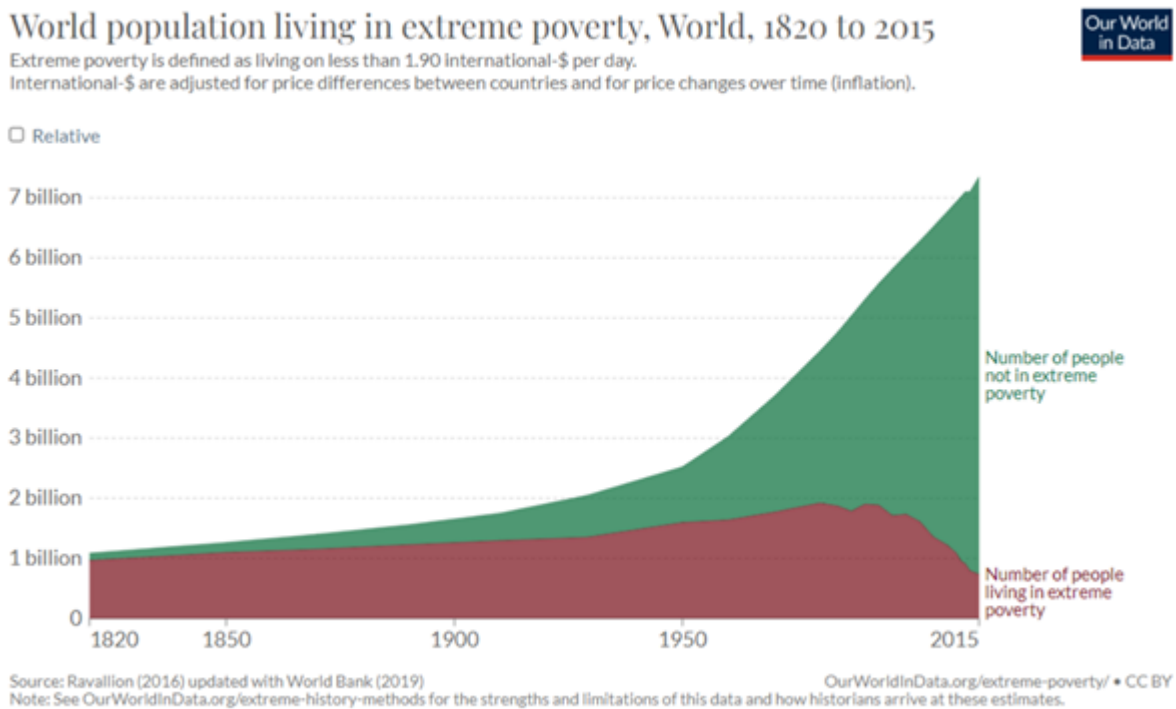


The Outlook: Nov. 22, 2022

Thanksgiving for the World.

The real world is a pretty grim place, pretty often, isn't it? And the investment world often acts as if whatever "grim" thing is going on in the real world is way beyond merely "grim": it's somewhere between "catastrophic" and "end of the world." The market's darkest-possible reaction to grim realities is a deep, constant part of its nature. That means that we investors find out pretty quick that we're faced with a sharp choice about what to believe: either the market is right that "the world is going to hell" captures the heart of the matter, basically; or the market is completely wrong. The choice we make between those two opposite beliefs will rule how we invest and, in the long run, how well we do. So this Thanksgiving week is a good time to remind ourselves why we've rejected the "going to hell" idea, and instead embraced the belief that the world is "clawing its way upwards" over all the grim years. Here are two pictures from economist Stephen Moore:

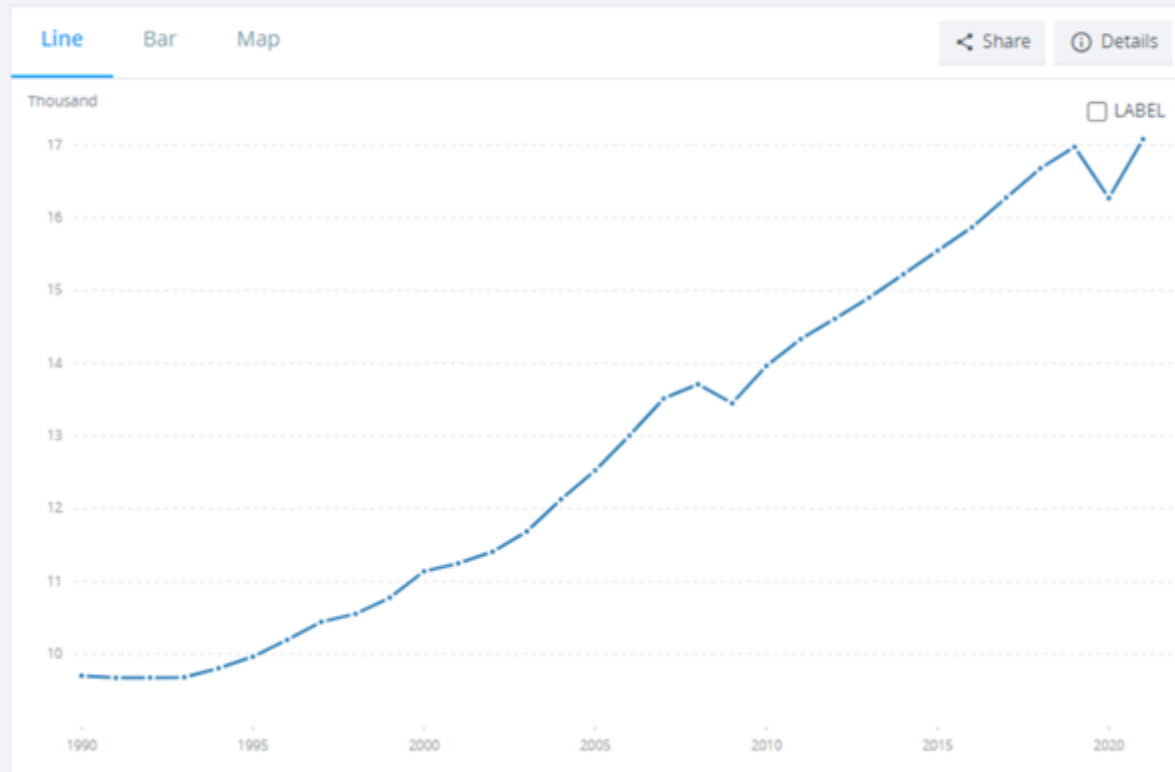


Red is people living in extreme poverty all over the world. Green is those no longer in extreme poverty. There are 2 dramatic years. First, around 1950 the green "good news" line (people climbing out of extreme poverty) accelerated upward. Then around 1980 the number of people in extreme poverty began a long, sharp plunge downward. This study ended at 2015, but its trends have kept going. It's a pretty remarkable story: of the world's 8 billion people, more than 7 billion of them are somewhere in the range of "out of danger" to "doing pretty well." Less than 1 billion are in serious economic trouble. In 1970 half the people in the world were in "extreme poverty." Now it's less than 10%. Here's another picture:

GDP per capita, PPP (constant 2017 international \$)

International Comparison Program, World Bank | World Development Indicators database, World Bank | Eurostat-OECD PPP Programme.

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Here is 32 years of “real” production-per-person for the world: \$9000 in 1990, \$17,000 today. If we looked back to 1960, income-per-person would have been around \$460; today it’s over \$12,000. For a world that’s “going to hell” in the long run, if we believe the market’s frequent behavior, those are kind of startling numbers, aren’t they?

Why?

To answer that question we must make another sharp choice: shall we pore over the tortured thoughts of the world’s economic and financial experts, and try to find a consensus? Or shall we ask ourselves what answers are the most obvious, according to our own common sense, and go with them? Outlook’s clients and friends know our choice, of course.

Those curves have been climbing because people, at their best, do amazing things. They invent astounding things; and they find countless ways to better themselves and everything for which they’re personally responsible. They’re “at their best” in such achievements when they’re free to do what they please; and when they’re personally and completely responsible for themselves, their families and their businesses. Since 1950—and accelerating from about 1980—the degree of such freedom and personal responsibility felt by the world’s people has climbed and climbed again . . . no matter the frequent jagged dips and rough bumps along the way, in those curves.

It's that simple. It amounts to a long-term tailwind behind us, as investors, if we choose this explanation of "how the world works." Contrary winds—sometimes hurricanes—show up all the time, creating those "grim realities" which so confuse the market's betting crowd. But the tailwind never goes away. For us investors and everyone else, it's something to be thankful for.

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