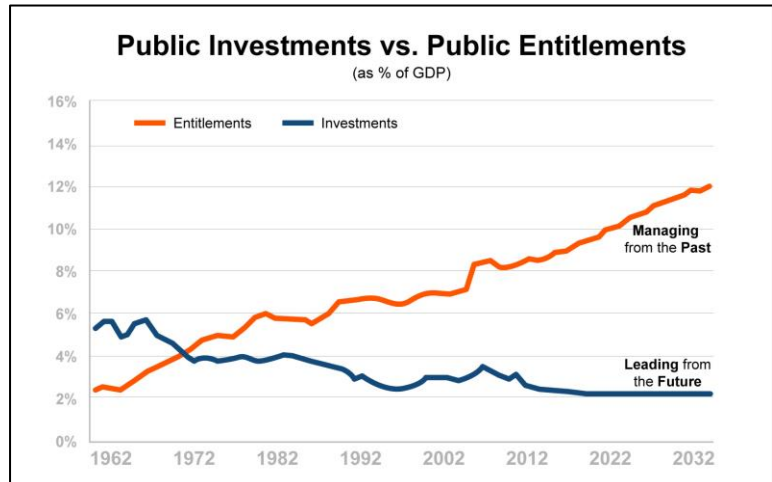
Leaders in technology see Big Data, Artificial Intelligence, automation, and robotics as the pathways to improved productivity. The prospects are hopeful for growth, but for the foreseeable future, all productivity and profitable gains realized through efficiencies gained in automation will be at the expense of an employed labor force and human productivity.

A Decade of Entitlements, and No Long-Term Investment in R&D

In the mid-1960s, the federal government spent three dollars on public investments for every one dollar spent on major entitlement programs. Over the course of the last forty years, this ratio has flipped; we spent three dollars on Social Security, Medicare, Medicaid, and CHIP for every dollar we spent on investments. And in 2022, the ratio will be five to one.

This doesn't include the funding of other major entitlements such as veteran's health and disability, Supplemental Security Income (SSI), and food stamps.¹⁷

Looking further into the future, as depicted in the adjacent graph, Managing from the Past versus Leading From the Future® will only worsen the imbalance as the realities of Baby Boomer-



demographics come into play. By 2033, the number of elderly people in America will have jumped 81 percent while the working age population will have increased by only eight percent.¹⁸

Government funding for research and development is now the lowest it has been since 1953 when the National Science Foundation first began recording data on the subject. Conversely, business-funded R&D has grown over the decades and now makes up about two-thirds of R&D spending in the United States.¹⁹ This means that basic government R&D investment has fallen from two percent of the GDP during the 1960s Space Race to a dismal seven-tenths of one percent in 2015.²⁰

To put it in even sharper perspective, U.S. R&D investments are less than one-seventh the cost of Social Security and barely one-eighth of what the government spent last year on health care services.²¹ The interest paid on the national debt today alone is almost twice the size of the total budget for R&D investments.²²

Private enterprise has always conducted research and development and is accelerating their investment in digital technology, but, as Former Federal Reserve Chairman Ben Bernanke reasons: "The tendency of the market to supply too little of certain types of R&D provides the rationale for government intervention."²³

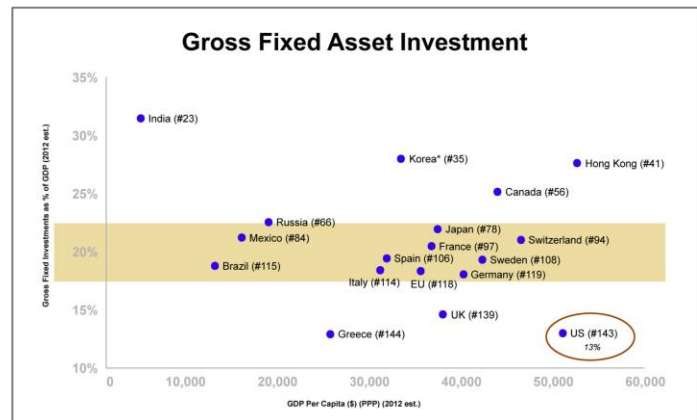
There are numerous examples of federal research and development that have enabled the emergence of new technologies in agriculture, health care, and information technology, such as the development of

hybrid seed corn, gene splicing that initiated genetic engineering, the lithium-ion battery, and continuous R&D on the “War on Cancer,” initiated by President Nixon in 1971.²⁴

U.S. Infrastructure Investment Is One of the Lowest in the Entire World

It may be shocking to most Americans that the federal government’s investment in our country’s infrastructure is one of the lowest in the world, but it’s of no surprise to anyone who has traveled abroad, particularly to the UAE and Asia in the last decade. As the attendant chart illustrates, the United States is 143 out of 153 independent countries in gross fixed asset investment.²⁵

The U.S. has been lacking in recent decades in improving the nation’s infrastructure, which includes airports, ports, railways, telecom, water, roads and bridges, and power.



Infrastructure also includes fixed assets such as factories, machinery, equipment, dwellings, and other structures critical for future generations.

Consider former Vice President Joe Biden’s comment about the condition of La Guardia Airport in 2015 when comparing it to the modern Hong Kong International Airport: "If I took you and blindfolded you and took you to LaGuardia Airport in New York, you'd think, 'I must be in some third-world country.'"²⁶

U.S. federal investment in infrastructure has dropped by half during the past three decades, from one percent to one-half of one percent of GDP, leaving more of the responsibility and finances to state and local governments.²⁷

The pent-up demand for new and improved infrastructure across the country and the promise of jobs would unleash and drive GDP growth in America. The Congressional Budget Office estimates that on average, federal investment generates about five cents of economic growth each year for every dollar of infrastructure investment.²⁸

Today's low interest rates offer an opportunity to pay down new investments in order to stimulate economic growth. But if new investments aren't eventually paid for, the harmful effects of debt will ultimately outweigh any economic gains.

We must though have an intent to invest in infrastructure designed to be Smart for a Prosumer, Internet of Living Intentions – IoLI® - for Human Well Being in the form of Smart buildings, Smart homes, Smart factories, Smart grids, Smart utilities, Smart healthcare, Smart education, Smart retail, and Smart transportation—and so on—all in the Smart cities comprising tomorrow’s hyper-connected society.

The Industrial Internet of Things (IIoT) Forecasted to Eliminate 5.1 Million Jobs

The transformation and expansion going on from a business-to-consumer (B2C) Internet of Things to a Machine-to-Machine (M2M) Industrial Internet of Things (IIoT) promises to be a source of sustainable and increasing growth on behalf of your and our children’s children.

GE and other high-tech, digital based companies entering this field are taking the technical knowledge gained in B2C and replicating it across all aspects of industry and society, including Smart factories, buildings, homes, and retail, creating new sources of GDP and new opportunities for people working in this field and offering improvements to people’s lives

But unfortunately there will be a price to pay for the M2M IIoT. According to researchers at the World

Economic Forum (WEF), “current trends could lead to a net employment impact of more than 5.1 million jobs lost to disruptive labor market changes over the period 2015–2020.”²⁹ The WEF estimates that a grand total of 7.1 million jobs will be lost with two-thirds “concentrated in the Office and Administrative job family.” Concurrently



though, two million jobs will be gained in what the WEF calls “several smaller job families.”³⁰ But the small net gains in new jobs will be fractional to the net loss for human beings, at the expense of machines and robots that we created.

The prospects and projections for reframing the consumer-focused IoT to the Industrial realm are absolutely brilliant. I’m all in and definitely not a Luddite. However, we must have leadership in the public and private sectors that can mitigate the labor misalignment that will undeniably come in the emerging Digital Demographic Divide.

The digital transformation of all infrastructure across all aspects of society will create new winners and new losers, largely based on whether their jobs become automated. It’s ironic that technology, the enabler of all the hip, cool ways and means of interconnectedness for Millennials, could ultimately, be

the eliminator of their entry level jobs and careers and disconnect them from any productive capacity in the emerging digital world, borne on their backs.

What we in the United States call the Industrial Internet of Things, or IIoT, the World Economic Forum in Davos, Switzerland, and most of Europe, defines as a “4th Industrial Revolution,” or “Industry 4.0.” It is characterized by unprecedented developments in genetics, Artificial Intelligence, Big Data, 3D printing, and BioTech—developments that are already underway and being led by the 20th century industrial behemoths: GE, Siemens, ABB, Hitachi, Bosh, Emerson, Schneider, Rockwell, Omron, Philips and others. Whereas, previous industrial revolutions have immediately catapulted the human workforce forward, Industry 4.0 and the IIoT may set people back in both the short term and foreseeable future.

Challenging Cartesian Legacy Mindsets

These are unprecedented times challenging Cartesian Legacy Mindsets with exponential changes in all material perceptions and empirical data in and about temporal reality. We are literally at the front of a perfect storm of centralized, interrelated risk factors of all dimensions developing from the edge of the post-modern digital society with speed of change and centralization of combinatorial risks defying our ability to resolve comprehensively with 20th century tools. All local solutions have become centralized because of Global Digital Hyper-Connectivity. But it does so in an interrelated fashion and with unfathomable combinations of risk.



This Global Network Effect of Human Hyper-Connectivity means the issues of the entire world can impact the life of one person in every moment, whether it’s concerning climate change, terrorism, droughts, or geopolitical tensions. Everything is global and interrelated, yet all the risks of the world are brought to bear on the psyches, circumstances, and backs of each and every consumer via the Internet of Anything, Anywhere, and Anytime.

The pressures to conform and react to the Global Brain are incessant in a Consumer-Push Internet of Things. Human Beings become redacted into a Big Data matrix of Atoms and Bits circulating at the speed of light with little to no Hand of Human Intention. It’s all going on so fast, so concurrently, so

“always on”, and so interconnected with all matter in a matrix of atoms and bits, circulating at an accelerating rate that no human can keep up.

There is currently very little Human Intention present in the framing of the Industrial Internet of Things—so *little* human intent that at times we actually feel like atom clots circulating in a universe of no human purpose at all—just Big Data directing and defining all design, development, and progress.

We, on the edge of the post-modern digital society, can feel what’s going on in our stomachs, in our hearts, and in our paychecks. And now everyone everywhere in the Internet of Everything is individually and collectively facing deeper questions about their personal and professional relevance in a time of ubiquitous transformational change while the centralization of global risk weighs like a yoke around the neck of every individual’s life experience. In fact, leaders and people alike, are both struggling in the dark to find the same light of clarity in vision, purpose, and intention for life itself during this Great Inflection.

What I am witnessing is that while the *perception* of leaders is getting stronger and stronger: always augmented, validated, and evidentially proven with Big Data, their *vision* is getting dangerously near sighted and weaker.

It seems as if while we are undergoing digital deconstruction, we are clinging to tribal luminescence to remain connected to the innate archetypes of who we are and where we have once been. And in that collective sub-consciousness of long ago, we innately yearn to make our past relevant today and go beyond a life in which the smart phone serves as our only compass for how to think, work, and live.

Here, on the brink of the Hyper-Connected Society, will we subsist as dispirited consumers engulfed in dystopia, or Radically Reframe Reality, take back the Hand of Human Intention on the Internet, and begin living as inspired Prosumers embracing an Internet of Living Intentions - IoLI® - for Human Well-Being?

Global Leadership Artist "GLA", Woody Buckner



After a career as a Transformational CEO, Global Leadership Artist "GLA", Woody Buckner has pursued the Science of Achievement, Art of Transformation, and Leadership Fulfillment by conducting Strategic Transformation Events, Services, and Campaigns with leaders, companies, communities, countries, and people for Igniting Strategic Destiny® in Growth by Leading From the Future®.

Woody Buckner's GLA calling is to help servant leaders by igniting the '9 C's of Consciousness' within, amidst and without People (as Prosumers), Global Value Chains, and Leaders: Cues in Source; Clarity in Vision; Creativity in Strategy; Conduction in Energy; Constructions in Reframing; Convergence in Alignment; Commitments in Innovation; Connectivities in Alliances; and Common Cause in Growth.

Woody Buckner's aim is to help People (as Prosumers), Global Value Chains, and Leaders design an accelerated journeys in search of authentic, inspiring, and sustainable new growth by eliciting, clarifying, and accelerating strategic intention in individual and mass mind consciousness.

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