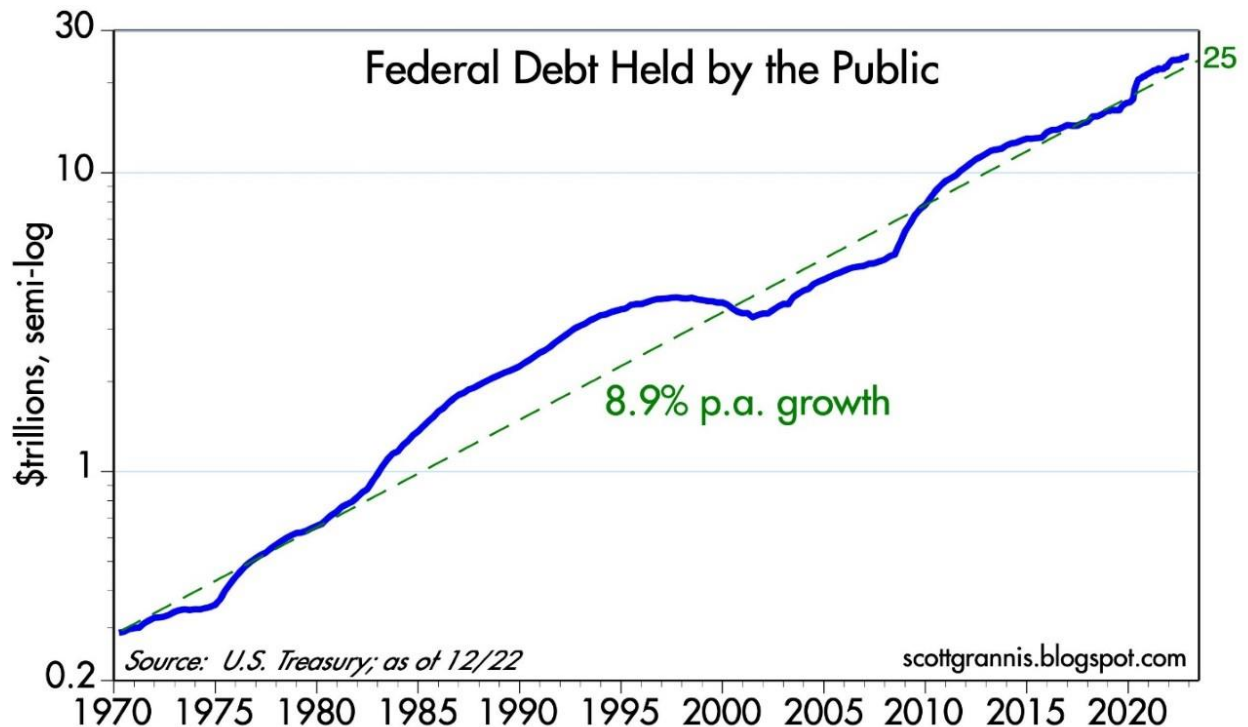


## The Outlook: Jan. 24, 2023

### *Sometimes “walls of worry” aren’t very high.*

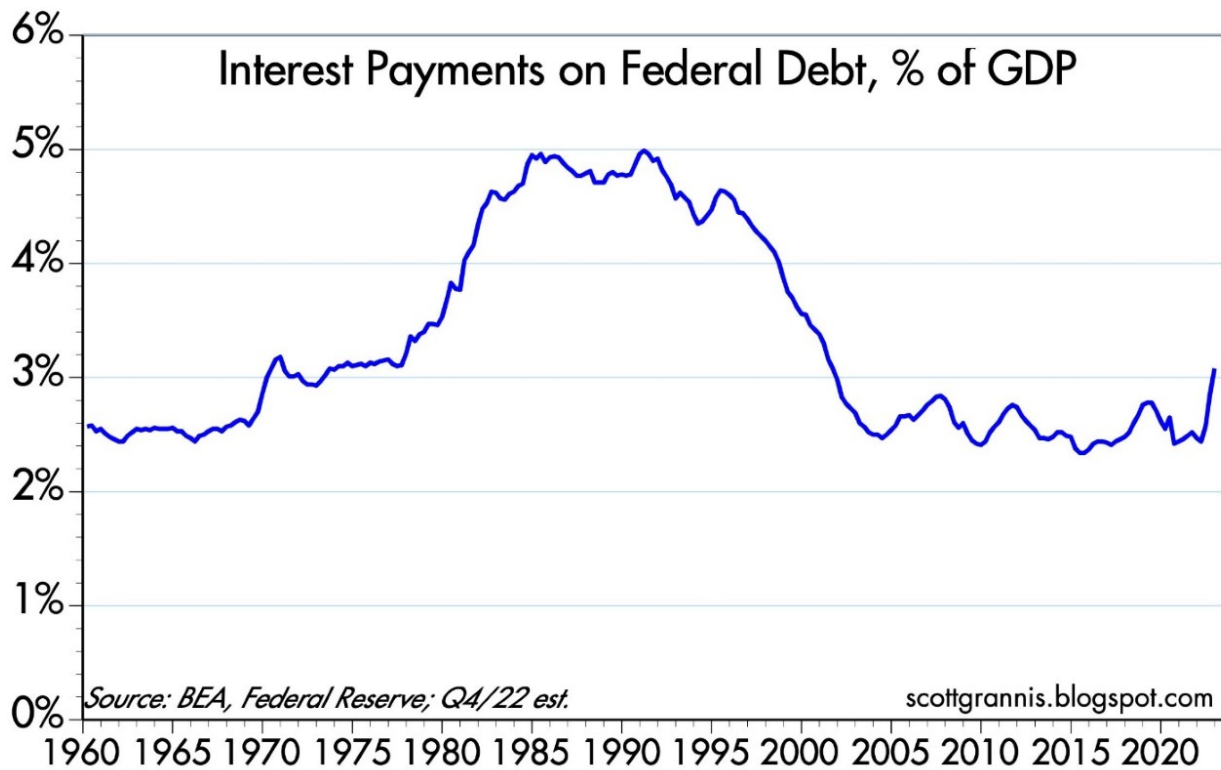
“Stocks climb walls of worry” is one of the oldest sayings in the investment world. It’s a good saying, telling us something true and useful about the market. Of course if we’re inclined to nitpick, we can. It’s not anywhere close to infallible, mainly because as Outlook has noted a few times, there is always a “wall of worry” looming overhead. But it reminds us that Main Street—which in the long run is the only engine driving the market—rightly ignores most of those constant “walls of worry,” and just gets on with the job.

Maybe the nearest wall of worry looming up, at this moment, is the coming political fight over the debt ceiling . . . which has been getting plenty of Nightmare Headlines lately, along the lines of: “Treasury Implementing Last-Ditch Measures to Avoid Default!” As usual, economist Scott Grannis showed us some perspective on the Nightmare.



That is an impressive chart. It pictures 50 years of U.S. Government debt growing at a 9% average annual rate: which is a serious number, period. “That would have ruined any private person or business long ago” is an Olympic-level understatement. But The U.S. Government is far from ruined for 2 reasons:

- It prints whatever amount of money it needs;
- Main Street hasn’t been standing still for 50 years. It’s grown maybe 6% per year (before inflation, just like the debt totals), which has resulted in the next picture:



Despite that frightening 9% debt growth, Main Street’s ability to pay the debt’s interest bills (by sending taxes to Uncle Sam) is pretty darned strong—nearly as strong as it’s been for most of the last 70 years. “Great, what could possibly go wrong?” comes next. The answer is, “Nothing, as long as we never have to pay back the principal,” which means “as long as the world keeps buying our bonds.” It will, because for the past 70 years America has been “the best house in a bad neighborhood”, not by an inch but by a country mile. It still is . . . and amazingly enough, it’s probably widening that lead.

A long time ago a young banker asked his boss why commercial property builders seemed stuck forever in a boom-and-bust cycle. The answer was, “Lend them money and they will build,” no matter how risky it might look to everyone else. The answer meant, “Because that’s their nature.” In exactly the same way, the nature of governments and politicians is to spend money for popularity and votes . . . other people’s money of course. They don’t stop unless they run out, or the world refuses to lend to them anymore. We’ll be seeing more Nightmare Headlines about the debt-ceiling battle in the weeks ahead. It’s not a silly battle. Reckless spending is just bad no matter how much Main Street cushions the consequences . . . and a good part of the battle isn’t about the level of debt, but about a government budgeting process which has become ridiculous. But as these pictures show, Main Street (and the market) just won’t be paying much attention to the battle, no matter how scary the headlines. It’s one “Wall of Worry” the market can climb without breaking much of a sweat.

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