



Big Tech Facing Anti-Trust Grilling From Congress Today. Will Biden Be the Next Teddy Roosevelt?

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<https://hubpages.com/education/Theodore-Roosevelt-the-Bully-Pulpit-and-the-Power-of-the-Presidency>

Most new leaders in high visibility positions set out to leave a legacy. U.S. Presidents are especially cognizant of the mark they'll leave on history. If Joe Biden wins in November, will he likely adopt Roosevelt-style trust-busting as part of his legacy. At a time of pervasive social unrest, unprecedented debt levels, and wide disparities in social class, it's not a farfetched possibility.

Remember the cartoon above from your high school history books? Aside from William Howard Taft in the early 1900s, Roosevelt was arguably the second-most ardent trust-busting President in American history—and surely the most colorful.

As regular readers of this blog know, I rarely write about politics. I care a great deal about politics and have of opinions. But you're already saturated with the politization of everything and I have no special insights as a political prognosticator. So, just understand this post has no political agenda; it's just an observation about important socio-economic trends that could shape our business and investment climate for years to come.

Roosevelt's trust-busting weapon

The Sherman Antitrust Act, passed by Congress in 1890, declared that all business combinations that restrained trade and created monopolies were illegal. The Act was nothing more than a formality at first, since courts at the time [almost always sided with businesses](#). But shortly after moving into the White House, Roosevelt went after monopolies with a vengeance in the early 1900s.

Although Roosevelt was wealthy, he chastised the privileged class and big business in on two fronts:

1. He believed continued exploitation of the public could result in a violent uprising that could destroy American society.
2. He believed captains of industry were arrogant and thought they could always outsmart the government.

Right vs. wrong and nothing in between

Roosevelt's world view was that everything could be [boiled down into right vs. wrong and good vs. bad](#).

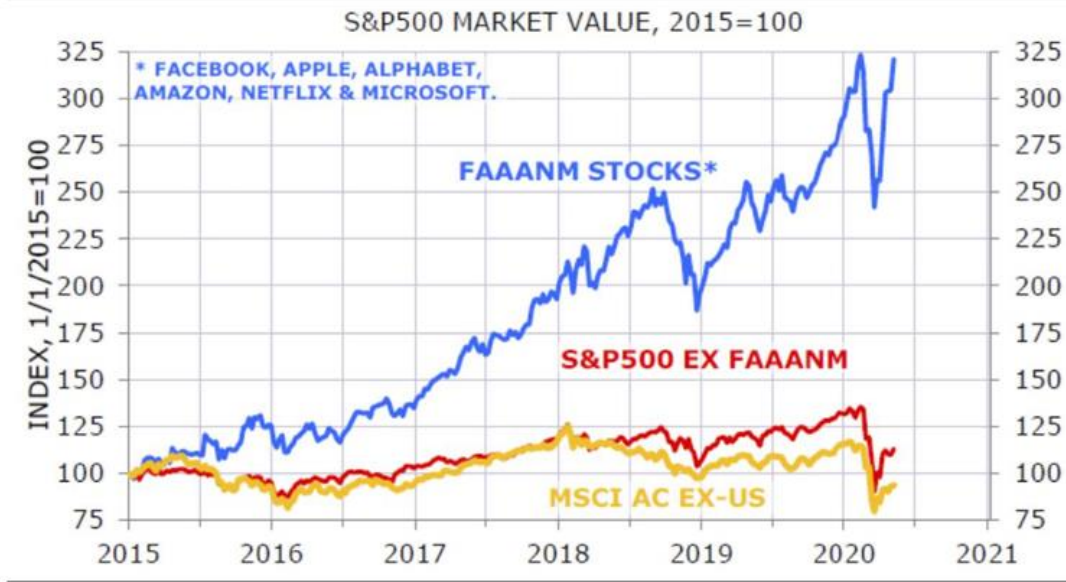
If a trust controlled an entire industry, but provided good service at reasonable rates, then Roosevelt argued it was a "good" trust and should be left alone. Only the "bad" trusts that he believed were jacking up prices and exploiting consumers would come under his relentless attack.

American public cheers Roosevelt's new offensive

Just because a public company makes a lot of money or dominates a business does not make it a monopoly. But the extreme concentration of wealth and prosperity in our country is concerning. Did you know that just six bemouth technology companies—Facebook, Apple, Amazon, Alphabet (Google), Netflix and Microsoft—have accounted for almost all of the outperformance of the U.S. stock market over global markets since 2015? The chart below is one of the most stunning I have seen in my 25-year financial career, with the so-called FAAANM companies front and center.

S&P 500 Leaders
As of May 18, 2020

The super 6 explain most of the return gap

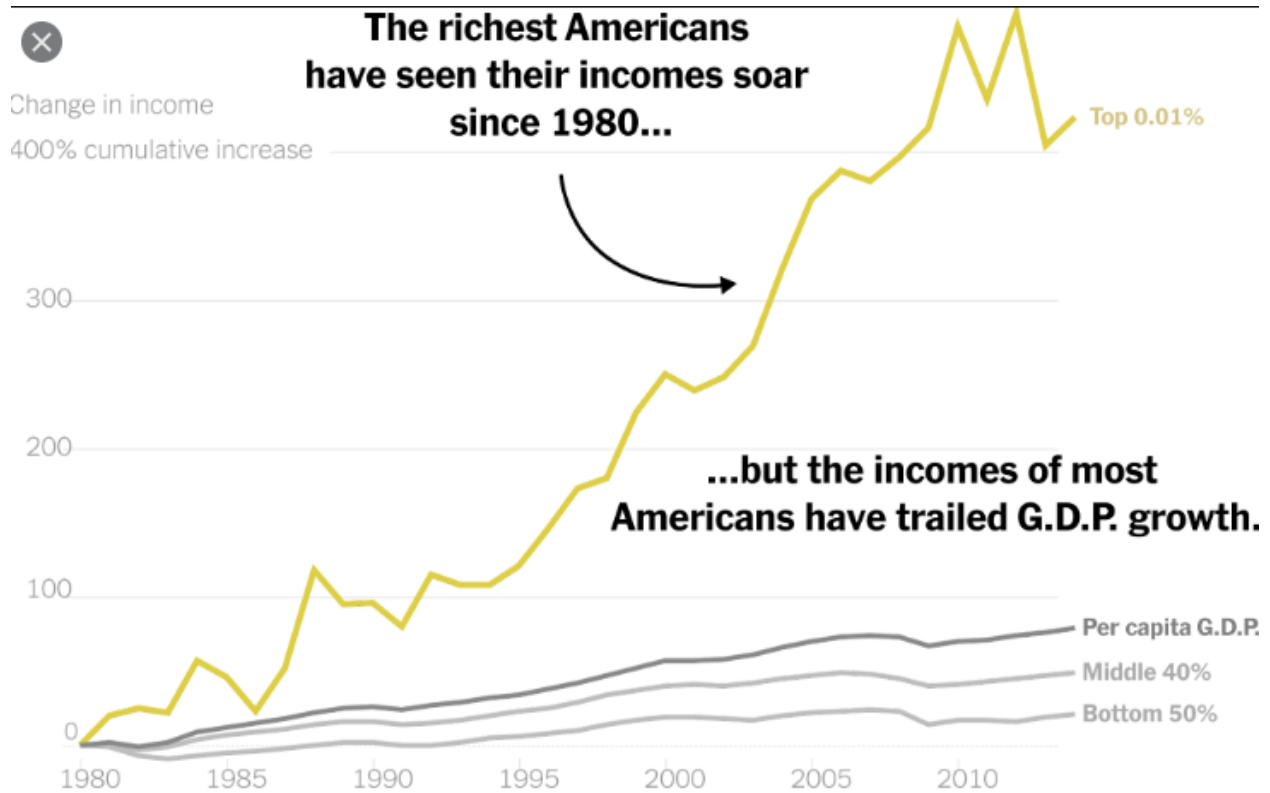


Source: MSCI, DataStream, Bloomberg; Minack Advisors

S&P 500 Index is a market-capitalization weighted Index of the 500 largest U.S. publicly traded companies. You cannot invest directly in an index. MSCI AC Ex-US = Is a stock market index comprising of non-U.S. stocks from 23 developed markets and 26 emerging markets. DoubleLine Total Return owns 0% of Facebook, Apple, Alphabet, Amazon, Netflix or Microsoft as of 6-9-2020. You cannot invest directly in an index.

Market procrastinators love using chart overlays, especially if those visuals can strike fear into the investing public about some type of “impending doom” that often never occurs. Every time there is a minor market correction, gurus whip out plummeting stock charts from the Great Depression and overlay them next to pictures of downtrodden Americans waiting in bread lines.

Sarcasm aside, it’s hard to ignore the ever-widening disparity of income and prosperity between the social classes in our country. Look again at the outsize performance of the “Super 6” FAAANM stocks above. Now look at the staggering income gains of the wealthiest 0.01% of Americans (below). They’re eerily similar.



<https://www.nytimes.com/interactive/2020/04/10/opinion/coronavirus-us-economy-inequality.html>

Conclusion

If Biden wins in November, his team is likely to shape policy to correct the trendlines in the two charts above. The 2017 Tax Cuts & Jobs Act (aka Trump Tax Cut) will likely be axed, with more aggressive policies to follow. Nobody knows for sure what the regulatory (or public health) climate will be like in 2021 and beyond. But surely the government will be anxiously seeking ways to pay for all the stimulus programs and social safety nets if financed during the early weeks and months of the pandemic. There is no free lunch.

If you or someone close to you has concerns about your portfolio allocation or retirement readiness under a new administration or tax landscape, contact us any time. We're happy to help. mtopley@LansingAdv.com | 215-634-9635

Matt Topley, Founder & President of Lansing Street Advisors, has authored this blog since 2012.

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