

Are We Falling Behind in the Fourth Industrial Revolution?

By Paul Ehrlichman



FLEXTION It's about *time*.

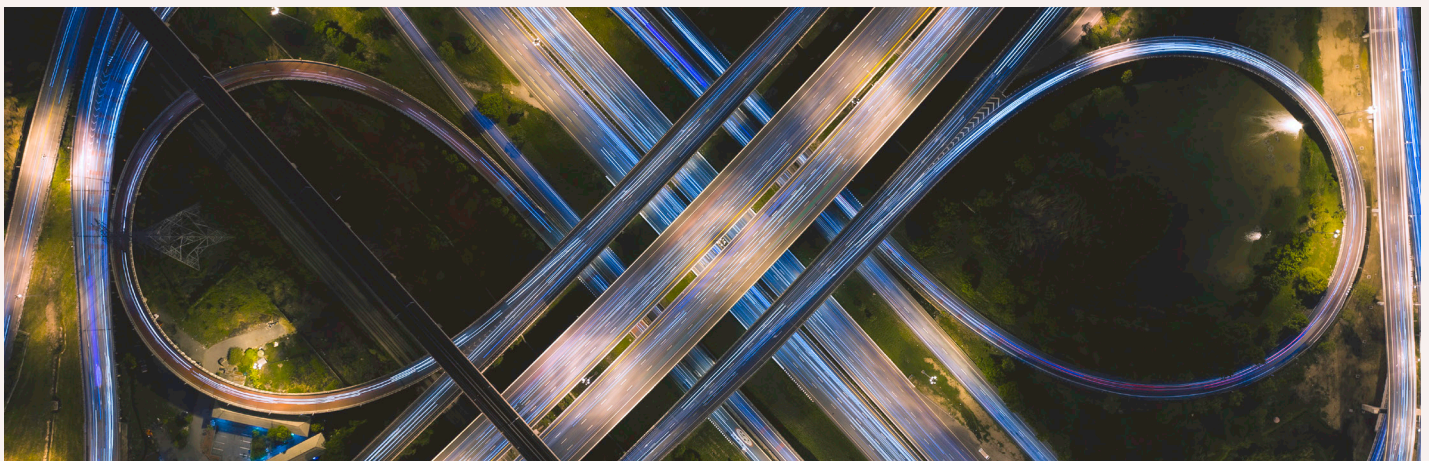
Confusion has become a feature of U.S. policy direction. The Trump administration's mixed messages on trade and Federal Reserve policy no longer surprise markets—but they do sow deep uncertainty. And while that may dominate headlines, a more consequential tension lies in the country's approach to industrial policy and future competitiveness.

At times, President Trump has appeared determined to rewind the clock—to an era when coal, steel, and manual labor powered the economy. He's opposed automation at U.S. ports and evoked a romanticized version of American industry rooted in the late 19th century. Yet paradoxically, many of his closest allies are futurists and tech titans who helped drive the U.S. to the forefront of the digital revolution.

Some critics suggest these billionaires are merely protecting their monopolies—an argument bolstered by exemptions on tariffs for products like the iPhone. But leaders like Elon Musk and Peter Thiel also recognize something more profound: the fourth industrial revolution is underway, and it's unlike anything before.



This new era—defined by artificial intelligence, quantum computing, and human-machine integration—promises to amplify intellectual capacity the same way steam and electricity once magnified physical strength. It transcends conveniences like food delivery drones and same-day shipping. We're entering a period of transformation across industries: communications, genetics, defense, energy, materials science, transportation, and beyond.



And while this future holds enormous promise, it raises a sobering question: Is the U.S. ready for it?

The data says: not quite. Years of financialization, debt-fueled consumption, and overconfidence in our digital lead have weakened our foundation. According to the Australian Strategic Policy Institute, the U.S. led in 60 of 64 critical technologies from 2003 to 2007. Today, we lead in just seven. China, which once led in only three, now dominates 57 of those technologies. For the first time, the journal *Science* reported that China surpassed the U.S. in publishing the most-cited scientific papers.

We still have the talent, resources, and institutions to catch up—but only if policy shifts from nostalgia to future-focused investment. As investors and citizens, we shouldn't fear a world where innovation is more globally distributed.



But we must also recognize that the next generation of leading companies—those solving humanity's hardest problems—may emerge outside the current crop of mega caps, and potentially outside the U.S.

At Flextion, this is core to our investment outlook. We focus on identifying opportunities aligned with this next wave of innovation—particularly in small-cap and international markets where disruption and growth potential often go unnoticed. We update our investment recommendations monthly.

Visit www.flextion.ai to explore how we're preparing for what's next.

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About the Author

Paul Ehrlichman, Flextion's CEO and CIO, has over four decades of experience in portfolio management, leveraging fundamental and quantitative research to develop investment processes and strategies that enhance client returns and manage risks in volatile markets. He has led equity teams focused on global and international value strategies, serving a diverse client base that includes individuals, pension funds, and endowments at several leading global asset managers.

Flextion is a breakthrough platform for evaluating fund strategy returns, helping investors identify managers at a pivotal turning point—those poised to outperform after a period of underperformance. Designed by seasoned portfolio managers, Flextion bridges the gap between "clock time" and "market time," empowering investors to unlock long-term value and uncover hidden performance potential.

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