EXECUTIVE SUMMARY

Tech Triumph or Bloated Bubble:
Innovation, Investors, and Industrial Transformation

Roosevelt Hotel New York | December 13 - 14, 2017
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Robert D. Hormats, Under Secretary (2009-2013), U.S. Department of State
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COMMENTS
Michael S. Burke, Chairman & CEO, AECOM
Ajita G. Rajendra, Chairman & CEO, A. O. Smith Corporation
Steven Lipin, Founder, Chairman & CEO, Gladstone Place Partners
Matthew S. Levitch, President & CEO, Harley-Davidson Inc.
Klaus Kleinfeld, Former Chairman & CEO, Arconic
Maurice R. Greenberg, Chairman & CEO, CV Starr & Co.
Tamara L. Lundgren, President & CEO, Schnitzer Steel Industries
Rick Goings, Chairman & CEO, Tupperware Brands Corporation
James J. Barber, President, UPS International
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James Woolsey, Director, Central Intelligence (1993-1995)
James M. Loree, President & CEO, Stanley Black & Decker
James S. Chanos, Managing Partner, Kynikos Associates
Brian A. Nichols, Ambassador to Peru (2014-2017), U.S. Department of State

RESPONDENTS
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Lu Cordova, Past Director, Kansas City Federal Reserve; Chair & CEO, Techstars Foundation
George R. Hornig, CEO, Transatlantic Financial Holdings
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Lally Weymouth, Senior Associate Editor, The Washington Post
Marshall Meyer, Professor Emeritus, Wharton School, University of Pennsylvania
Jing Tsu, Chair, Council on East Asian Studies, Yale University
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Andrew Ross Sorkin, Editor, DealBook, The New York Times; Co-Anchor, CNBC
Grover Norquist, President, Americans for Tax Reform
Kenneth G. Langone, President & CEO, Invemed Associates
Peter Orszag, Vice Chair, Lazard; Former Director, U.S. OMB
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COMMENTS
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Rakesh K. Loonkar, President, Transmit Security
Dennis Gartman, Editor/Publisher, The Gartman Letter
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RESPONDENTS
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John H. Clippinger, Co-Founder, TokenMaster
Andrew McConnell, Co-Founder & CEO, Rented.com
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Steve Papa, Chairman & CEO, Parallel Wireless
Bruce C. Greenwald, Professor, Columbia Business School
Steven N. Kaplan, Professor, Booth School of Business, University of Chicago
Edieal J. Pinker, Deputy Dean & Professor, Yale School of Management
Benn R. Konsynski, Professor, Goizueta Business School, Emory University
Marina Neissner, Assistant Professor of Finance, Yale School of Management
Kyle Jensen, Associate Dean & Director of Entrepreneurship, Yale School of Management
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Franklin Foer, National Correspondent, *The Atlantic*; Author, *World Without Mind*
Scott Galloway, Professor, NYU Stern School; Author, *The Four*

OPENING REMARKS
Douglas H. Ginsburg, Senior Judge, DC Circuit, U.S. Court of Appeals
Jed S. Rakoff, Judge, U.S. Southern District of New York
Joseph B. Ucuzoglu, Chairman & CEO, Deloitte & Touche LLP
Ivan G. Seidenberg, Retired Chairman & CEO, Verizon Communications
Lynn Tilton, Chief Executive Officer, Patriarch Partners
Nicholas T. Pinchuk, Chairman & CEO, Snap-on Incorporated
Mark Fields, Former President & CEO, Ford Motor Company

COMMENTS
Joele Frank, Managing Partner, Joele Frank, Wilkinson, Brimmer Katcher
Steve Odland, President & CEO, Committee for Economic Development
David Faber, Co-Anchor, *Squawk on the Street*, CNBC
Rana Foroohar, Associate Editor, Financial Times
Edmund Lee, Managing Editor, Recode
Mike McKool, Founder & Chairman, McKool Smith
Patricia F. Russo, Interim Chairman, Arconic
Maggie Wilderotter, Chairman & CEO, Grand Reserve Inn; Former CEO, Frontier Comm.
Tom Rogers, Chairman, WinView
Alan Masarek, Chief Executive Officer, Vonage
Brad Katsuyama, President & CEO, IEX
Sarah Koehane Williamson, Chief Executive Officer, FCLT Global
Courtland L. Reichman, Principal, McKool Smith

RESPONDENTS
Bill Anderson, Senior Managing Director, Evercore Partners
Stacy J. Kenworthy, CEO, HellaStorm
Christopher Mangum, President & CEO, Servato
Helen S. Scott, Professor of Law, New York University
Gary P. Naftalis, Partner & Firm Co-Chair, Kramer Levin Naftalis & Frankel
Tom Cochran, CEO & Executive Director, U.S. Conference of Mayors
Christopher Shays, Member of Congress (1987-2009), State of Connecticut
Marc J. Sonnenfeld, Partner, Morgan Lewis & Bockius
Steven J. Simmons, Chairman, Patriot Media
Ned Lamont, Chairman, Lamont Digital Systems
Marc Rotenberg, President, Electronic Privacy Information Center
Joel R. Reidenberg, Professor of Law, Fordham University

Creativity, Convention, and Courage

Walter Isaacson, Chairman & CEO, The Aspen Institute; Author, *Leonardo Da Vinci*

OPENING REMARKS
Walter Isaacson, Chairman & CEO, The Aspen Institute; Author, *Leonardo Da Vinci*

COMMENTS
Leonard S. Schleifer, President & CEO, Regeneron Pharmaceuticals
Danny Meyer, Chief Executive Officer, Union Square Hospitality Group
Joel N. Myers, Chairman & President, AccuWeather

RESPONDENTS
Nels B. Olson, Vice Chairman, Korn Ferry
Mark D. Arian, Chief Executive Officer, Korn Ferry Hay Group
Matt Reilly, General Manager, Digital Systems, IBM

Digesting What’s Good for You: Technology, Health, Nutrition

OPENING REMARKS
George D. Yancopoulos, President & Chief Scientific Officer, Regeneron
Denise M. Morrison, President & CEO, Campbell Soup Company
Joseph C. Papa, Chairman & CEO, Valeant Pharmaceuticals International
Alan J. Patricof, Managing Director, Greycroft Partners

COMMENTS
Bret D. Scholtes, President & CEO, Omega Protein Corporation
Seth Feuerstein, Chief Innovation Officer, Magellan Health; CEO, Cobalt Therapeutics
Irwin D. Simon, Chairman, President & CEO, The Hain Celestial Group

RESPONDENTS
Frederick Frank, Chairman, Evolution Life Science Partners
Mary Tanner, Senior Managing Director, Evolution Life Science Partners
Raymond V. Gilmartin, Former Chairman, President & CEO, Merck & Co.
Joseph J. Lhota, Sr. Vice President & Vice Dean, NYU Langone Medical Center
Christina P. Minis, Co-Head, Americas Credit Finance Group, Goldman Sachs
Arjun Ganesan, Chief Executive Officer, Ancera
Neil de Crescenzo, President & CEO, Change Healthcare
Tyler Shultz, CEO, Flux Biosciences; Whistleblower, Theranos

Was Retail’s Demise Premature? The Return of the Bricks

OPENING REMARKS
Andy Dunn, CEO, Bonobos; SVP, Digital Consumer Brands, Walmart
Mickey Drexler, Chairman, Outdoor Voices
Kip Tindell, Co-Founder & Chairman, The Container Store
Myron E. Ullman III, Retired Chairman & CEO, JCPenney Company

COMMENTS
James McCann, Chair, Willis Towers Watson; Chair, 1-800-FLOWERS.COM
Tariq Farid, Founder & CEO, Edible Arrangements International
Melanie Kusin, Vice Chairman, Korn Ferry
David J. Stern, Commissioner Emeritus, National Basketball Association
Gerardo I. Lopez, President & CEO, Extended Stay America Hotels

RESPONDENTS
Thomas Krens, Director Emeritus, Solomon R. Guggenheim Foundation
Mark D. Ein, Founder & CEO, Venturehouse Group
Sanford R. Climan, President, Entertainment Media Ventures
Jonathan Mariner, Retired Executive Vice President & CFO, Major League Baseball
Geoff Colvin, Editor & Columnist, FORTUNE
Stephen F. DeAngelis, President & CEO, Enterra Solutions
Stephen A. Greyser, Professor Emeritus, Harvard Business School
Fred K. Foulkes, Professor, Questrom School of Business, Boston University

Legend in Leadership Award Presentations: Leonard S. Schleifer, President & CEO, Regeneron Pharmaceuticals, and George D. Yancopoulos, President & Chief Scientific Officer, Regeneron Pharmaceuticals

PRESENTATION
Gregory J. Hayes, Chairman & CEO, United Technologies Corporation
Ivan G. Seidenberg, Retired Chairman & CEO, Verizon Communications

Maverick in Leadership Award Presentation: Danny Meyer, CEO, Union Square Hospitality Group

PRESENTATION
Alan J. Patricof, Founder & Managing Director, Greycroft Partners
Irwin D. Simon, Chairman, President & CEO, The Hain Celestial Group
Beyond policy concerns, business leaders and former government officials are worried about President Trump’s behavior, which lacks civility and doesn’t reflect American values. The majority of participants are embarrassed with how President Trump represents the country. There is also disappointment in Trump’s domestic performance, but hopefulness about tax reform.

Upon President Trump’s election, business leaders were optimistic that the White House was engaging them. Several described meetings with the President that were upbeat and full of promises related to infrastructure and trade policies. But thus far, business leaders are disappointed, with no progress on healthcare or infrastructure, and negative progress on trade and immigration. Also, business leaders were surprised that President Trump would misstate companies’ investment and employment plans, and would pit companies against each other.

The lone legislative bright spot is tax reform legislation, which was favored by 55% of participants. Those who supported this legislation see it as a game changer that will transform the U.S. economy. Proponents believe it is good for America, will boost GDP growth, and will help U.S. competitiveness. There was strong support among manufacturing companies who say lower taxes will increase investment, jobs, and salaries.

However, most CELI participants see this legislation as an unfair attack on blue states, believe it adds to the national debt, worry about the impact on healthcare, and don’t believe carried interest is being properly taxed. In addition, while this legislation was sold as spurring capital investments, only 14% of participants said their companies were likely to invest.

Bitcoin is seen as a bubble, but blockchain has huge potential.

The vast majority of business leaders (86%) see cryptocurrencies as overhyped and dangerous, and most (88%) believe bitcoin is a bubble.
True innovation requires vision, passion—and patient long-term capital.

The term innovation is overused and misused. Companies often hype innovations that are relatively minor. But several innovators shared their journeys. Common were a sense of purpose and passion, a desire to serve customers and employees, a desire to avoid short-term market pressures, and finding a capital structure that provides the ability to engage in sustained, long-term innovation.

Of greater interest is blockchain, which provides value as a better ledger. Advantages include having a currency not influenced by governments, with no single point of failure, and a shared infrastructure for payment and settlement that will take friction out of the system.

Business leaders aren’t opposed to large mergers, but are wary of the market power of tech leaders.

In response to survey questions about whether various mergers should be approved, participants overwhelmingly favor allowing the Time Warner/AT&T merger to proceed (77%), as well as Disney/Fox (86%), CVS/Aetna (78%), and Tribune/Sinclair (65%). A view of several participants was that “big” is not a problem, but “bad behavior” is.

Both the size and the behavior of several large tech companies—Amazon, Facebook, and Google—are a cause for concern. In fact, 42% of respondents believe Amazon should be broken up. Even though these leading tech companies don’t engage in price gouging like typical monopolies—they actually provide low prices, good service, and some services for free—they have tremendous market power, aren’t regulated, and are blocking competition. The consumer data they amass has tremendous value, giving them the ability to affect all aspects of people’s lives. Those with concerns about these platforms believe breaking them up would spur greater innovation and competition.
Global Leadership Facts and Fantasies: International Confusions and Domestic Illusions

Overview
Recent books present ideas to explain some behaviors of Americans and America. One idea is that Americans have a unique belief in fantasies and myths, which has contributed to the election of Donald Trump and results in uncompromising views. Another idea is that the Paris Peace Pact of 1928, which outlawed war, has established new, more civil norms for international behavior.

While CELI participants find these ideas interesting, not everyone accepted them. Americans may be prone to believing in fantasies and myths, leading to stark divisions, but the country has overcome previous divisions. And, while the Paris Peace Pact officially outlawed war, many are skeptical that this document really matters. More important are power politics and international collaboration.

Context
Kurt Andersen summarized the main ideas from his new book Fantasyland, about how fantasies uniquely shape the character of the United States, and Yale Law professors Oona Hathaway and Scott Shapiro shared the premise of their book The Internationalists, about the impact of the Paris Peace Pact of 1928, which outlawed war.

Key Takeaways
Fantasy permeates American society.
Looking back across hundreds of years, author Kurt Andersen asserted that fantasy and mythology are deeply infused within American history. According to Andersen, fantasy continues to affect American politics, culture, and life. The Puritans were influenced by myths and fantasy. If they experienced failure, it was attributed to the devil, not their own actions, shaping an American tendency to blame outside forces. Americans were captivated by P.T. Barnum—who didn’t care if something was real, as long as it was entertaining—and by Norman Vincent Peale, who combined religion with his brand of optimism. The 1960s gave each person permission to “create your own reality.” Instead of relying on facts and science, each person could have their own opinion.

Andersen argues that this underpinning has resulted in many Americans buying into conspiracy theories, not believing in the science of climate change, rejecting claims by the media, and having their own “alternative facts.” Americans are more superstitious and susceptible, and more Americans engage in “extreme religiosity” than elsewhere.

CELL participants (83%) agree that U.S. history has a large element of fantasy, but the majority do not see this as unique to the United States.

<table>
<thead>
<tr>
<th>Question</th>
<th>% Yes</th>
<th>% No</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. history has a large element of political fantasy?</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>The U.S. is unique in its fascination with fantasy over fact?</td>
<td>34%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Source: Real-time poll of CELI attendees
While America is a country of fantasies and deep divisions, the Constitution provides sustainability.

Andersen argued, and the majority of CELI participants (62%) agreed, that the election of Donald Trump as President is a product of classic American myth making. Trump follows in the tradition of P.T. Barnum and feeds the fascination with wealth, celebrity, conspiracy theories, and creating your own reality. Now as President, Trump has perpetuated fantasies with alternative facts, claims of fake news, belief in conspiracy theories—and an average of six lies per day (as has been reported).

Beyond Trump, America has become a deeply divided country where people cling fiercely to their own beliefs, creating a country of uncompro- mising, unyielding zealots. People disregard facts and science and don’t seek to understand the perspective of others, and there is no compromise.

However, some participants challenged elements of Mr. Andersen’s argument, and even those who accepted the idea of fantasies and myths were more optimistic.

• One participant said that many attempts have been made to explain Trump’s victory, attributing it to fantasy or the media or religion. But the explanation is simple: it was Hillary’s fault.

• Other participants argued there is legitimate debate about climate change. Those who believe in climate change argue it is supported by science. But a prominent scientist stated that the scientific method is testable, repeatable, and provable. Climate change, while supported by data, has not been definitively proven by science. Those invoking science are doing so incorrectly.

• Despite the deep divisions in the country, a religious and political leader offered that he was not concerned. There have often been differences, disagreements, and arguments in the U.S. but with the exception of the Civil War, Americans have been able to find common ground.

• Multiple participants suggested that the reason the U.S. has endured—despite fantasies and divisions—is because of the wisdom and belief in the Constitution. Every four years U.S. citizens vote, elect a new president, and go through a smooth transition in power. In contrast, other countries have turmoil, coups, and upheaval.

For all of the problems in America, the fundamental system of government, grounded in the Constitution, seems to work better than anything else.
Is There Any Order to the New World Order?

Overview

The world is complicated and dangerous, with a wide range of military and economic threats. At the moment, business leaders lack confidence in how the Trump administration is responding to these threats. During the first year of the Trump administration the U.S. has lacked a clear, consistent, coherent foreign policy, and President Trump has acted erratically, which has frayed relationships with allies and emboldened adversaries. Lack of clear policies extends to trade, where business leaders are confused and disappointed by the Administration’s words and actions, or lack of actions.

Context

CELI participants took a tour of the world, discussing international hot spots and providing perspectives on U.S. strategies and actions.

Key Takeaways

The U.S. faces numerous complexities and threats from across the world.

Complexities and threats include military threats, economic threats, and cyber threats. Looking across the world, rivals Russia, China, North Korea, and Iran are all strengthening themselves and are working together.

- **The Middle East:** The military campaign against ISIS in Syria has been successful, but the U.S. has no policy or plans to convert military gains into political gains.

And, the U.S. bombing in Syria was a signal with no follow-up. About half (53%) of CELI participants believe Trump’s decision to recognize Jerusalem as Israel’s capital is a mistake.

- **Russia:** Trump had wanted to befriend and improve relations with Russia, but that is unlikely at this time. Several former government officials acknowledged that while both Russia and the United States have long taken actions to interfere with other countries, Russia’s recent efforts involving cyber and disinformation to destabilize the U.S. are unprecedented. Due to recent Russian actions in Ukraine and targeting the U.S., for the first time in many years the U.S. has prepared a war plan for Russia.

- **China:** The U.S. doesn’t understand China very well and seems lost in its policy regarding China. America trades with China as a friend, yet China is a statist dictatorship. It is necessary for the U.S. to build a greater military presence in Asia to check China. The majority of CELI participants (76%) feel President Xi is using his anti-corruption and reform campaign to settle political scores.

- **Iran:** A former government leader who supported the U.S. deal with Iran asserted that this deal is not some grand bargain; it only applies to one thread of the relationship with Iran, and this deal didn’t change the U.S. readiness or posture toward Iran at all. The U.S. retains the option to confront Iran militarily if necessary.

- **North Korea:** Little has changed since the last CELI Summit. The hope is that Secretaries Mattis and Tillerson can continue to focus on diplomacy and deterrents to avoid war.
Thus far U.S. foreign policy under Trump is hurting relationships with allies and presenting opportunities for adversaries.

Amid this host of threats, most CELI participants are dissatisfied with how President Trump and his administration are representing the United States’ interests internationally. Most participants are embar-
rassed with how President Trump has represented U.S. interests.

<table>
<thead>
<tr>
<th>Survey Questions on Foreign Relations</th>
<th>% Agree</th>
<th>% Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>President Trump is doing an excellent job representing U.S. interests abroad.</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>Are you embarrassed with how President Trump has represented U.S. interests and image abroad?</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>I am fearful that we have alienated key diplomatic allies.</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>The U.S. State Department is in a dangerously weak condition since this administration took over.</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>I am disappointed in the administration’s trade policy.</td>
<td>66%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Source: Real-time poll of CELI attendees

Business leaders see the State Department as terribly understaffed, and see the Administration’s international actions as lacking cohe-
sion, clarity, and consistency. Results include damaging relationships with important, long-standing allies as well as hurting important international institutions like NATO and the UN. Not participating in TPP or the Paris Climate Agreement has hurt U.S. credibility and eroded U.S. global leadership.

“Allies have seen ebbs and flows in U.S. polices and behavior, but this is abnormal . . . the U.S. is in some trouble around the world with allies.”

Lack of coherent strategies, inconsistent support for international institutions and agreements, and constantly changing statements and positions is lessening U.S. leadership and creating opportunities for adversaries.

“Adversaries see an opportunity to gain advantage because of confusion . . . it is dispiriting for our friends.”

The behavior and decision-making process of Trump and his administration are highly questionable.

Most CELI participants agree that the President’s conduct and Twitter communications are not civil or constructive and are often in conflict with American values respecting the legitimacy of critics and the role of an independent media. Trump also frequently undermines the work of his own team. Several participants see Trump as setting a poor example for those who serve in the military or in any government capacity.

Also, the Administration continues to be under-
staffed and the decision-making process is seen as slow and dysfunctional. These behaviors create further confusion and doubt, and are producing a loss of confidence among allies.

Disappointment with the Administration extends to the relationship with the business community. Upon President Trump’s election, business leaders were optimistic that the White House was engaging them. Several described personal meetings with the President that were upbeat and full of promises. But thus far, business leaders are generally disappointed with the President’s behavior and results (with the exception of the tax legislation; see following summary). Business leaders have heard a great deal of rhetoric but have seen limited results. Many were also surprised and dismayed that President Trump has misstated companies’ investment and employment plans and has pit companies and leaders against each other.

An experienced government official from previous administrations counseled patience in that any new administration takes time to settle.

Business leaders are also disappointed in the Administration’s approach to trade.

International trade is yet another issue where CELI participants see inconsistent, incoherent, confusing policy—or lack of policy. Most CELI participants supported TPP and believe that NAFTA has been beneficial, even while acknowledging it can be updated. Repealing NAFTA or instituting tariffs is seen as problematic and destabilizing.

Experienced diplomats insisted that the notion of “putting America first” is nothing new. Throughout history, all officials in every admin-
istration have always put America’s interest first. The question is how to best go about doing that. Most believe that working in conjunction with allies and institutions is a far better and more produc-
tive approach than going it alone or engaging in protectionism and trade wars. Further, one participant argued that the Administra-
tion’s focus on the trade deficit is misguided; more important is to link the trade conversa-
tion to defense and security.
“Our trade policy has always been to put the U.S. first—that’s what every country does. But today the U.S. approach is ‘my way or the highway.’ Leadership of the WTO and other organizations is moving elsewhere.”

A general theme is that the U.S. has historically been a stabilizing force. But by exiting TPP and the Paris Climate Accord, and making a unilateral decision to move the embassy in Israel to Jerusalem, the U.S. is becoming a destabilizing force.

The NEOM project elicits mixed feelings and considerable warnings.

Klaus Kleinfeld explained the vision for NEOM, a planned 10,000-square-mile city and economic zone in Saudi Arabia that aims to be the best place to work and live in the world. This city, to be created from scratch with $500 billion in investment, will focus on nine economic sectors—including energy, biotechnology, healthy food, and more—and will unleash imagination in creating a new future.

About half of CELI participants see this undertaking as hugely promising, but the other half are skeptical. Mayors and experienced civic leaders noted that people don’t like a top-down planned approach or something that feels like downtown Disney—it is too artificial. People prefer real, gritty cities that develop organically.
Funny Money: Taxing Questions about Real Revenues and Cryptocurrencies

Overview
Most CELI participants supported the idea of a corporate tax cut, and some see it as a game changer that will spur greater economic growth. But many have concerns about increasing inequity and government debt and the impact on blue states and healthcare.

While politicians have been debating tax policies, investors and speculators have been driving the values of cryptocurrencies to stratospheric, unsustainable levels. Most participants see cryptocurrencies as a bubble that will burst in the near future. Yet some savvy investors believe “there is something there” and others see great potential in the underlying blockchain technology.

Context
Participants shared their thoughts on the likely tax legislation (which as of the date of the Summit had not been passed, but seemed likely), on the need for greater investment in infrastructure, and on whether cryptocurrencies are merely a bubble.

Key Takeaways
Most business leaders supported the pending tax reform legislation, with some reservations.

The majority of CELI participants believed that the proposed tax reform legislation should be signed into law. Some termed it a game changer that will transform the U.S. economy. Proponents argued that lower corporate tax rates are good for America, and will boost GDP growth, help U.S. competitiveness, and lead to repatriation of huge amounts of capital. It may also pave the way for entitlement reform.

There was strong support among those from the manufacturing sector who see this tax cut as increasing capital investment, jobs, and salaries. They believe workers will support this legislation, even if it isn’t perfect. The CEO of a major private equity investor said more than 50% of his firm’s portfolio companies say the tax cut will lead them to increase their capital investment.

“This is a game changer. It is a whopper in impact and scale.”

However, even many who are generally in favor of a corporate tax cut expressed concerns about this legislation. Concerns included:

• The corporate tax reduction makes sense to many, but the individual tax reform is seen as deeply flawed. One participant argued that lower corporate rates could have been accomplished in a different, better way.
“Everyone wants to lower corporate tax rates, but the tax code is supposed to embody the values of the country, and this hasn’t been done properly.”

• The entire process was rushed and secretive. Proponents disagreed, contending hearings on tax policies have been held for many years.
• Inequity will increase with this legislation, as will the appearance that the system is unfair and rigged for the rich. Many are also concerned about the healthcare impact. A few participants fear the U.S. may be heading toward an economic civil war. Some supporters of the legislation disagreed, believing it may help decrease inequality.

“The tax bill will reinforce the perception that the system is rigged.”

• Lessening of deductions for state and local taxes is an unfair attack on blue states. Since, for example, state revenues finance state colleges and universities, an unexpected consequence may be an increase in tuition, limiting the ability to access state schools. One supporter strongly disagreed, arguing that this simply takes away advantages that were previously given to the blue states and will now force governors and mayors to operate more efficiently, exposing those who can’t.
• Unfair taxation of carried interest. A major investor said it isn’t even worth debating the point because the matter has been settled: gains within three years are treated as ordinary income and gains achieved in more than three years are treated as capital gains. Also, despite the claim of proponents that corporate tax cuts will spur capital investment, the majority (86%) of CELI participants don’t expect this to occur. As one skeptic said, “The after-tax cost of capital is not constraining investment.”

Business leaders continue to support investment in infrastructure, and most are open to attracting foreign capital.

Many participants believe that investing to improve the country’s infrastructure should be a top national priority. The majority support attracting capital from other countries, including China, to help finance infrastructure spending. While the U.S. government has blocked some foreign investments in or acquisitions of U.S. companies as “strategic threats,” most participants are not concerned about foreign investments in infrastructure.

“We need more money for infrastructure. We should welcome foreign money.”

However, while a current government official concurred with the need for more infrastructure investment, he said it is extremely difficult to get local support for foreign investment, even from countries such as Australia and Spain. Investment from China is even more complex as the investment could come from state-owned enterprises whose interests are more strategic than financial. While the U.S. wants more capital for infrastructure, taking this capital from just any source doesn’t make sense.

Most believe that Bitcoin is a bubble, but blockchain may have real potential.

With cryptocurrency prices at all-time highs, most CELI participants see this as a regulated, speculative market and a dangerous bubble that will not end well.

<table>
<thead>
<tr>
<th>Survey Questions on Cryptocurrencies</th>
<th>% Agree</th>
<th>% Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bitcoin cryptocurrency is a dangerous bubble that will not end well.</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>Cryptocurrencies are overhyped and dangerous.</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>The current exchanges do not know how to properly regulate bitcoin.</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>My business presently has large blockchain initiatives.</td>
<td>27%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Source: Real-time poll of CELI attendees
Even many very sophisticated investors don’t understand bitcoin at all, see no underlying asset on intrinsic value, and don’t subscribe to the view of finite supply. Ultimately, bitcoin still must get converted back to cash/dollars, and getting one’s money out can be difficult.

Other cryptocurrencies are seen as having the same basic attributes and speculative qualities as bitcoin, though some believe Ethereum may be different, including Ethereum co-founder Joseph Lubin. Lubin says Ethereum is more mature, has the premise of a shared infrastructure, will squeeze friction out of the financial system, and can more easily be tracked, which will provide benefits to legal authorities.

Despite the skepticism, some banks—such as USB—are beginning to accept bitcoin for some purposes, such as donations to charity. Some investors have made small bets on bitcoin, such as 1% of their portfolio. Even some who are not invested in bitcoin see the potential to streamline transactions and say, “There is something here.” While there may be a short-term bubble, this may well pave the way for unexpected longer-term transformations.

Of more near-term interest to most participants is the idea of blockchain, which is a better ledger with no single point of failure. An experienced investor who is a big believer in blockchain says the key is to focus on real-world use cases for both blockchain and cryptocurrencies.
Are the Rules of Engagement Fair Given the New Frontiers of Technology?

Overview

In general, business leaders prefer limited regulation and minimal interference with the market. This applies to wanting the government to allow most mergers and acquisitions, while eliminating outdated net neutrality regulations.

However, those who have studied the market power of technology platforms like Amazon, Facebook, and Google have concerns about the dominant positions of these companies, their collection of data, and the ability to influence all aspects of people’s lives. While these companies provide high levels of service at low prices, and while business leaders typically oppose greater regulation, some see a growing need for intervention with these tech companies. Some even called for invoking antitrust laws to break up Amazon and foster greater competition.

Context

Participants discussed the role of regulation in an era with dominant technology platforms.

Key Takeaways

In general, participants are not opposed to large mergers.

While the Department of Justice has expressed concerns about the Time Warner and AT&T merger, most CELI participants don’t share these concerns. In fact, the vast majority of participants believe that several major mergers should be allowed.

<table>
<thead>
<tr>
<th>% in Favor of Allowing Merger</th>
<th>Merger</th>
</tr>
</thead>
<tbody>
<tr>
<td>77%</td>
<td>Time Warner/AT&amp;T</td>
</tr>
<tr>
<td>65%</td>
<td>Tribune/Sinclair</td>
</tr>
<tr>
<td>78%</td>
<td>CVS/Aetna</td>
</tr>
<tr>
<td>86%</td>
<td>Disney/Fox</td>
</tr>
</tbody>
</table>

Source: Real-time poll of CELI attendees

A view shared by several participants was that “big” is not necessarily a problem, but “bad” is a problem that needs to be addressed by regulators. When regulators intervene, they either want behavior
Reactions to the end of net neutrality were mixed.

Some looked at the end of net neutrality and proclaimed, “It is hard not to be cynical.” The concern is that a few big companies will be able to take advantage of the situation at the expense of consumers.

But others argued that the net neutrality regulations were old and dated, and in practical terms, net neutrality hasn’t existed for a while anyway. Those with this view prefer that the regulations be eliminated and that the market be unfettered.

The dominance of leading tech companies is a cause of concern.

Scott Galloway, author of The Four, and Franklin Foer, author of World Without Mind, both expressed concerns about the size, dominance, and level of intrusion of the FANG companies (Facebook, Amazon, Netflix, and Google). These companies are essentially unregulated monopolies that have faced no restrictions because the world views them as innovators. Also, while monopolists typically engage in price gouging and provide poor service, these companies provide low prices or give their services away for free, and tend to provide great service. They are big, but not necessarily bad.

However, these companies affect all aspects of people’s lives, are accumulating massive amounts of data, and are blocking the entry of new competitors. Some see a threat to personal privacy and democracy. Several participants believe these companies, particularly Amazon, should and will be broken up, which will result in more innovation and competition, benefitting consumers. As Scott Galloway pointed out, Google was only possible because of antitrust actions against Microsoft. An ecosystem with more players is likely to be more innovative and better for the country. Yet despite these concerns, 58% of participants do not believe that Amazon should be broken up for antitrust reasons.
Creativity, Convention, and Courage

OPENING REMARKS
Walter Isaacson, Chairman & CEO, The Aspen Institute; Author, Leonardo Da Vinci

COMMENTS
Leonard S. Schleifer, President & CEO, Regeneron Pharmaceuticals
Danny Meyer, Chief Executive Officer, Union Square Hospitality Group
Joel N. Myers, Chairman & President, AccuWeather

Biographer Walter Isaacson, Chairman and CEO of the Aspen Institute, shared highlights from his recently published biography of Leonardo Da Vinci. This biography of Da Vinci follows biographies of Benjamin Franklin, Albert Einstein, and Steve Jobs.

His most famous work and probably his greatest painting, the Mona Lisa, shows perfect muscle definition and amazing use of light and shadows, and contains flowing rivers and swirls, which were a constant theme in Da Vinci’s work.

Many of Da Vinci’s attributes are relevant to business leaders.

While there are many smart people in the world, what distinguished Da Vinci, and what differentiates great business leaders, is creativity. Like Steve Jobs, Da Vinci thought differently. CEOs can learn from Da Vinci. He was observant, curious, creative, imaginative, and collaborative. He excelled at detecting patterns and seeking to understand root causes. He was egoless and loved to work on projects and learn from others who had even more knowledge in a particular area, such as mathematicians or architects. He had joy and passion for his work, and believed simplicity was the ultimate beauty, an attitude shared by Steve Jobs.

Key Takeaways
Da Vinci’s genius resided in crossing disciplines and seeing creativity in intersections.

Leonardo Da Vinci was a unique person of creativity, innovation, and relentless curiosity. He lacked formal education and was a procrastinator who left many projects unfinished, but had a keen sense of observation, was a “disciple of experience,” and was a detail-oriented perfectionist who recorded his observations and questions in notebooks, which totaled 7,200 pages.

Da Vinci was a true Renaissance man in that he was interested in and excelled at art, theater, costume design, music, science, math, engineering, architecture, physiology, geology, and more. His greatest work was at the intersection of art and science, and Da Vinci consistently blurred fantasy and reality. His famous work Vitruvian Man is an anatomically correct self-portrait that incorporates “squaring the circle,” which was an obsession of Da Vinci’s.

Opening Remarks
George D. Yancopoulos, President & Chief Scientific Officer, Regeneron
Denise M. Morrison, President & CEO, Campbell Soup Company
Joseph C. Papa, Chairman & CEO, Valeant Pharmaceuticals International
Alan J. Patricof, Managing Director, Greycroft Partners

Respondents
Frederick Frank, Chairman, Evolution Life Science Partners
Mary Tanner, Senior Managing Director, Evolution Life Science Partners
Raymond V. Gilmartin, Former Chairman, President & CEO, Merck & Co.
Joseph J. Lhota, Sr. Vice President & Vice Dean, NYU Langone Medical Center
Christina P. Minis, Co-Head, Americas Credit Finance Group, Goldman Sachs
Arjun Ganesan, Chief Executive Officer, Ancera
Neil de Crescenzo, President & CEO, Change Healthcare
Tyler Shultz, CEO, Flux Biosciences; Whistleblower, Theranos

Comments
Bret D. Scholtes, President & CEO, Omega Protein Corporation
Seth Feuerstein, Chief Innovation Officer, Magellan Health; CEO, Cobalt Therapeutics
Irwin D. Simon, Chairman, President & CEO, The Hain Celestial Group

and Was Retail’s Demise Premature? The Return of the Bricks

Opening Remarks
Andy Dunn, CEO, Bonobos; SVP, Digital Consumer Brands, Walmart
Mickey Drexler, Chairman, Outdoor Voices
Kip Tindell, Co-Founder & Chairman, The Container Store
Myron E. Ullman III, Retired Chairman & CEO, JCPenney Company

Respondents
Thomas Krens, Director Emeritus, Solomon R. Guggenheim Foundation
Mark D. Ein, Founder & CEO, Venturehouse Group
Sanford R. Climan, President, Entertainment Media Ventures
Jonathan Mariner, Retired Executive Vice President & CFO, Major League Baseball
Geoff Colvin, Editor & Columnist, FORTUNE
Stephen F. DeAngelis, President & CEO, Enterra Solutions
Stephen A. Greyser, Professor Emeritus, Harvard Business School
Fred K. Foulkes, Professor, Questrom School of Business, Boston University

Comments
Bret D. Scholtes, President & CEO, Omega Protein Corporation
Seth Feuerstein, Chief Innovation Officer, Magellan Health; CEO, Cobalt Therapeutics
Irwin D. Simon, Chairman, President & CEO, The Hain Celestial Group

Overview
Central themes affecting health, technology, nutrition, and retail are the need to focus on the customer, and the need to create business models and capital structures that provide the ability to engage in long-term innovation. Other themes include understanding emerging market trends, leading with a clear sense of purpose, and focusing on employees.

Context
Participants combined the post-lunch discussions on trends affecting the health, nutrition, technology, and retail industries.

Key Takeaways
Keys to success across industries include customer focus, innovation, and a long-term perspective.

Successful entrepreneurs from multiple industries described being driven by a sense of purpose, understanding key trends shaping their industry, and being laser focused on serving both customers and employees. They also emphasized the importance of developing sustainable business models and creating capital structures that allow taking a long-term perspective.

• Regeneron is a life sciences company which since its inception has been focused on improving the health of patients, and not the payout. The company is engaged in scientific discovery and innovation, which in this industry requires a long time horizon. Part of Regeneron’s success can be attributed to forming a partnership with Merck, which realized it couldn’t do all innovation in house.

• Hain Celestial Group’s success is tied to the trend among millennials of healthy eating and purchasing pure, organic products. Founder Irwin Simon has built a valuable company that taps into these trends with brands that resonate with consumers. Hain has been a public company for more than two decades and has had to deal with activist investors who are solely focused on next quarter’s profits. While these investors can be disruptive, they can add value by bringing focus and discipline.
An example of this confluence of trends is Bonobos, an entrepreneurial online retailer driven by the idea of creating a men’s fashion brand completely online. After successfully establishing the brand online, the founders concluded that a physical retail presence was also needed. But, the stores had to provide a unique, high-engagement experience.

“It is not either ecommerce or retail; it is both.”

The founders of Bonobos, which had taken private capital, considered going public, but opted to be acquired by Walmart. Walmart’s digital strategy includes having a portfolio of proprietary digital brands and content, and applying Bonobos’ model to other segments and brands.

Predictions of retail’s demise are premature, but retail is changing rapidly.

Retail remains alive, but a retail expert says America is “still over-retailed.” He foresees closed strip malls and the impending collapse of B and C malls.

Yet it is unlikely that retail will completely shift to ecommerce. In fact, ecommerce companies such as Amazon are beginning to experiment with having a physical presence, while traditional retailers – as well as grocery stores and restaurants – are increasingly looking at delivery. Amazon’s acquisition of Whole Foods has accelerated the intersection of ecommerce and retail. Companies such as Walmart are rethinking their supply chains, their digital strategy, and their entire shopping experience.

Edible Arrangements is a unique food retailer whose founders care deeply about the company’s customers, products, and brands. The company’s founders have decided to stay private to avoid the pressures of impatient short-term investors and have chosen not to take capital from private equity investors, as they don’t want to give up control or be consumed by EBITDA. Instead, the founders have pursued a franchise model that provides capital for growth, while retaining control of operations and product quality.

An investor observed that an ingredient in the success of these companies is access to long-term capital, through different means. This investor estimates that impatient short-term capital results in a loss of five million jobs in the United States.
Legend in Leadership Award Presentation
Leonard S. Schleifer, President & CEO, Regeneron Pharmaceuticals and George D. Yancopoulos, President & Chief Scientific Officer, Regeneron Pharmaceuticals

The presenters honored Leonard Schleifer and George Yancopoulos—the founders of Regeneron Pharmaceuticals—as scientific visionaries who invested and reinvested in the long term. They have had multiple scientific and commercial successes, developed a unique scalable model, and created a remarkable organization.

Their focus has always been on investing in scientific innovation that serves patients, rather than making money. They have been driven by the belief that real innovation is required to solve complex problems, make meaningful progress against diseases, and improve lives. They created an organization where employees joined in the investment and commitment to science and shared in the success, with hundreds of employees becoming millionaires.

Leonard and George are both legends in leadership as well as legends in innovation.

Maverick in Leadership Award Presentation
Danny Meyer, CEO, Union Square Hospitality Group

Union Square founder and CEO, Danny Meyer—creator of Shake Shack—was honored with the Maverick in Leadership in Award.

Meyer was admired as an innovative visionary who is responsible for creating the “fine casual” segment of the restaurant industry, which combines the speed of fast food with the ethos of fine dining. His restaurants focus on community engagement, with Meyer seeing restaurants as “place makers” that provide places for people to gather. Meyer is also working to reimagine the process of restaurant tipping.

“Restaurants create a sense of community.”

Meyer reflected that he was drawn to the restaurant industry because people care so much about food. Over the years he has made purposeful what was initially intuitive. He has also taken the contrarian approach of putting his employees first, then his customers, the community, suppliers, and lastly investors. If the company takes care of employees, the customers, the community, suppliers, and investors will be satisfied.