

## The Outlook: Jan. 6, 2023

### ***Main Street ingenuity trumps political blunders, again.***

The market's betting crowd always rivets its gaze on "the only story that matters" . . . sometimes "the only couple of stories that matter." Of course we investors who like riveting our own gaze on "the whole picture, not part of it" know there's no such thing as "the only story (or two) that matters." Even so, it's always good for us to understand what the crowd has placed on its throne, for the moment, as "the only thing." Right now it's "China: Dead or Alive?"

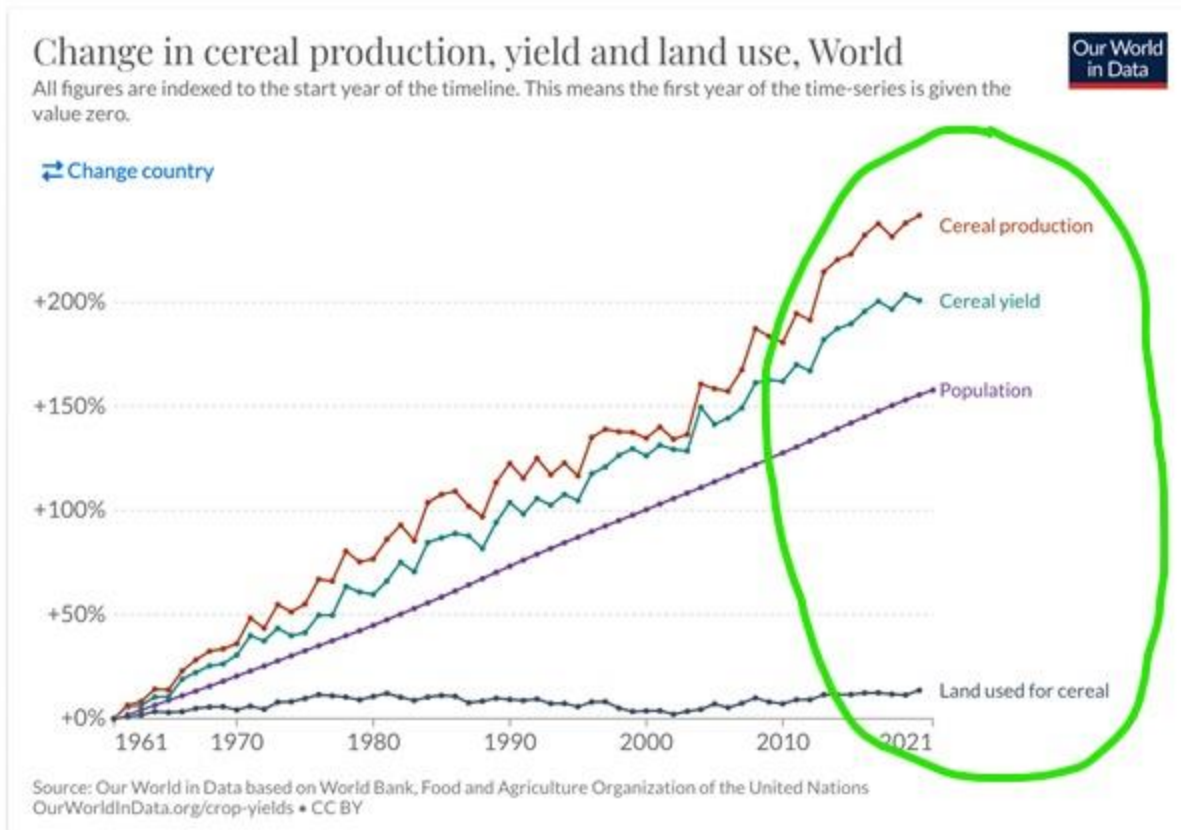
China's Big Picture at this moment is the unfolding consequences of "What was in Mr. Xi's mind?", as Outlook has pondered a few times lately. We figured it was "Oops! How do I get out of this mess?" . . . and our guess was right, this time. Mr. Xi spent about 3 years taking China's once-powerful economy for granted, and steadily loading it up with the kind of crushing burdens favored by past dictators like Stalin and Mao: like commissars to run private businesses, throwing 1.5 billion people in Covid Jail, terrifying anyone paying attention to the market economy, attacking vital trade neighbors like Australia, and much more. Then as 2022 ended, Mr. Xi finally found it impossible to ignore the fact that Main Street China was stagnating . . . and the common people were getting mad as hell. Since Main Street China is the engine behind China's 20-year economic miracle, which in turn is the source of Mr. Xi's power, the remarkable thing about Mr. Xi is that it took so long for him to grasp that he'd been banging his own head against the wall. (That is not a surprise, though. Dictators are like that.)

Many dictators, though, never wake up to reality. At the moment it's looking like Mr. Xi might be an exception. In the past 6 – 8 weeks, the number of 180-degree reversals of Mr. Xi's policies has been jaw-dropping. And that's the current "only story that matters" for the market. It thinks, rightly, that China matters a lot to the world economy; and the policy reversals are injecting hope into a Main Street China which had just about lost it. So every day's question, for the market, has been "What got reversed today, and when might business pick up as a result?"

The short answer, as usual, is "eventually." Of course that word is completely unsatisfactory to the betting crowd, so its gaze will stay riveted on "Exactly when? Today, maybe? And exactly how much?" That'll keep the roller coaster going as always.

Meanwhile, let us "whole picture" investors back up a few steps and glance at this picture.

## The Explosion of Global Food Production.



That's the picture of a miracle. As usual in human events, it's a miracle made by the ingenuity and determination of people on Main Street . . . no credit at all to the countless politicians—dictators and otherwise—who've sat on the "leader" thrones around the world these 60 years. The pictures which go along with this explosion in food production are just what we'd expect: global famine is a tiny fraction of what it was 60 years ago; the global "middle class" has grown strongly; and the global "very poor" has shrunk remarkably.

That's a tailwind behind the world's long-term economic growth which makes even Mr. Xi's astounding blunders look sort of trivial. It's also why Main Street companies like Caterpillar, Cummins, Conoco, Texas Instruments, Micron and the rest will shrug off their regular business (and stock price) downcycles and ratchet their way higher over the years . . . a lot higher.

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