The Competitive Landscape: Prospects for Growth in 2017 and Beyond *(Regency Ballroom)*

This plenary gathers top global business thinkers to analyze what will happen next in the global economy and opportunities for American exporters and businesses.

Moderator: Glenn Youngkin, President, Chief Operating Officer, The Carlyle Group. **Speakers:**

- Jim Clifton, Chairman and Chief Executive Officer, Gallup
- Jack Leslie, Chairman, Weber Shandwick
- The Honorable Terry McAuliffe, Governor, Commonwealth of Virginia
- Dr. Jonathan Woetzel, Director and Senior Partner, Shanghai, McKinsey Global Institute

Announcer: Ladies and gentleman, please welcome our first panel, the Competitive Landscape: Prospects for Growth in 2017 and Beyond. Our moderator, Glenn Youngkin, president and chief operating officer of The Carlyle Group. He's joined by Jim Clifton, chairman and CEO of Gallup; Jack Leslie, chairman of Weber Shandwick; the Honorable Terry McAuliffe, governor of the Commonwealth of Virginia; and Dr. Jonathan Woetzel, director and senior partner, McKinsey Global Institute, Shanghai. [crosstalk 00:34]

Glenn Youngkin: Okay, good morning, everybody. Thank you for being here. My name is Glenn Youngkin, and I'm the president at The Carlyle Group. I have the pleasure of trying to orchestrate and control this incredibly talented collection of folks.

We're going to try to cover a fair amount of ground this morning, all the way from the global economic picture to what last night’s events in Syria mean, what's going to happen in Florida, what the pending tax legislation could mean, how governors work with businesses in order to promote trade. Governor, I'm just giving you an advanced warning.

We're just going to get moving. I'm not going to spend a lot of time on everyone's biography. I have to say if I did, we might take up the whole hour. It's just an incredibly talent group of folks, and thank you all for being here. I want to start with the global economy, but I'm going to start in the United States first. What I'd love to know Jim is, are we in a recovery?

Jim Clifton: I’m not sure. I'll tell you, Glenn, I got interested in this. I got on a plane. You all do this where you get on, and they bring the newspapers by on your long flight overseas, and I had the Financial Times, the international New York Times. I got an Economist magazine, and whatever else, so you have the left and the right there.

On the front page of every one of them, I read that America's in recovery, but I stared at that because apparently everybody agrees. That something that doesn't divide us, but it’s a pretty important word. I actually looked it up because I was thinking maybe I don't know what recovery means. It means that you've been sick, and you're getting well. I bet most of you know that.

I went to our economist group. I took our top guys, had called around to Nobel Prize winners, everything else. I wanted to get agreement on this, and they said, "Well, the best thing you use is productivity." I didn't know what productivity was. I just wanted to get that off my chest. Now you can go on to the next person.

What they said is that when left- and right-leaning economist argue, they all agree that we're going to use the same definition. The definition is GDP divided, it’s per capita, divided by the number of people.

If you say, "What's GDP right now?" Since the recession, it’s about 2%. If you do a little linear regression it's drifting down, so it's increasing at a decreasing rate, but what's really dramatic is when if you have 2% growth, let’s say eight years ago, and 2% now, what you've got to count is that we were 300 million people back then. Now we're 330 million. If you divide it, here's what it looks like over 20 years. There's a bigger force on this. If I had a graph it would look just like this, but we're definitely not in recovery.

Glenn Youngkin: Interesting. Jonathan, McKinsey Global Institute studies this topic left, right, inside out. You have resources and access to clients around the world. What are you guys saying right now?

Jonathan Woetzel: It's hard to say. A lot depends on where you sit. I sit in Shanghai, and so I see growth. I see cities. I see technology. I see fair bit of exports. I see a lot more imports, actually, now than I was. I see three billion consumers who didn't have consumption a decade or two ago, where there not just China, of course. It's India. It's Middle East. It's Africa. My work is largely around cities, and so I see all of that.

I spend about 20% of my time here in the US, and again, I see growth. I see recovery, but it's patchy. There are places which are doing great at participating in all of that new consumption. They're exporting or they’re digitizing, or they're creating new kinds of knowledge and products that are unique and really innovative for export, but also right here.

I think our global view is, yeah, 1%, 2% growth. It happens, but what's really questioning, you have to look, it feels like, where is that growth coming from, and what's sustainable about it? That's to the productivity conversation.

If the growth is all just about, let’s leverage up. Let's borrow a little bit more and we can grow. We've seen that picture before, and that's the concern that we have about this recovery. Where is the productivity? Where is the smarter growth coming from, and who's doing it?

Glenn Youngkin: Great. I'm not going to step over you, Jack, but I am for a minute. Governor, when you look at the Commonwealth of Virginia, in this context of how's the United States doing, when you look at the Commonwealth, how's the Commonwealth’s economy doing as a microcosm for the country?

Terry McAuliffe: Listen, our whole key, when I got elected three years ago, my whole mission was what I call build the new Virginia economy. Virginia is the number one recipient of Department of Defense dollars. We have more military instillations than any state in America, the largest naval base in the world, the Pentagon, CIA. That's all great news when they're spending money, but when you get sequestration, as we've had ‘11 through ‘13, Virginia lost $9.8 billion, direct spending, lost 154,000 jobs.

My whole emphasis has been about diversifying, growing the economy in new areas. I'm very proud we now have more cyber companies in any state in America, data analytics, human genome sequencing. I just announced a new project with Inova Hospital for a billion dollars, and it's working.

As I say, we have grown tremendously. When I took office, our unemployment was 5.4%. I just announced 3.9% the other day. Our unemployment claims have just reached a 44-year low, lowest since 1973. About $16.5 billion in new capital, we brought in 902 projects. I could tell you from Virginia, we now have the second lowest unemployment of any major state in America. We were in bad shape. We have now diversified, and it's a global economy.

I'm also proud I'm the most traveled governor in America, and I will go to Mexico in two weeks, for my 24th trade mission. I've been in dozens of countries; 95% of the world’s customers live outside of America. I did $35 billion in trade last year. I am constantly going to these countries to open up trade relations and sell ag products and services. We're doing great.

Two hundred thousand new jobs since I've been in office. We're a new state today only because we diversified. Unfortunately, we're going to have another continuing resolution this year, which means sequestration level cuts, for America are going to stay. It is a disgrace that the Congress cannot get a budget passed and that we're operating under these continuing resolutions. It is a real disservice to the American public.

Glenn Youngkin: Here we have one out of 50 states that's doing very well and has really shown great strides. Jack, you advised, and your firm advised, but maybe you do personally, 35 of the 50 Fortune 50 companies. When they look at the economic situation, and we're still just focused on the US, what do you hear from them?

Jack Leslie: I think, to Jonathan’s point, it depends on where you sit. I think most of them see perhaps two different economies. We're, both our industry and many of our clients, have got barely robust growth right now. We're going to see this quarter with 9% earnings that we haven't seen in quite some time, as the projection.

A good part of the economy, at least when you're talking to the Fortune 50, actually seems fairly robust. What there is, though, is a mismatch of skills. My business is a good example. Digitization, which is obviously such a big part of this growth, has hit our business tremendously. If you're in the newspaper business, you probably know that.

Seventy percent of our growth in the last two or three years has been from digital. We can't hire enough Millennials to go and manage social media for our clients. We can't find them. We're not hiring, unfortunately, and if any of you out there are former journalists, we're not hiring the former journalists to the company.

It's a great example of what's happened with an old economy and a new economy, where we really do have this growth, but we have this mismatch in skills. I think that's what's leading to the angst in the country, and that's what leads to the populism because people don't believe they have opportunity.

Glenn Youngkin: Yeah. I just want to shift to meetings in Florida and China. The Chinese economy, the Chinese imports in the United States, have probably been one of the most talked about topics over the last year through the political debates, and there's two things resting on that. One, how's China doing from an economic stand point, and two, how are we competing from trade standpoint? Jonathan, if you wouldn't mind, just give us a quick update on you perspectives on how China's doing economically.

Jonathan Woetzel: It's going through this big transition. I think everybody knows what a modern economy's supposed to look like. It's supposed to look like it's got cities. It's got services. It's productivity. It's all about consumers. Basically, China's none of that.

China's all coming from the countryside, lots of factories, lots of investment, lots of industry. It’s this from-to. It's somewhere between that old model and what a modern economy should look like. Yeah, it's an economy with a whole lot of state influence. It's a state-led process and a very administratively governed process.

In that context, if you do the basic things right, it's almost impossible to mess it up. Save 40%, invest 40%. You're going to get 5%, 6%, 7% growth. It's just math. It's really very hard to come up with any kind of scenario where China implodes.

China could have a slowdown. For China, a slowdown is going from double-digit, 10% annual growth for two decades, which very few countries ever manage to do, to where it is now, 6% growth, 5% or 6%. That's where it is. It's at the 5%, 6%, and people argue, "Is it 6%? Is it 5%?" I don't know.

It's probably closer to 5% than it is to 6%. There's a lot of financialization going on. There's a lot of leverage creeping in. It's just too much credit supply, too much money floating around there, just walls of cash.

I think if you look at real estate purchases across North America, you can see a lot of that cash. It's creeping into shopping malls and into residential purchases. If you look at Downtown LA, there are five skyscrapers going up, which were stalled for a decade. They're totally pre-sold in Shanghai. There is a large amount of money floating out there that may or may not be going to the right places. That's the one.

Overall, a big economy, growing a bit slower than it did before, somewhere in this transition. The bigger question, I think, and where it's on the table, is this, how do you play? Is it a fair game? Are we getting access to this next wave? Particularly with what they put out, was made in China, 2025, 2030, the new industrial plan, which for the first time said, “We aspire for Chinese products to have this kind of marketshare in these types of industries.”

Whoa. People stepping back, and the Chambers come out with a bunch of this, and the Europeans saying that’s clearly targeting, and you’re actually reserving in sets of industries. That’s, I think, what’s on the conversation right now. What do you mean by a domestic product? For example, if I build my factory in China, is that a domestic factory? [inaudible 13:22] your question.

Glenn Youngkin: Governor, the Virginia Economic Development Partnership, which is the real foundation of all your trade missions, have you been to China? Is China really some place that small- and medium-sized businesses in the United States and in the Commonwealth could aspire to export to?

Terry McAuliffe: No question. I will be going on my fifth trade mission to China since I’ve been governor in three years. Last year, we were able to announce the largest investment ever done by a Chinese company. We won that in Virginia, a $2 billion investment, 2,000 new jobs. Tranlin Paper Company. That was a very competitive, 30 state. We won it.

In addition, five years ago, we had a huge soy bean. We sold a billion dollars’ worth of soy beans. We have leaned in. I have an office in Beijing. We just opened up an office in Shanghai. We’re investing our dollars. I also serve as chairman of the National Governors. I always give a pitch to my fellow governors.

You have to go to these countries. It's one to send a trade delegation, but when a governor from a state goes, you're guaranteed to meet the leadership. It really helps open up doors. I encourage my fellow governors. There is so much business in China to do. They are investing here, and I want every penny of investment I can get. Huge opportunity for us. Vietnam is opening up dramatically for us. We've really, in Virginia, put a huge mark now in the Asia markets.

Glenn Youngkin: That's great. The concept of there being, and understand the group yesterday talked about free and fair trade with China, isn't one that is unbelievable. States can win. Companies can win.

Yet, there's a little bit of a view that what might happen is we end up in a trade war. Jim, when we look at what's going to happen in negotiations and discussions in Florida this weekend, how do you think it's going to represent America's views on trade?

Jonathan Woetzel: It's amazing to me, and I don't know what it is, it must be social media, but our conversations and conventional wisdom gets really off. I don't know how many of you did this. I told all my clients Donald Trump can't win mathematically, which wasn't really helpful for my credibility, but I know a lot of you walked a mile in my moccasins.

Right now, there's a feeling the conventional wisdom is that America is drawing back, that we don't want foreign trade. I just checked while you and I were sitting in the Green Room. This morning, when you say to Americans, "Do you think foreign trade is good or bad for economic growth?" What percentage of Americans do you think say it's good? Just get a number in your mind.

It's the highest it's been in 10 years. It's 72%. I'll bet you anything Trump and his team are thinking that that number is 18% or 25%. Another real fooler to me, Glenn, I just looked this up when you were asking me those questions, but if you ask about NAFTA, it's been running around 35% to 38% favorability, same question. Is it good or bad? This morning it's at 48% good, which is very high because you have a huge don't know. Americans don't know what NAFTA is.

NAFTA itself, what citizens are actually thinking about, what's going to happen with China and all of that, I think Trump and his team have their assumptions and premises wrong. That's what I think.

Glenn Youngkin: I think too when you look at the campaign rhetoric it was around currency manipulation and the deficit. The currency manipulation issue is gone.

Jonathan Woetzel: I'm not 100% clear why it's gone, but it's gone.

Glenn Youngkin: It's not like it was during the campaign. We can all reduce the deficit be just reducing trade on both sides. I think it's going to become apparent on them as they go through these issues in Florida that it's in both interests to create a trade framework. When TPP went down, there had to be a lot of celebrations, I think, in Beijing. It's now a big opportunity for them.

Jonathan Woetzel: Can I say one thing?

Glenn Youngkin: Yeah.

Jonathan Woetzel: I think it would be a really good time for the president to educate. When you ask Americans about size of economies, most Americans think that China's economy is way bigger than ours. I just learned that too.

They're wondering about, oh my gosh, here they're down talking with China, and China's going to win because China is overtaking us. It would be a good time for him to explain that our economy's much bigger and get some kind of truth in there. I think presidents need to educate too, but I think it would be a real good time to clear that up.

Terry McAuliffe: Let me just put TPP in perspective for Virginia, I was a strong advocate. We had a bipartisan group of governors, Terry Branstad, and I, governor of Iowa was [inaudible 18:25] ambassador to China. His rhetoric around the campaign is not helpful to us who have to trade every single day.

Those TPP countries, 62% of my exports went to those companies. What happens now? China now goes in. We're out of the game. I would love an agreement, where I have one agreement with all these countries instead of doing one-off agreements, which time consuming. We can't do that as governors.

What happens now is China moves in, and they'll do an agreement with these countries. We will be the odd man out here in America. You give me a fair trade deal, protect worker rights, protect the environment. I will take on anybody and compete with anybody around the globe.

This idea that American cannot compete on a global basis is just plain wrong, and for those of us as governors, our main job is to create jobs. We're not Senators of Congress. We don't have filibusters. We have to balance budgets every year. I have to create jobs. Trade, international trade, is such an intricate fabric to doing that. I do worry about the rhetoric that came out in the campaign that we've got to make America competitive. We can beat anybody, but we've got to be in the game, and we've got to get off this antitrade rhetoric that's going on in the country.

Glenn Youngkin: Yeah, it's interesting, Governor, because we find ourselves in this debate between the economists and I think the business people doers. I think the basic sentiment of if we can sell more and grow our revenue line, we're going to have to hire more people in order to manufacture it. It has to be a practicality that people recognize that selling more is a good thing. It's just flat out a good thing. I'm not sure. I'm just a simple business guy, but I'm not sure that there's any disagreement on that. It's just a matter of how to get there.

Let's move to Europe quickly. Are you advising your clients to rush in to the UK and start striking deals, or sit and wait as Brexit plays out? [crosstalk 20:28]

Jack Leslie: Clients right now to rush in anywhere, to tell you the truth. That's a big part of the problem. I'm not sure that our problem is economic as much as it is political. It's very hard to envision long-term growth with the kind of dysfunction that we're seeing. Not just in the United States, but now that we've gone over to Europe, in Europe as well.

Brexit really is creating a lot of uncertainty, and business doesn't like uncertainty. If you've got to make longer term investment decisions, and you don't know what the trade rules are going to be, you don't know if you're going to have access to EU markets in five years' time, how are you going to make those kinds of decisions?

Right now, we're finding with our clients is that there's a pullback. There's a pause. I think there's probably a little less panic over Brexit than there was, but clearly the UK's going to pay the price. They're going to pay it in freedom of immigration, or they're going to pay in hard cash. Somewhere, they're not going to get off the hook on this. We'll see what happens.

I think in the last few weeks, my own folks have been a little bit more positive. Merkel seems to be much stronger in Germany. The French elections may not turn out to be the big disaster that everyone was worried about, although I also predicted that Trump could never win. We'll see what happens once Le Pen. I don't believe the polls anymore, I guess.

Glenn Youngkin: There seems to be, our business is somewhat cyclical. Our business is pretty good in Europe. I have been surprised at how robust it's been, both in the UK and on the Continent.

Jonathan Woetzel: We're seeing in our own global portfolio that the European portfolio is showing particular strength and growth. It's interesting that a lot of the growth is driven by exports. Of course, the European Union has a much larger share, particularly the merging market recipients of exports than the United States does today. There's a real opportunity there. I think the discussion around what's going to happen in the French elections and of course the Germans are watching very closely, I think will have a monumental impact on the future of the European Union.

Glenn Youngkin: That brings us back to the overnight events. While we just continue to circle the globe, the Middle East particularly. Always an easy topic to talk about. Do you actually see the developments overnight and clearly the administration's action in Syria and now reaction from Russia of changing some of the general views of the administration's ability to take on Russia? Easy question, Jim.

Jim Clifton: Yeah, I was going to say. I don't think there's any question, I would think that his approval ratings will bounce at least 10 points in the next 48 hours. Events are funny. This is off the subject, but when an event happens, it doesn't really get talked into the citizens for two, three days. Depending on the events, sometimes it takes a whole week. It doesn't go as fast, even with social media and all of that.

When we asked the public, "Do you want to get involved in a war?" They say no. No more wars. This is where, however you act, you can get it come out any way you want. If you say, "Do you think it would be good to make precision strikes to stop Assad from killing children and babies?" Then we're 100% in.

I was watching MSNBC and CNN. I was watching them all. There's pretty good agreement on this. I was really surprised at how the far left-leaning people on MSNBC and CNN were saying this was the right thing to do. It also fixes the red line problem before. They were very specific.

Now, if it was coming off of Fox, then you would go, that's obviously political. It means more when it's coming from the left saying, "We really needed this." I don't know, this is kind of cynical, I don't know how long he'll hold the positive, but I don't think there's any question it's a big positive for as long as he can hold it.

Glenn Youngkin: Yeah, I think it was Colin Powell who said we went into Iraq, "If you break it, you own it." I think he's now, he owns it, much more certainly than he did 24 hours ago. We'll see how that works.

We're representing some folks in that region, and I'm actually more optimistic on their ability to, and I know this sounds like a big statement, but for their ability to effectuate some kind of settlement, Palestinian settlement. They are lining up Egypt, the Saudis, the Emirates, the Jordanians. Many of them are now much closer to Israel against the Syrians and Iran, and that seems to be all of the sudden there's a different dynamic. We'll see whether Jared Kushner is able to pull it off.

Jack Leslie: If I could just pitch in on that a little bit, I've been spending a fair bit of my time in the region, I think it's, first of all, a mistake to focus on the guns and bullets parts of this. If we actually look at what's going on in the Middle East, it's again this move to a new economy and new society and urbanization and industrialization, all that.

That's where all these guys are really focused. They have a demographic time bomb. They've got 40% of most of these countries aged under 25, and you've got oil prices at $30. Those two numbers will just tell you that you've got to fix the economy, and you've really got to start building and industrializing and putting technology in place. All the rest of it is basically about, how do I get enough breathing room to do that?

The thing I come back to, it's like Jack Moss saying the United States took this huge bounty of its economy, all this productivity, and spent it on guns and bullets. The message being let's do that, yes, but I think people are still saying, "Will the US return, invest, develop, trade with the region in a way which is competitive?" Is competitive with the Chinese, who of course are following that playbook right now in the region.

I think of the place and the region as you said, it's one of the more optimistic parts of the world that I got to. People are actually really focused on, let's get the job done. Let's start building new stuff and new economies and new companies. For the US, it's like, get into the playbook, and start being part of this.

Glenn Youngkin: While we're there, so the 2030 plan from the deputy crown prince in Saudi Arabia, it just seems incredibly ambitious, but also necessary. What's your assessment of the likelihood of them being successful?

Jim Clifton: I think it's a vision statement. That's where we want to go, and to do that this is a country and a region where the private sector almost doesn't play a role at this stage. It's extremely government-led, and you have a vast skills gap across the entire economy. Plus the migration, the challenge.

A lot of reasons I could say why this would be impossible, but that's not the point. The point is this is Babe Ruth saying, "Okay. Over there." Fine. Do you really expect him to hit the home run? No. If he does, great, but he's going to take a swing, and he's going to go for it. That's what the guy's doing. He's going to take a swing, and he's going to go for it. He's looking for his team. Who's on my team? That's the [inaudible 28:14].

Glenn Youngkin: Absolutely. Governor, I'm going to come back to the role you've played in developing Virginia's economy. I just want to head off and have a little bit of a practice session with you. How do you do it? Here you sit as a governor, and you've got a state that has gone through some economic turmoil. How do you plan where to go? How do you pick the companies you're working with and the sectors?

Terry McAuliffe: I always say the key to economic development is your workforce. We've been very successful. Just last week, I announced we were able to move Nestle Corporation out of California. They just moved to Northern Virginia for their headquarters, $240 billion a year in annual sales. It was a great win for us.

I sat with the chairman when I was out pitching the deal several months ago, and we finally got to an agreement. I said, "With all the factors that we did of why come to Virginia, what was the one that made the difference for you?" He said, "Education."

I go back to it with workforce, you've got to have a great education system. Last year, I put a billion dollars of new money into education in Virginia to redesign our high schools. High schools in America don't work anymore. They're big buildings with classrooms, with seats. You get credit for seat time.

I have 36,000 cyber jobs open in Virginia today, starting pay $88,000. We've got a transform our education system so that our students are getting the skills to match the jobs that exist. I have the second lowest number of technology workers of any state in America, but I need to double that.

How do you do it? You build your education. You show businesses that you're willing to invest in workforce, and working with our main legislature. I have a very Republican legislature, but I got 90% of what I want done working in a bipartisan way. If you want to get a cyber degree in Virginia, and you'll come work for the state for two years, I'll pay for your education. If you're a veteran, I will pay for you to go get a cyber degree.

We are leaning in, on all these big issues. I love to sell. I go all over the globe. I enjoy doing this, but no business is going to move to a state in America or around in a state unless they know they're going to have a workforce for five, 10, 15, 20 years. That goes to education.

Last week, top journal on education just said Virginia is the number one higher education system in the America. That really helps do it. We can recruit businesses then.

Glenn Youngkin: That's fabulous. These cybersecurity jobs, these high paying jobs, these good jobs, Jim, you all have done a tremendous amount of work in trying to quantify the flow of the workforce between high paying jobs and maybe not-so-high paying jobs, and really what's underpinning some of the unemployment data. What observations do you have right now?

Jim Clifton: One real obvious one, and sometimes the information I get is very depressing, I'm actually very optimistic. The full-time jobs that we have in America as a percent of adult population is the lowest it's been in 50 years. We don't really have full-time jobs.

Both papers, the New York Times, Wall Street Journal, say there's five million jobs for people. I know, Terry, there are a lot of them that we need to fill in and get $80,000 for, but there's a lot of facts that nobody wants to publish, and nobody wants to hear. This is the most important one of all, I think, Glenn.

We talk a lot about and cheerlead the 10 million jobs that were added since the recession. Get a number in your mind. How many of them were part-time and temporary of the 10 million? Alan Krueger at Princeton went to work. It's 94%. When the tide came in, what we washed out were millions and millions of middle-class jobs. Nobody talks about this. Nobody wants to say it.

Left is protecting the administration. Wall Street is protecting the market. That's really a very ugly picture. It gets a little uglier. I'm going to pick this up, but those jobs come from only one place, that's when new businesses start. New businesses and startups are the lowest they've been in 40 years. America has stopped building. There's no other side to that. When a company starts, that's where you get a middle-class job.

The second one is in the first five years, if we were a cattle herd, you've got to have births, but the second thing is with cattle you've got to fatten them in the first five years. If I said, "How's the herd doing?" We have fewer calves, and the ones that are born aren't fattening. They're staying skinny.

Until we fix that, I don't see how we can ever come back. The way it plays out is if you take IPOs, three years ago, there was 400 of them. The year before that, there was 200. Last year, there was 100. Do you see how this all starts coming apart? You take the listed company on NASDAQ and New York Stock Exchange, 20 years ago, there was 8,000 of them. What they're supposed to be right now is 12,000. What's it down to? We were 8,000. How many companies do we have now? Get a number in your head. The answer is 3,700.

That's because big companies can't grow. When they show growth it's just because they've given up on organics, and they just acquire each other. We don't really have growth. When you say the S&P 500 grew, they're just buying each other. Kids coming out of MBA schools, the best thing that you can have is you want to get hired, and nobody's hiring them anyways. They just go to lean and Six Sigma. That's because they don't have any interest in growth. They just go in and cut them.

Okay, so that's the negative. The numbers are horrible. Millennials don't start companies. People my age did. All of us started companies. Millennials don't start companies. If you think hell is coming in 20 years, I'd say yes. Why? Because Millennials don't start companies? Is it fixable? Yes.

This is so important. The bad numbers coast to coast, there's huge variation by city, so if you want to blame it on regulations or whatever. If you go to Memphis and Nashville, I always like that one because they're in the same country, so they have the same federal regulations. They're in the same state, so they have the same state regulations.

Memphis has no new starts. They might as well just shut the lights off on the place. The thing's dead. If anyone's from Memphis, sorry, but if you drive up the road to Nashville, Nashville is absolutely booming. It's like you're on two different planets.

It's not that America can't get … I'm original from Nebraska. I get a kick out of Sioux City and Sioux Falls. There you go. If you're a researcher, you love twins separated at birth. Sioux Falls and Sioux City are perfect twins separated at birth. Both on the Missouri River, and they both of the same name, after Lakota Sioux.

Sioux City is a horrible city. It's peep shows, nasty casinos. If you're from Sioux City, sorry, but if you're just driving ...

Glenn Youngkin: Memphis and Sioux City are taking it on the chin right now.

Jim Clifton: I should get out of here fast. But if you drive up to Sioux Falls, Sioux Falls is absolutely exploding. It's a tale of two different cities in this country. If we were all performing like Austin, Nashville, whatever the other one as I said, I just think we can turn this around. We've just got to have the right models.

Glenn Youngkin: That's a good pivot point because what we've said, just to summarize a little bit, is while not 100% agreeing that we're in a full recovery, I think there's a general sense of the US economy doing okay, and particularly in the Commonwealth of Virginia.

Terry McAuliffe: I hope you're all thinking about coming to Virginia.

Glenn Youngkin: If you want to put a new plan down, that's the place to put it. By the way, I'm a native Virginian, so I'm doing just a little recruiting. That China continues to actually perform reasonably well. I think the data at Carlyle that we get would confirm that. Europe economically is actually out of the ditch and growing. The global economy is not in a terrible place.

What we've also talked about is the fact that there is some geopolitical events around the world that can really impact our ability to access this growing economy. Finally, that we really need to compete, and that's really at the core of what you're saying. It's time for us to compete, to win.

That allows me to jump off and talk about tax policy just for a minute. One of the most, I think, talked about topics in these kinds of forums is what's coming from a tax policy standpoint and recognizing that with the legislative agenda that's on the docket, what gets accomplished and what doesn't is still in question. When we start talking about the kinds of tax policy, particularly a border adjustment, and how that impacts actual companies, Governor, when you look at your state, is it positive for Virginia, or is it negative for Virginia?

Terry McAuliffe: I'm very vocal. I think the border tax is one of the dumbest things I've ever heard because countries will retaliate against us immediately. It goes around even earlier, we've got to quit sending this message to the globe that we in America don't want to do trade with other countries. It's such a vital part. It's about 250,000 jobs in Virginia that are directly related to trade. This is big opportunity, and it's been a huge growth for us.

I think the border tax is very bad idea. We do need tax reform. I think one way to figure it out is to get these major corporations that are overseas, repatriate that money back. I think we're all in agreement that should be done.

Listen, if you thought healthcare was hard. The president learned how tough healthcare was. This is much harder than that because everybody's got [inaudible 38:19] the water when it comes to tax reform, and it's going to be very hard. Do we need tax reform in the country? Absolutely. Should it be simpler? Should we incentivize businesses to keep their cash here in America? Absolutely.

I don't want to see it used as some type of trade war that we're putting walls up around this country. That will not help us grow the economy. It is a global economy. I'll say it one more time, 95% of the world's customers live outside of American. We're successful in Virginia because we go where the customers are.

Glenn Youngkin: Right. Jonathan, when you look around the world and see tax policies that are different in every country, does it meaningfully impact the competitive of those countries in your opinion?

Jonathan Woetzel: It's a really interesting question. I've got to be honest. I don't think we have a great answer in terms of the fiscal and tax policies and how that directly ties to the productivity again of the country. That's how you measure it. Is this country growing its productivity?

What we can see is that countries that are growing their productivity faster are the ones that are more open, to the Governor's point. They are more literally in the flow, and they get better results. They get better people. They get better technology access. They get more money, and they build out. The winners are winning because they're ahead.

The tax policy has to be put into that context because our question we have here is a situation where you've got an investment gap. There has been a dramatic decline across OECD, including North America, in fixed capital investment. Part of it is companies are not putting money into the country anymore. They're keeping it offshore, and if you fix the tax policy, that might happen.

Another part of it is they're incentivized to acquire each other as opposed to invest in something. There are aspects of tax policy, which can really influence investment, which is essential if you want to get the rest of it going. The productivity growth, and then the demand, which is the wages and the income.

One thing that wasn't mentioned here is that real household incomes in OECD for the last decade have been flat to declining for 60% of the population. Sixty to 70% of the population, household has been flat to declining for the last decade. That's to your point about jobs.

Those middle-class jobs disappeared. They were replaced by temporary jobs. The only reason it's been flat in most countries is because government has been able to keep it up through tax and transfers, whether it's Medicare or Medicaid or anything else.

The money is getting spent in a way which isn't going to the sustainability of growth. It isn't going into investments. It's keeping it all together at this point. I think that's the real challenge. How do you tweak the tax policy in a way which restarts that idea that we should be using this for investment?

Countries whose tax policy does reflect that, which has a way of creating the accountability for those tax revenues, and that tax being collected needs to be reinvested in investment and growth, they do better. They grow faster.

Glenn Youngkin: Yeah. Jack, given the client base that you work with, and given the uncertainty of tax legislation and what it's going to mean to them, are there any observations that you have of how they're either preparing or ignoring what might [crosstalk 41:48]

Jack Leslie: No, they're all preparing. I think expectations are probably too high. I'm not expert on the stock market, but people are talking about how that's getting priced in. I absolutely agree with the governor. Somebody said to me last week. "Tax reform is a no-brainer," because we've got agreement on a lot of issues.

I've never been around this town. I've been around for a while. We've never had a tax bill that was a no-brainer because everybody's got am interest in it, and they're extremely complex. All of our clients are certainly very much preparing for it. They're all hiring up in this town as they should.

I think the big question seems to be whether or not they will go for a real comprehensive reform, which seems to be where the speakers have been, which I think is so much more difficult, or if they'll go with something you were talking about and repatriation tied to infrastructure. Something that's more narrowly defined, I think you're going to have obviously a much better shot if they go in that direction.

Glenn Youngkin: Yeah, what we've been doing is trying to run scenarios for the 250 companies that we're invested in. It's impossible because isolating the change is almost beyond the ability of many CEOs to even say, "My cost base is here. My revenue base is here. My customers are there." How do we reconcile all that?

I will say that it has been a great exercise of understanding supply chains and the efficiency of supply chains and those kinds of things. All it does is remind us all that the export work that goes on and the import work in all the companies around the world from a supply chain standpoint is incredibly complicated.

Jack Leslie: I think that, for example, on Brexit. It's the same thing we'll go through on NAFTA if we starting screwing around with that. Our clients have such complex of supply chains, that they're really, our European clients, are trying to figure out from that standpoint more than from the political standpoint or access to markets or so forth.

Glenn Youngkin: Yeah. I agree. Okay, so I just want to wrap things up a little bit. What I'd love to do is ask everyone for just a real quick assessment over the course of the next three to five years, are you optimistic for the global economy, and what do you think is going to happen to the opportunity for businesses in the United States.

Jim Clifton: You're looking at me.

Glenn Youngkin: Starting with you, Jim.

Jim Clifton: I am. I think that some of our assumptions are wrong. I think that leaders and cities have to, that they have to figure out how they can have new business like they're hoeing rattlesnakes. I think it's very difficult to see a future. We've got to have real organic growth in the United States and companies and startups.

I agree with the governor. If we don't export, we're so screwed. We're 25% of all the money in the world. There's going to be about $100 trillion, $150 trillion over the next 25 years of just coming in. Are we going to have 25% of that or not? If we're going to have 12% of it, we have a very different relationship with the whole world.

We are very good at innovation, and most leaders think that innovation creates jobs. It creates zero jobs because innovation doesn't have any value until a customer is standing next to it. We've made innovation very intentional. We've put hundreds of billions of dollars into it.

When you ask a question about where does business come from, an entrepreneur, and you say, is it born or is it developed? You're 50/50 here at best because we can't even agree on that. That's how little we know about what real builders are like.

I think as soon as we get that figured out, and get early identification of rare builders with very intentional development, I think we can rewin the world. This is very American to say. I mean it clinically and technically, but the world works better when we dominated economically.

Glenn Youngkin: Jonathan?

Jonathan Woetzel: Yeah. I think what you see depends on where you sit.

Glenn Youngkin: Back to where we started.

Jonathan Woetzel: Right, but I'm an optimist. I don't see how anybody living in China and Asia for the last 30 years can be anything but an optimist. You're seeing literally the single biggest improvement in the human condition in the history of mankind in the shortest period of time. Hundreds of millions of people, billions of people, lifted out of poverty. Entire economies created overnight, and now a wave of technology innovation, which is going to reshape the entire world.

One can't be anything other than excited about the opportunity that the global economy has. Equally so, as the governor was saying, totally there are companies, and there are places which in the United States, which can and should and will participate in it. It doesn't happen by itself. It doesn't happen by itself.

We have institutional barriers, be they tax, be they policy, be they consumption inequalities that need to be addressed to make it happen. I am incredibly optimistic, but this going to have to take some work. I just hope that people see the prize. That's the opportunity. If we see the prize, we can get it.

Glenn Youngkin: That's great. Jack?

Jack Leslie: I'm optimistic too, but for all those reasons. Today, would you rather live today than 50 years ago? Would you rather live today than 10 years ago? I think most of us would.

That said, and not to be a downer in this conversation, the free flow of capital and the accumulation of wealth is dependent on billions of people thinking that they are going to get a fair shot at it. If those billions of people don't think they're going to get a fair shot of it, which appears to be what's happening, and what's behind the rise of populism and nationalism and a dysfunctional politic, then we have serious problems.

I don't think you can have long-term growth without those people buying into it and without free markets. We have to address that issue, it seems to me, if we're going to continue the fabulous progress that we've seen over the last 50 years.

Glenn Youngkin: That's great. Governor?

Terry McAuliffe: I'm the eternal optimist, like everybody else, but there are some things we should be very concerned about. The federal government today, the Congress is broken. Nobody can get together and get anything done. I've never seen a more divided Congress than we have today. There is no working together.

Big international policies have to come out of the Congress for the president to sign. It is totally broken today. The partisanship is so bad for us to compete on a global basis. They've got to learn to be able to work together. I do it as a governor every day. As I say, I'm a very fiscally conservative, pro-business Democrat, socially progressive. I have a Tea Party legislature, but we come together on economic development and education. You've got to work together.

Look at the disgrace that's gone through about funding the export/import bank. It creates jobs, and it makes money. What is wrong with that? I don't know, but the Congress cannot come together, and this is what the big dark cloud out there, are they up to the challenge of making us competitive on a global basis?

They've got to change the way they do business. What just happened with the Senate yesterday, I think it's going to divide people even more unfortunately. Hopefully, people can get together.

Let me just say finally, two seconds, I'm here. All the governors get invited. I'm the governor who keeps coming every year. I want you to know. Forget those other 49 states. They have dissed you. Virginia is here because we love you. Just remember. Very pro-growth, low tax, business-friendly state. I've got mountains. I've got the ocean, great education.

I don't have sharks in my water. You come to Virginia Beach, dolphins come up. They pick up your children, and they give them a ride. I've got 297 wineries, 181 craft breweries, eight varieties of oysters. You eat our oysters. You drink our wine. Virginia's for lovers. You figure out the rest, but come on.