

# The New World Order

## What it Means to the Accounting Profession



Stephen G. Austin, CPA, MBA  
Swenson Advisors, LLP  
May 22, 2017



“Trump is more like a monarch. He likes the court.  
It has all sorts of players and courtiers.”

The Court of King Donald  
Financial Times | April 29, 2017

## Trumponomics 101



In Mr. Trump's mind the most important path to better jobs and faster growth is through fairer trade deals. Though he claims he is a free-trader, provided the rules are fair, his outlook is squarely that of an economic nationalist. Trade should be rewarded for investing at home and punished for investing abroad.

The second and third strands of Trumponomics, tax cuts and deregulation, will encourage that domestic investment. Lower taxes and fewer rules will fire up entrepreneurs, leading to faster growth and better jobs. This is standard supply-side economics, but to see Trumponomics as a rehash of Republican orthodoxy is a mistake – and not only because its economic nationalism is a departure for a party that has championed free trade.

### Courting Trouble

The Economist | May 13, 2017



# Tailwinds

*Source: Now that the election is over, what are the economic and investment implications of a new administration  
Nancy Tengler, Heartland Financial USA, Inc.*

# Trump Spurs Jump In Optimism

San Diego Union Tribune | March 15, 2017



The economic expectations of the heads of the nation's largest companies jumped in the first quarter by the most in more than seven years amid optimism about corporate tax cuts, reduced regulations and a boost in infrastructure spending promised by Trump and congressional leaders, the trade group found.

# The Promise and the Peril of the Trump Economy



Fortune Magazine | March 1, 2017

In Dave Cote's mind, the case for optimism is clear. The CEO of industrial giant Honeywell believes that the U.S economy is poised for a surge under the Trump administration.

President Trump's pro-growth plan to lower corporate taxes and streamline regulation, says Cote, has energized the business world.



# Headwinds

*Source: Now that the election is over, what are the economic and investment implications of a new administration  
Nancy Tengler, Heartland Financial USA, Inc.*



## Observations from Heartland Financial

- Global growth is slowing. U.S. GDP growth is slow as well – (the slowest recovery since WWII)
- With slow growth comes muted productivity growth in the US and around the world

*Source: Now that the election is over, what are the economic and investment implications of a new administration  
Nancy Tengler, Heartland Financial USA, Inc.*



# Economists Weigh Effect of Trump Agenda

Wall Street Journal | May 12, 2017



## 2.3%

Potential long-run real GDP growth if all the Trump initiatives were enacted, forecasters say.

Growth rates as high as 3.2% a year, but mix of academic, financial and business economists say numbers so high will be hard to attain, because the policies under consideration just might not pack that punch.



# The Next 200 Days



# Deregulation

# Dodd-Frank Rollback Under Way

Wall Street Journal | May 5, 2017



The House Financial Services Committee launched a Republican-supported rollback of Obama-era financial regulations on Thursday, voting 34-26 along party lines for a plan to undo significant parts of the 2010 Dodd-Frank law.

# What He Wants (Excerpts from Interview)

The Economist | May 13, 2017



**Trump:** I have a very good relationship with Justin [Trudeau, the Canadian Prime Minister] and a very good relationship with the President of Mexico. And I was going to terminate NAFTA last week, I was all set, meaning the six-month termination. I was going to send them a letter, then after six-months, it's gone. But the word got out, they called [...] it was an amazing thing.

**The Economist:** It sounds like you're imagining a pretty big renegotiation of NAFTA. What would a fair NAFTA look like?

**Trump:** "Big" isn't a good enough word. Massive.

# Home-Cooked Policies

The Economist | May 13, 2017



This is an unusual priority for a Republican President, but not for Mr. Trump. The President has argued opposing sides of most issues over the years. But in his belief that American's trade arrangements favor the rest of the world he has shown rare constancy. That makes Mr. Trump's apparent lack of interest in the details of the trade arrangement he fulminates against all the more astonishing. At one point he ascribed the faults he finds with NAFTA to American officials being in a perpetual minority on its five-member arbitration panel: "The judges are three Canadian and two American. We always lose!" But an American majority on any given panel is as likely as a Canadian one.

# Senate Confirms New FDA Head

Wall Street Journal | May 10, 2017



**Dr. Scott Gottlieb, the new head of the Food and Drug Administration, gave his first address to employees yesterday providing insight into the direction he wants to take the agency in.**

**His remarks echoed similar statements previously made by President Trump about streamlining the FDA's operations to get new drugs and medical devices to market more quickly while also exploring options for keeping prices lower.**

# Trump and Climate Change



“Trump delays call on U.S. future in climate deal.”

“President Trump will soon decide whether to withdraw the U.S. from the Paris Agreement on climate change.”

“Trump considers steps to take on climate change.”





# Tax Reform

# Trump's Finest Moment (So Far)

Wall Street Journal | April 28, 2017



President Trump's tax-reform plan is smart policy,  
but even better politics: It's a challenge to Congress.

# Trumps New Tax Proposal

## 2017 Tax Reform for Economic Growth and American Jobs



### *Goals for Tax Reform*

- Grow the economy and create millions of jobs
- Simplify our burdensome tax code
- Provide tax relief to American families – especially middle-income families
- Lower the business tax rate from one of the highest in the world to one of the lowest

# Trumps New Tax Proposal



## 2017 Tax Reform for Economic Growth and American Jobs

### For individuals, the plan would:

- reduce the number of tax brackets from seven to three and cut the top marginal rate from 39.6 to 35 percent
- double the standard deduction, while eliminating most tax breaks except for home ownership and charitable deductions
- repeal several taxes, including the Alternative Minimum Tax, the estate tax, and the Obamacare tax on investment income

### For businesses, the plan would:

- reduce the corporate tax rate to 15 percent, paid for with unspecified cuts to “special interests” and a “one-time tax on trillions of dollars held overseas”
- allow small-business owners to have their income taxed at 15 percent, as well
- move to a territorial tax system, in which businesses would only pay tax on income earned in the U.S. (so, Boeing wouldn’t pay taxes on planes sold to an Australian airline)

# On Tax Reform, Ryan Knows Better

Wall Street Journal | May 12, 2017



As Republicans push toward a major rewrite of the U.S. tax code, they must evaluate two competing proposals: the House GOP's "Better Way" plan and President Trump's framework, introduced last month.

Either would greatly simplify personal and business taxation, but pro-growth reformers should hope that the final package looks more like the House's proposal.



# Global Trade, Cross Border Business, and Immigration Effects

# Manufacturers Struggle to Bring Jobs Back to U.S.



Wall Street Journal | April 15, 2017

The number of firms taking a look at reshoring is growing. Nearly 70% of U.S. and European manufacturing and distribution companies said that they were considering moving production closer to their homes, according to a 2016 survey by the consulting firm AlixPartners, LLP. That is up from 40% in 2015 according to the survey, which included responses from 107 small, mid-size and large companies.

# U.S. to Probe Steel Imports

Wall Street Journal | April 21, 2017



The Trump administration has opened a wide-ranging probe into whether to curb steel imports in the name of national security, ramping up its campaign to give a more economic nationalist tinge to American trade policy.



# Trade Under Trump

Wall Street Journal | May 10, 2017



Michael Froman and Peter Morici say that so far in the new administration, not much has changed.

The question is what happens when a trade professional enters the picture.

# In Retreat

The Economist | January 28, 2017



Mr. Trump is unusual in his aggressively protectionist tone. But in many ways he is behind the times. Multinational companies, the agents behind global integration, were already in retreat well before the populist revolts of 2016.

# U.S. Productivity May Be Hiding Overseas

Wall Street Journal | May 5, 2017



The provocative new research argues that some of America's productivity gains are effectively being hidden offshore. Commerce Department figures show that non-bank U.S. multinationals' net income from overseas production came to about \$1.2 trillion in 2014, versus \$500 billion a decade earlier.

# Shoppers Aren't Buying "Buy American"

USA Today | May 5, 2017



President Trump's call to "Buy American" isn't stirring demand for U.S.-made goods as many shoppers focus more on low prices than labels.

# Trumps Policies Stir Change at Indian Outsourcing Firms

Wall Street Journal | May 8, 2017



As President Trump tightens restrictions on immigration, Indian outsourcing firms are applying for fewer U.S. work visas, bringing employees home and trying to automate much of what they do.

Last month, he said he wants to alter rules for accepting high-skilled foreign workers under the H-1B visa program, which he said is a victim of “widespread abuse.”

**“It’s American first – you better believe it”**

President Trump



# SEC Changes

# Clayton is Sworn in as SEC Chairman

Wall Street Journal | May 5, 2017



Jay Clayton was sworn in as chairman of the Securities and Exchange Commission, becoming the Trump administration's first permanent head of a financial regulatory agency.

Mr. Clayton is a former Partner at the law firm Sullivan & Cromwell LLP.



# SEC Draws from Silicon Valley

Wall Street Journal | May 13, 2017



Bill Hinman, 61 years old, a former Partner at Simson Thacher & Bartlett LLP in Palo Alto, CA, is the first SEC Director in years to come from Silicon Valley rather than New York, Boston or Washington.


Mr. Hinman worked on major tech deals before joining the agency to encourage more public offerings.







Effect on



**Sarbanes-Oxley**

and the New SEC?



Effect on





# *THE THIRD RAIL* Healthcare Policy



# Accounting Profession Changes

# Firms Hit by Lack of Accountants



Wall Street Journal | March 6, 2017

- Amid accounting changes to the generally accepted accounting principles that governs US financial reporting, companies are scrambling to find technical accountants, regulatory experts who can understand the rules and ensure that management and staff can comply.
- The shrinking pool of available accountants is putting pressure on companies as they begin to apply new Financial Accounting Standards Board rules. The changes affect the way firms book revenue and report the value of leases held on their balance sheets. The rules don't take effect right away; public companies must apply new revenue standards for fiscal years beginning after Dec. 15, 2017 and new lease rules begin in 2019. Still, corporations must assess and revise two years of past financial reports.



# 5 Emerging Services Set to Transform the Accounting Profession

AICPA Insights | April 5, 2017

1. Assuring sustainability information
2. Performing innovative data analytical procedures
3. Providing attestation on cybersecurity
4. Advising on cybersecurity readiness
5. Reporting on supply chain controls

# SEC Regulators Should Adopt Global Financial Reporting Language for Better Business

Accounting Today | March 21, 2017



If we accept the narrative about driving jobs growth by empowering companies to do more business around the world, then the door would seem to be open to allowing more widespread adoption by U.S. corporations of the accepted global language of business for reporting financial performance, International Financial Reporting Standards.

# Accounting Scandals Put the Big Four on the Spot

Financial Times | May 5, 2017



From the shambles of the Oscars ceremony to the more serious matter of U.S. lawsuits and UK regulatory investigations, it has been a difficult year for PwC.

It's rivals KPMG is hardly faring better. The Big Four accountancy firm was castigated by Senator Elizabeth Warren for failing to spot dubious practice at the lender Wells Fargo. Now it's auditing of Rolls-Royce is under investigation in the UK after the engineering company admitted bribery and corruption offenses going back 20 years.



# Schools of Mismanagement

Wall Street Journal | April 22, 2017



For years Harvard's professors promoted the corporate manager as the moral center of modern civilization.

But in the 1980s some suddenly embraced the notion that managers are just a shareholder's idea of roadkill.



**HARVARD**  
**UNIVERSITY**



# Global Mega Trends



Toyota is spending \$1 billion on AI in U.S.





# *Speed of change*

# Macron Cruises to French Victory

Wall Street Journal | May 8, 2017



The 39-year old former investment banker says he will push for greater economic convergence among the European Union states.

What does France's new President mean for  
Brexit and the EU?



Robotics.

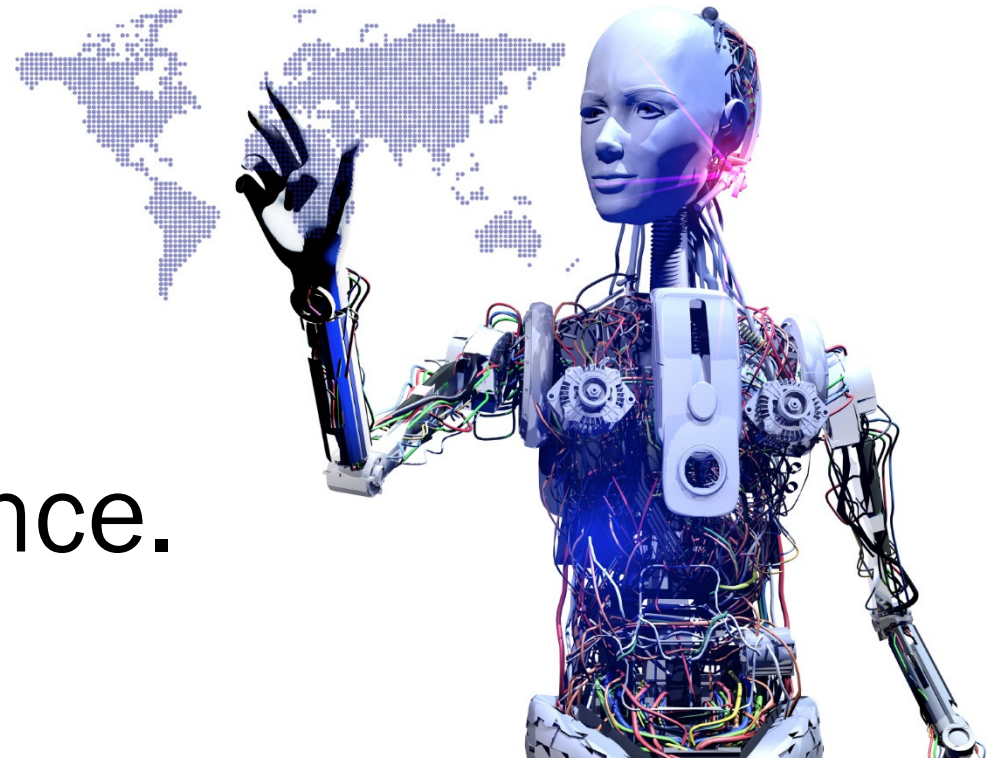
Bitcoin.

Blockchain.

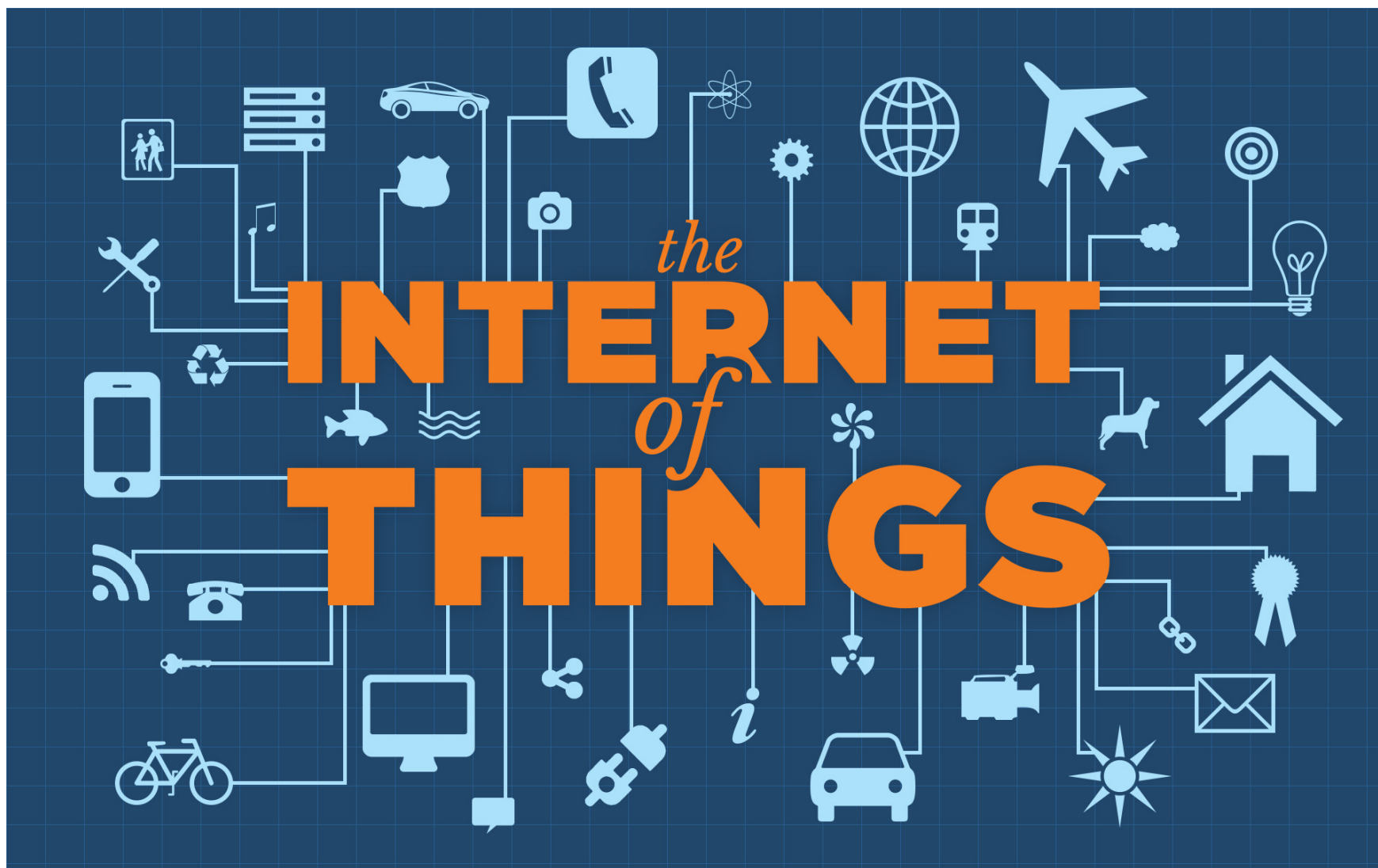
Artificial intelligence.

Data Analytics.

Driverless Cars.







# Frontier Markets

## Developing Countries



- Argentina
- Bahrain
- Bangladesh
- Botswana
- Côte d'Ivoire
- Croatia
- Cyprus
- Estonia
- Jordan
- Kenya
- Lithuania
- Macedonia
- Malta
- Mauritius
- Nigeria
- Oman
- Qatar
- Romania
- Serbia
- Slovakia
- Slovenia
- Sri Lanka
- Tunisia
- Vietnam



# E7 Countries



## Major Emerging Economies In The World

1. China
2. India
3. Brazil
4. Mexico
5. Russia
6. Indonesia
7. Turkey

# G7 Countries



## Major Advanced Economies In The World

1. Canada
2. France
3. Germany
4. Italy
5. Japan
6. United Kingdom
7. United States

*What is  
their  
future?*



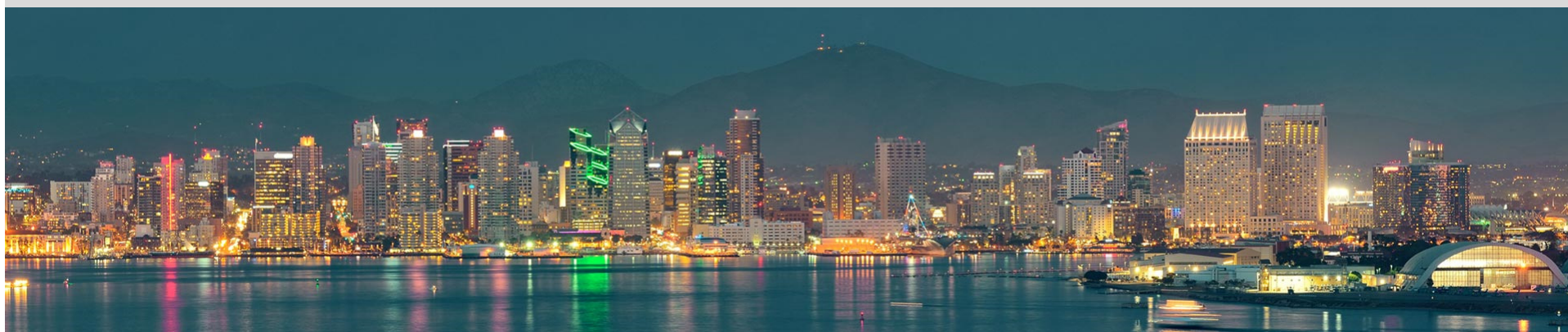
Multitasking  
several jobs  
is the new trend



# Water deficiencies worldwide



# Effect on San Diego Economy



# Effect of Mega Trends on San Diego?



	Positive Effect	Negative Effect
Climate change		X
Accelerating urbanization	X	
Demographic shifts	X	
Global military conflicts	X	
Tech advancements	X	
U.S. adoption of IFRS	X	
Sustainability accounting		X
Forward looking financials / data analytics	X	

# Effect of Mega Trends on San Diego? (continued)



	Positive Effect	Negative Effect
Shifts in global power	X	X
Border security	X	
Disruptive technology	X	
CleanTech		X
NAFTA / Pacific Rim trade		X
Tax reform	X	X
H1-B Visa		X
Reshoring	X	

# AccountLease™



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