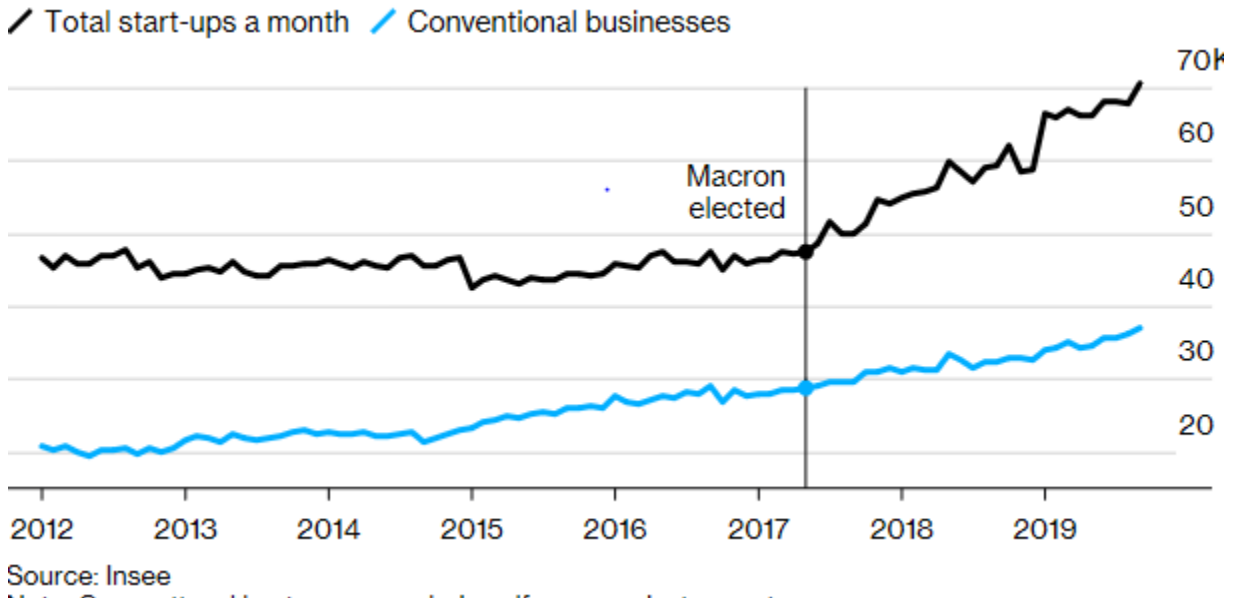


Golden Needle Shows Up in French Haystack, Today

Not long ago we remarked that looking for good news buried in the typical day's sprawling pile of bad news is a usually a needle-in-a-haystack search. But sometimes the needles jump right out at us. Friday's employment report was more like a full-sized spear than a needle; and today came another good needle, though back in the usual obscure hiding place in that haystack of woe.

- ***"France is Europe's New Economic Growth Engine!"***

This one was buried in the inside pages of Bloomberg News' site, under the "Economics" link (which hides it very well from most of us.) Of course there was a lot of unintended humor in the story, beginning with France's "surging" growth rate of 0.3% in the last quarter. (That's "surging" in the way an old fellow with a cane "surges" past another old guy, on crutches.) That's all right, though—most of Europe has been desperately worried about its economic health throughout 2019, as "Trade War!" did certainly weaken the German exporting sector, which has been Europe's slow "growth engine" for many years. And though an American cowboy capitalist might claim he needed a magnifying glass to actually see France's strengthening trends, they really are there, and there is a reason for them—which is the "good news" needle we're looking for.



In any nation, one of the surest signs of good health and strength is how many new businesses are created each year. That single statistic tells us about many really important things: the energy, determination, sense of hope and willingness to take risks within the people; the burden—or lack of burden—of the government's practices of taxation and regulation; and especially how the government feels about businesses firing workers, when the businesses get into trouble. Notice (black line above) how new business creation went nowhere for the 6 years from 2012 through 2017. (If the chart went back another 10 years, we'd

see the same path to nowhere.) Then Mr. Macron was elected, and business creation has “surged” (really surged) almost 50% for the last 2 years.

Why?

In a nutshell, because Mr. Macron—who won the last election with a brand new political party, and a promise to restore France’s long-lost growth—succeeded in passing a handful of hesitant, often feeble, always-compromised steps toward “pro-growth” politics, and away from the “growth-killing” rules which have smothered French economic vitality for a long time. Business taxes were modestly trimmed; companies were allowed to do a little more firing when in trouble, and hire new people without quite promising them “employment for life,” which has been the labor rule in France for, again, a very long time. When a woman risking her life savings to start her own business is told that she’ll never be allowed to fire anyone she hires, regardless of the inevitable ups and downs of all businesses and industries, and the need to conserve cash to survive, during the downs . . . she thinks twice or thrice before hiring. Hence “employment for life” kills growth . . . period.

At Outlook we’ve mentioned something a few times, concerning China’s “growth miracle.” China is a very far cry from a “cowboy capitalist,” “free-market do or die” economy. But when Mr. Deng finally got a chance to change Chairman Mao’s decades of growth-killing practices, starting in 1979, he injected China with a whole series of “hesitant, often feeble, always-compromised steps” toward free markets and competition. For a giant nation in economic shackles for decades, those kinds of steps were more than enough. What mattered wasn’t how far they were from U.S. cowboy capitalism, it was how startlingly different they were from what came before, even in small doses. The good news needle showing up in France these days is kind of like that: hesitant and compromising Mr. Macron’s actions may be . . . but they’re a dramatic change in direction from the past, and we see from that chart that there are still plenty of people willing to take risks, in France, and push down the gas pedal, a bit, on “France’s New Economic Growth Engine.”

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Outlook Capital Management, LLC
125 S. Wilke Road, Suite 200E
Arlington Heights, IL 60005
847-797-0600

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