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# **ANXIETY**

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**59<sup>th</sup> TREND/FORECASTING REPORT**

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**THE DILENSCHNEIDER GROUP**

**732 West Briar Place  
Chicago, IL 60657  
Telephone: 312-553-0700  
Facsimile: 773-871-9867**

**405 Lexington Avenue  
New York, NY 10174  
Telephone: 212-922-0900  
Facsimile: 212-922-0971**

## **INTRODUCTION**

The United States and most of the rest of the world are going through an era of convulsive change that threatens everyone's sense of stability and security. It is not entirely unique in living memory: The '30s and '40s saw the Great Depression, the rise of fascism and the horrors of World War II. And during the late '60s and early '70s the social fabric of America was nearly torn apart by the turmoil of the civil rights movement and anti-Vietnam War protests.

But in the current era, there are so many threats coming at us from so many directions that the prevailing reaction can only be one of continuing anxiety. Many of the threats are intertwined. It's impossible to think about China without worrying about the impact of tariffs on businesses and consumers. And when we think about the future of the U.S. economy, our thoughts invariably turn to the trade war with China.

What follows is not an exhaustive listing of the anxiety-inducing events taking place all around us. But it does touch on some of the most prominent.

## **AT HOME**

### **The Economy**

The numbers generally look good, with unemployment below 4 percent, GDP growth continuing at a steady pace and the GDP share per person rising (although still below the levels of 15 years ago). But signs of potential trouble keep cropping up.

The stock market gyrates wildly at even hints of bad news. The yield curve on bonds is inverted now, and in the past that's been a reliable indicator of an approaching recession. The trade war between America and China is already hurting some sectors of the economy and more could be affected soon. The United Kingdom may or may not crash out of the European Union without an agreement – a hard Brexit – but if it does, the ripple effects will be felt worldwide. And economic troubles elsewhere — including some European economies that may already be in recession — are a serious source of concern.

## **Political & Social Divisions**

The U.S. is more polarized than at any time since perhaps the Civil War. The divide is in part political: Republican and Democrats in Congress have pretty much abandoned the bipartisanship that made some of the great legislative achievements of the past possible. They don't even talk to each other all that often, much less socialize together. Statesmen like Orrin Hatch and Lamar Alexander have left Congress. And Washington's partisanship is reflected in the nation at large, with both sides retreating into bubbles where they only see reports that support their viewpoints. Stories that challenge their opinions are dismissed as "fake news."

## **The Next 15 Months**

Feeding into the unease is the 2020 election. It will be, without question, one of the most fateful elections in American history. Both sides are profoundly worried about the outcome. The campaign has been going on for what seems like an eternity, yet we have more than a year of this to go through before we vote. How can all that not be deeply unsettling?

And while people feel strongly about their social and political values, there is a widespread uneasiness about how all this will play out for the nation. Can Americans ever pull together again as they did in World War II and after 9/11? Will we ever find common ground? To ask the questions is to feel the anxiety.

*The Wall Street Journal* recently released a poll undertaken with NBC News that found the generational divide on America's core values has shifted dramatically. In 1998, when the last such poll was taken, the vast majority of young Americans rated patriotism, religion and having children as important to them. Today, the importance of these values has fallen precipitously among those 18 to 38.

Barely 42 percent of younger Americans find patriotism an important value, versus 80 percent for older Americans. Only one-third of this younger generation sees religion as important, compared with two-thirds of their elders. That is a sharp divide by any measure. How will those vying to lead America forward bridge such a wide divide in what values are important to most Americans?

## **Terrorism**

Ever since the devastation of 9/11, Americans have lived under the shadow of possible terrorist attacks on domestic soil. Militants of groups like Al Qaeda and ISIS are still active, and the possibility that one or more of them will find a way to unleash deadly violence in some part of our nation is ever-present.

On top of that is a growing recognition that domestic terrorists may be an even more of a threat than foreign actors.

The back-to-back slaughters in El Paso and Dayton last month and the deadly shooting spree in West Texas this month have made this danger front-of-mind across the nation. It's a fact of life now that the messages of hate and paranoia that swamp the internet can galvanize the unstable to open fire in schools, churches, malls, nightclubs, movie theaters, rock concerts, highways or anyplace else where people gather. In 2018 alone, the U.S. suffered 340 mass shootings (defined as four or more people shot) – nearly one for every day of the year.

Intensifying the anxiety is the growing proliferation of guns in our nation. There are an estimated 390 million firearms in a population of 330 million. At least 15 million of them are military-style assault rifles that owners can equip with drums holding up to 100 rounds and modify to operate as virtual sub-machine guns. In the Dayton shooting, police officers engaged the killer just 20 seconds after he opened fire and neutralized him within 32 seconds. Even in those few seconds, he was able to shoot 24 people, 10 of whom died.

Despite such horrifying events, Washington has been incapable of taking even minimum steps to reduce the purchase of guns by dangerously unstable people, further adding to the sick feeling we all have in our stomachs.

## **The Politics of Sex**

A succession of men has fallen from high places after being accused of sexual predation – think of Bill Cosby, Harvey Weinstein, Bill O'Reilly and Jeffrey Epstein, among others. The #metoo movement that this fostered has given many abused women the courage to confront their abusers. But male-female relationships – never easy in the first place – have acquired a new level of anxiousness.

## **ABROAD**

### **China**

As a source of anxiety, China is in a category all its own. Its centrally controlled economy has emerged as second only to America's, and many analysts think it will take over first place in this century. Meanwhile, Beijing is spreading its influence globally through its Belt and Road Initiative that now reaches into 152 countries. The U.S. has nothing comparable. The push is military too, as the Chinese seek to gain control of the South China Sea, one of the world's key waterways. President Xi Jinping may turn the army loose on pro-democracy demonstrators in Hong Kong, creating an international crisis.

### **Russia**

It is deeply alarming that the Russians interfered in our 2016 presidential election, as well as elections elsewhere in the world. Even more shocking are intelligence reports that they are planning to do it all over again next year. And yet Washington is unable or unwilling to defend our nation's democratic system. Meanwhile, Vladimir Putin seems to be pushing a new arms race with the U.S. The radiation-releasing explosion at a missile site in August was disturbing evidence that he has a threatening new weapons program underway. Most troubling, Putin's ambition to restore the imagined glory of the Soviet era depends far more on weakening the political and economic systems of the U.S. and the European Union than it does on strengthening Russia's shaky economy. His strategy is to tear down instead of building up, and that's scary news for both East and West.

### **Brexit**

We will know in the next few weeks whether Prime Minister Boris Johnson succeeds in his goal of taking the United Kingdom out of the European Union even if there's no deal in place. He faces stiff opposition in Parliament, but if he does carry out a so-called hard Brexit, most experts believe the world will have a whole new source of anxiety, since the impact on the EU will be bad, on the UK far worse, and on the world at large potentially recessionary. How can it be otherwise when the UK is the fifth-largest economy in the world and the collective economies of the EU constitute the second largest? Another consequence of a hard Brexit could be the end of the United Kingdom, since Scotland, Northern Ireland and possibly Wales may want to break away in order to stay in the EU. As one wag put it, Johnson could go down in history as the first prime minister of England.

## **The Rise of the Nationalist Right**

After the Cold War ended, as the U.S. fostered the spread of democracy and the creation of international trade agreements, it seemed that history had taken a great turn for the better. Now that hope is fading as increasing numbers of demagogues use democratic elections to gain power, then reject true democracy and embrace belligerent nationalism. The result is what one commentator has called “the authoritarian darkness that’s descended on much of the globe.” It has happened in Russia, Turkey, Hungary, Poland and the Philippines, with Australia, Brazil, India and Italy in danger of joining them. Even in strong democracies like Germany, France, the Netherlands, Belgium and Austria, far-right parties are increasing their popularity and influence.

## **The Bad Actors**

North Korea is developing missiles that are capable of carrying nuclear warheads and may be able to get through the best U.S. missile-defense systems. India’s crackdown in Kashmir threatens to turn its cold war with Pakistan into a shooting war between two nuclear-armed nations. The Middle East is always a trouble spot, but events there are more ominous than ever as Iran continues its support for terrorist organizations, menaces shipping in the Straits of Hormuz and considers resuming its nuclear program. The proxy war between Iran and Saudi Arabia in Yemen is the world’s worst humanitarian disaster. And the apparent end of the two-state solution that the U.S. has long supported makes relations between Israelis and Palestinians more unstable than ever.

## **OVERARCHING CONCERNS**

No catalogue of anxiety-producing phenomena would be complete with the inclusion of climate change. The likelihood that global warming will cause extreme weather conditions is especially nerve-wracking, as Hurricane Dorian so devastatingly demonstrates. The fires that have been raging in the Amazon rainforest in Brazil – long known as “the world’s lungs” – have put the entire planet on edge. Ever higher temperatures, melting glaciers and ice sheets, rising sea levels and predictions that tens of millions of climate refugees will soon be swamping the developed nations – all this and more hangs over everyone’s heads.

Meanwhile, the loss of privacy that we all face in today's highly interconnected world is profoundly troubling – just ask anyone who's suffered identity theft. This individual concern is reflected on a mass scale by the recent spate of stories about jurisdictions – from small towns in Texas to the City of Baltimore – that have had their computer systems seized by ransomware hackers. And the rapid development of Artificial Intelligence and its potential to disrupt established norms and procedures has to worry us all.

**IMPLICATIONS FOR BUSINESS:** An era of such widespread anxiety requires a great degree of caution going forward. Plans with short-term objectives and requirements shouldn't be dismissed. But all longer range thinking must take into account the uncertainty of the times.

**Closing quote:**

*If everyone is thinking alike, then somebody isn't thinking.*  
– Gen. George S. Patton