

**JULEX** CAPITAL

# U.S. economic growth - Let the data speak

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# American exceptionalism

The data speaks for itself . . . . it does !!

# AMERICAN EXCEPTIONALISM

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## ABSTRACT

American exceptionalism is the oldest and most contentious of the alleged national exceptionalisms—arguments that a given nation must be understood in essentially idiosyncratic fashion. John Winthrop, Alexis de Tocqueville, and Karl Marx helped develop and sustain an American variant for the first 350 years of a separate American political life. Modern political scientists have addressed the notion in a more systematic and methodologically self-conscious manner during the past half century. Nevertheless, much of the argument revolves around conceptual issues, operational difficulties, and empirical traps, so that these must provide the contours of the subject here. Two major recent books with sharply divergent conclusions, both marshaling extensive empirical evidence, serve not only as a means of updating the classical argument and of presenting its modern opposition. Both also suggest—indeed, contribute—further reasons for the continuing lure of a difficult and divisive notion.



PEW RESEARCH CENTER | MAY 9, 2006



## The Problem of American Exceptionalism

*Our values and attitudes may be misunderstood, but they have consequences on the world scene*

BY [TOM ROSENTIEL](#)

by Andrew Kohut and Bruce Stokes

*Why is anti-Americanism on the rise? In their new book, [America Against the World](#), Pew Research Center President Andrew Kohut and journalist Bruce Stokes explore findings from the Pew Global Attitudes Project's series of international surveys that highlight the role American values play in the worldwide rise in anti-Americanism in the 21st century. In the following excerpt, the authors examine the major factors, real and imagined, that contribute to this growing alienation between America and other countries, both friends and foes, around the globe.*



## American exceptionalism

26 July 2021

The outperformance of US equity markets in the last century has continued in the 21st century, says a new study co-authored by Elroy Dimson of Cambridge Judge Business School.



The 20th century has widely been dubbed "The American Century". Given the economic strength of the US during that period, it is



# The End of the World is Just the Beginning

Peter Zeihan . . . . published in 2022

. . . . just get the audio book

**THE END OF  
THE WORLD  
IS JUST THE  
BEGINNING**

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**MAPPING THE  
COLLAPSE OF  
GLOBALIZATION**

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**PETER  
ZEIHAN**



## U.S. exceptionalism . . . takeaways

- Natural resources . . . wow wow wow
- A sizeable “*empty*” land . . . or one that we could “*make*” empty . . . let’s be honest
- Protected by vast oceans on the east and the west
- Flawlessly peaceful (or seriously distracted) neighbors to the north and south
- **Unique** geography . . . whereby we could trade with both the “east” and the “west”
- Internal waterways . . . for economical transportation
  
- A nation 100% populated by “illegal aliens” . . . the most
  - Desperate
  - Extremist
  - Motivated
  - Resilient
  - Forward-looking
  - Willing to take risks . . . big time
  - Representative of a broad swath of the global population . . . . “workers” to “thinkers” . . . so we got the mix that we **needed most**

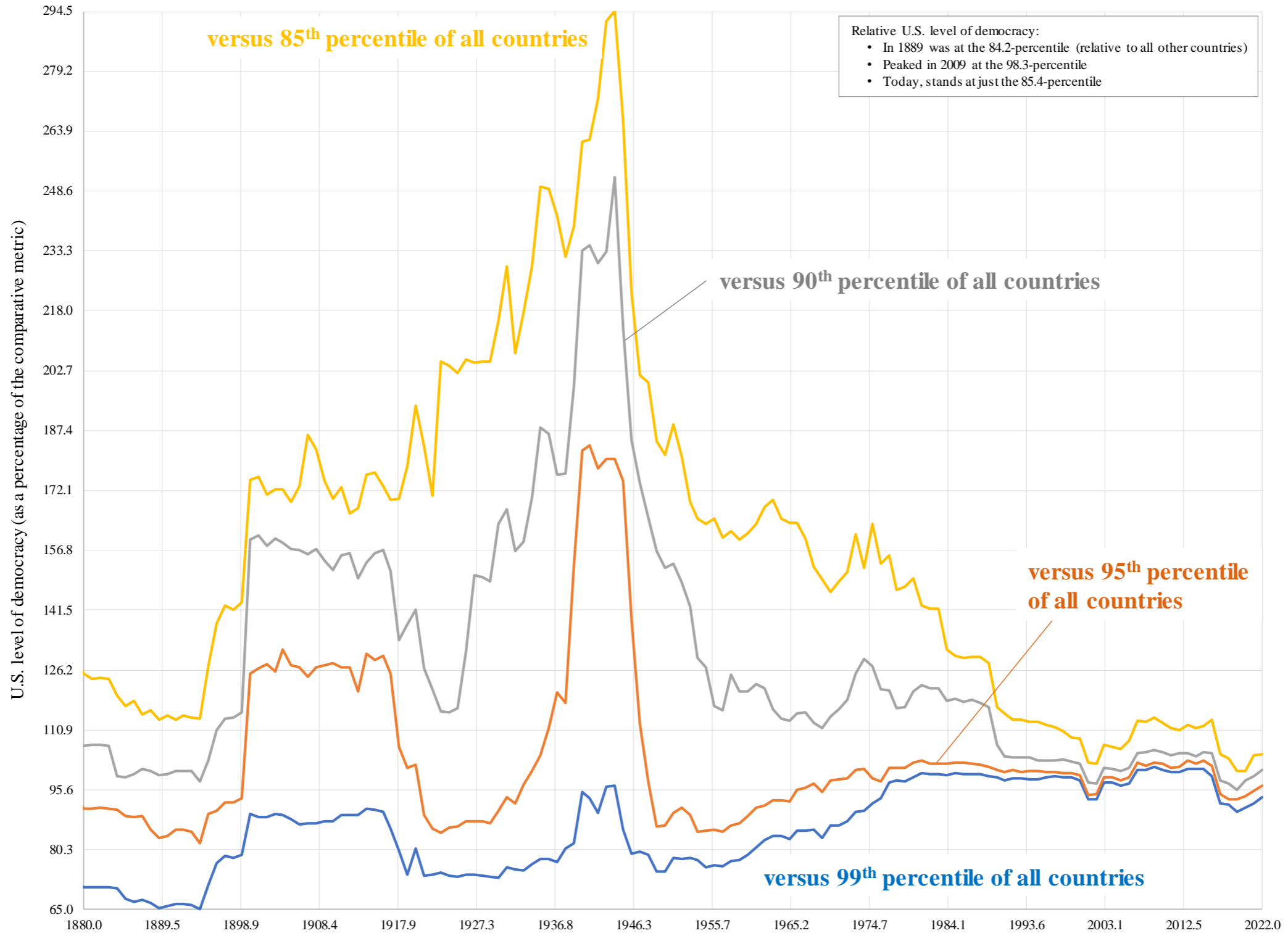


# The data

Just let it speak

.... and listen carefully

# U.S. Level of Democracy Relative to the Rest of the World



- In a narrow sense . . . the U.S. began “Democracy”
- OK, so let’s give a little credit to the Greeks and the Romans
- Relative to our key competitors . . . . our edge (advantage) perhaps peaked back in the mid-1940s
- Versus the entire planet, the U.S. looked the best back in 2009
- Today . . . . our edge/advantage is “no more”

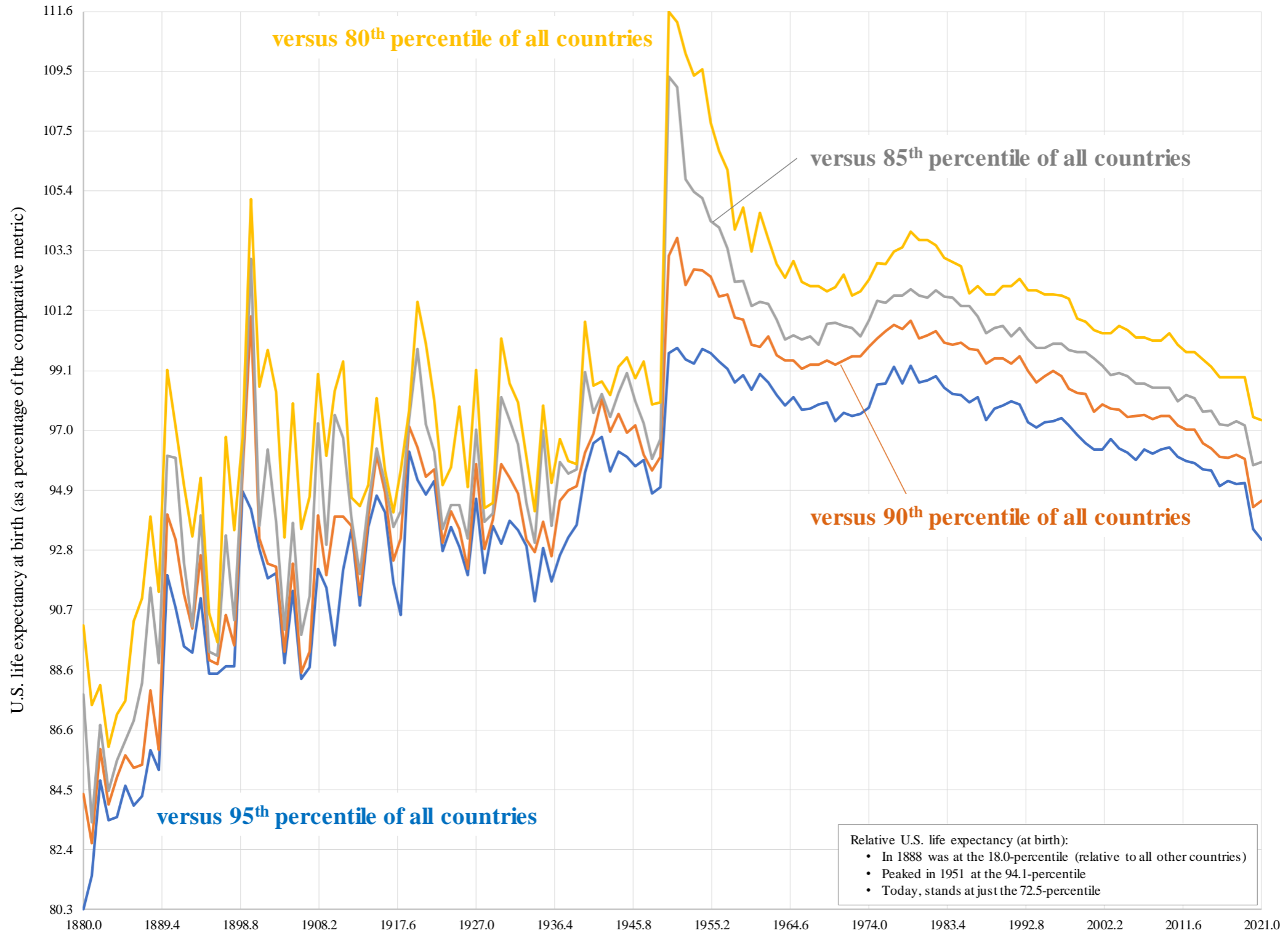
# Fifteen Largest Military Powers Throughout History

Country	Description	Estimated active personnel (1,000s)	Date	Notes
China	The Xia Dynasty	12	2000 BC	Believed to have been the first fighting force in history to top 10,000 soldiers
Egypt	The Army of Ramses II	100	1250 BC	Successfully repelled the Hittite armies of Anatolia
Iran	The Persian Army of Cyrus the Great	500	600 BC	Persian empire stretched from Libya to Central Asia, including Egypt and Turkey
India	Mauryan Empire	630	300 BC	Mauryan Empire expanded west across central and western India by defeating the satraps left by Alexander the Great
Italy	The Roman Empire	500	400	Became the dominant western army by 250 BC and reached its peak by 200 AD
China	The Tang Dynasty	634	800	The Tang dynasty or Tang Empire ruled from 618 to 907
Mongolia	Mongol Empire	> 900	1300	The Mongol Empire was the largest in all of human history as measured by geography controlled
China	The Ming Dynasty	1,300	1500	The Ming Dynasty ruled China from 1368 to 1644 AD, during which China's population doubled
France	French Empire	2,500	1800	Napoleon Bonaparte marched the French army across Europe
Germany	The German Empire of WWI	5,300	1918	WWI lasted from 1914 through 1918
Russia	The Soviet Union in WWII	11,000	1943	Some estimates place Russian troop strength as high as 13.2 million (temporarily)
Germany	The Third Reich	12,100	1944	WWII lasted from 1939 through 1945
U.S.	The U.S. Army in WWII	12,200	1945	Today, the U.S. maintains 480,000 active duty soldiers
Russia	Soviet Military	4,500	1981	The size of the soviet army was boosted to address their invasion of Afghanistan
China	The Modern Chinese Army	2,200	2022	The largest number of active-duty personnel in the world today belongs to China

## Military dominance . . . takeaways

- No nation has ever maintained military dominance . . . much less “fortitude”
- The U.S. is no different
- Yes . . . today, at this instant in time . . . **the U.S. has the most potent** military in all of history
- This gives the U.S. (as it has all nations throughout history) the ability to promote it’s global interests
- But, this advantage/benefit is in the process of ending . . . and for very solid economic reasons

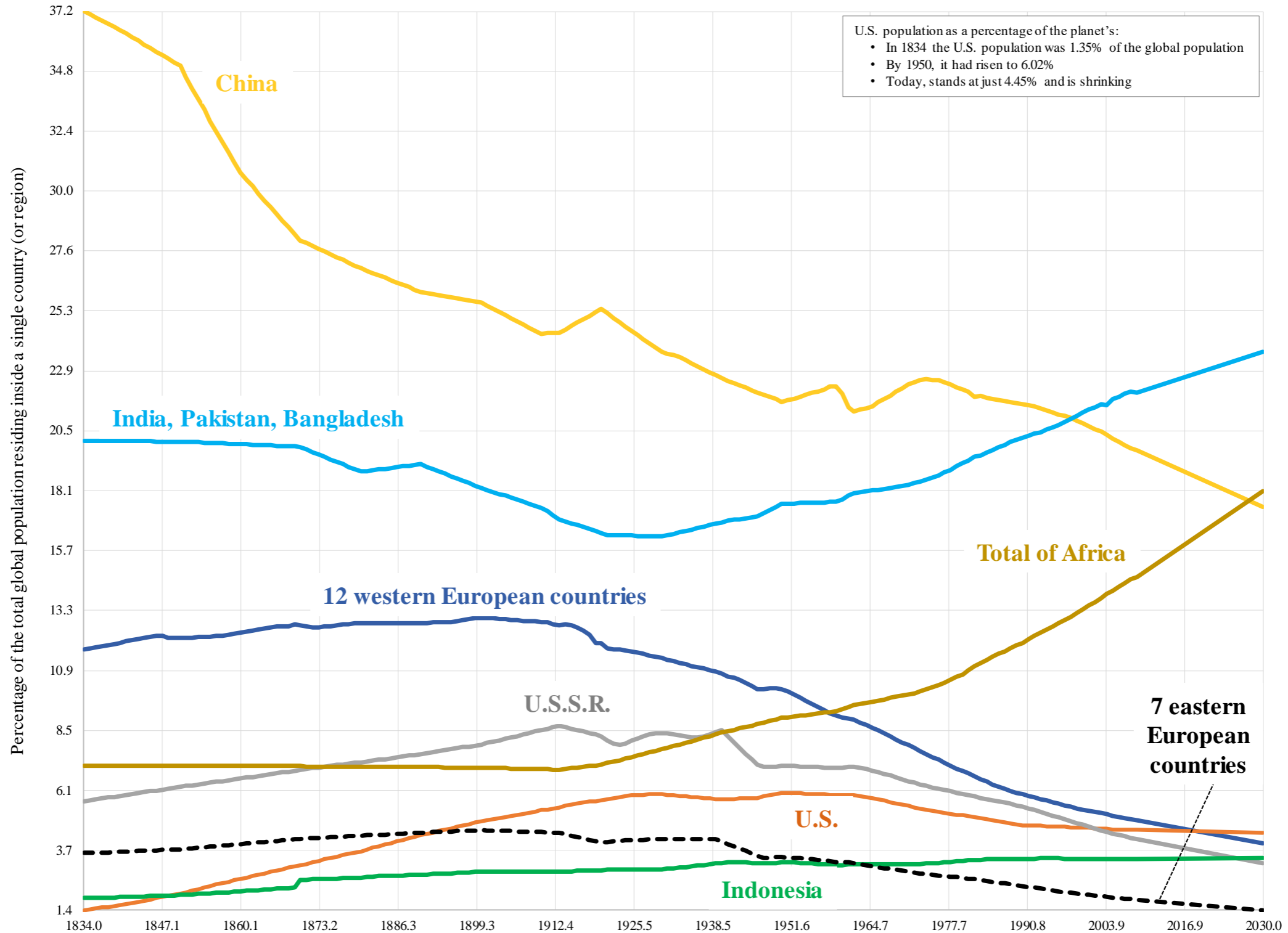
# U.S. Life Expectancy (at birth) Relative to the Rest of the World



## Life expectancy . . . takeaways

- It's all about relative measures
- How was the U.S. doing . . . relative to our key competitors
- When looked at through that lens
- The U.S. started out at a pretty rough & ready spot back in say 1880
- But then began making unbelievable progress
- Reaching a relative peak of comparative advantage by 1951
- Since 1951 . . . the U.S. has slowly (very slowly) been losing its relative comparative advantage

# U.S. Population Relative to the Rest of the World

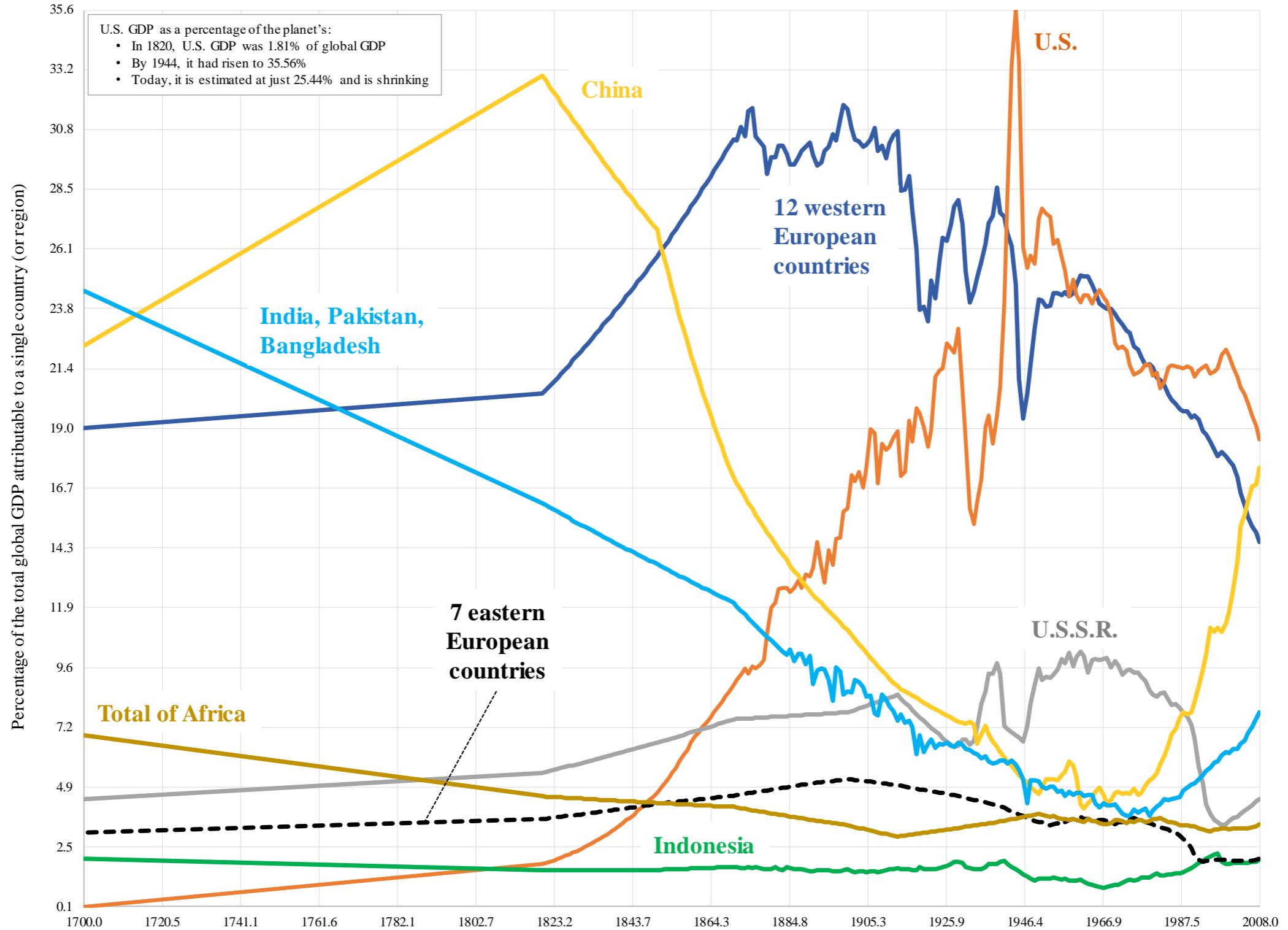




## Population . . . takeaways

- Economists agree on very few things
- One thing they do agree on . . . is what causes/produces economic growth
- It's three factors
  - Growth in the size of your working age population
  - How many non-working age folks are you supporting
  - Growth in productivity
- The U.S. has never had a large population . . . not in the past, not today, and not in the future
- BUT . . . . it did consistently improve/enhance its relative standing up through 1950
- Unfortunately . . . since 1950, the U.S. has now lost this prior relative advantage

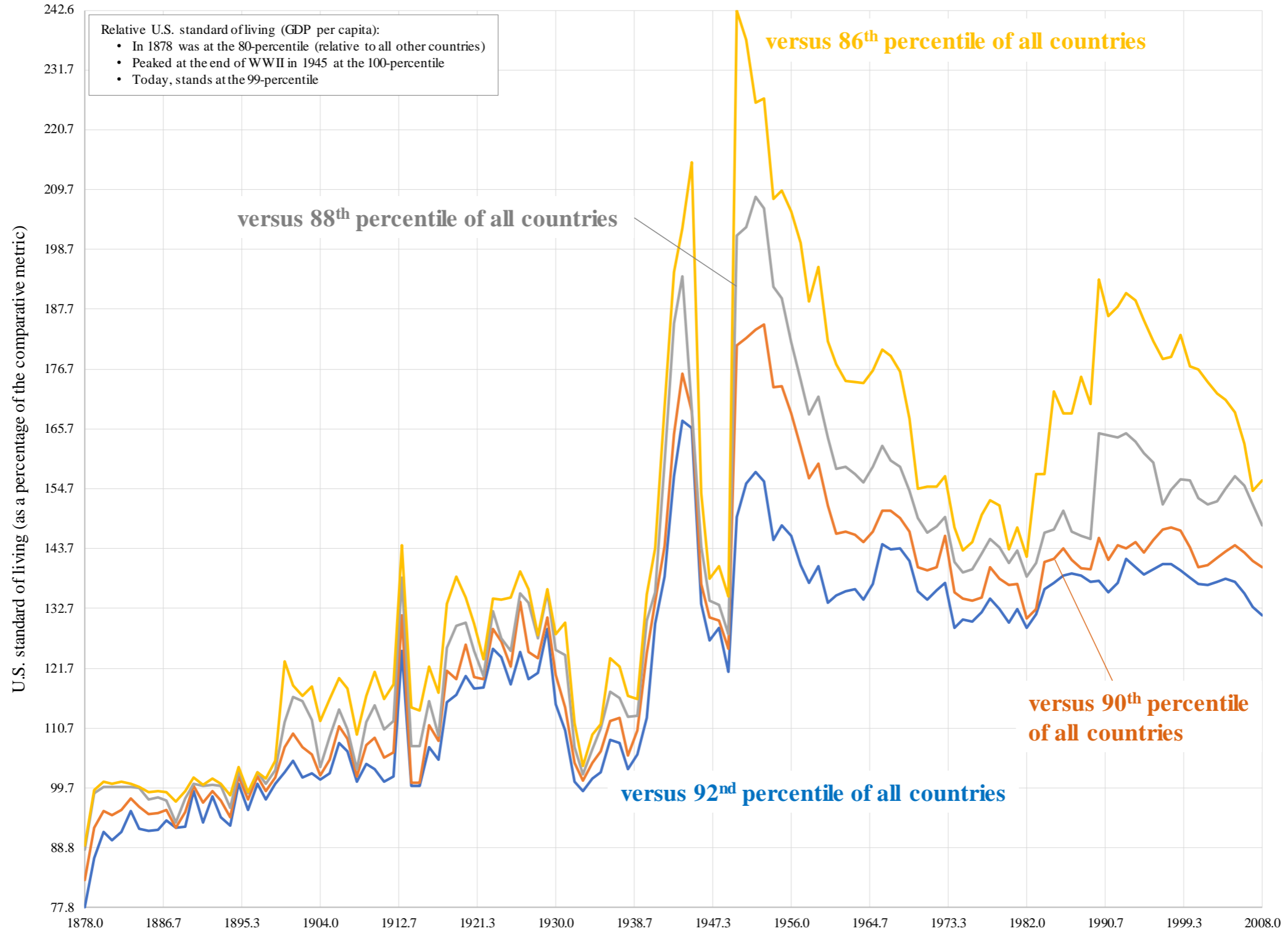
# U.S. GDP Relative to the Rest of the World



## GDP (raw size of the economy) . . . takeaways

- Size breeds advantage . . . . And a lot of advantage
- But no nation has ever been able to remain “top-dog” for long
  
- First it was India
- Then
  - China
  - Western Europe (narrowly defined)
  - And only post WWII . . . . Has it been the U.S.
  
- Broadly/widely accepted forecasts (a dangerous thing) . . . . have . . . .
  - China and India
  - Battling it out for 1<sup>st</sup> and 2<sup>nd</sup> place

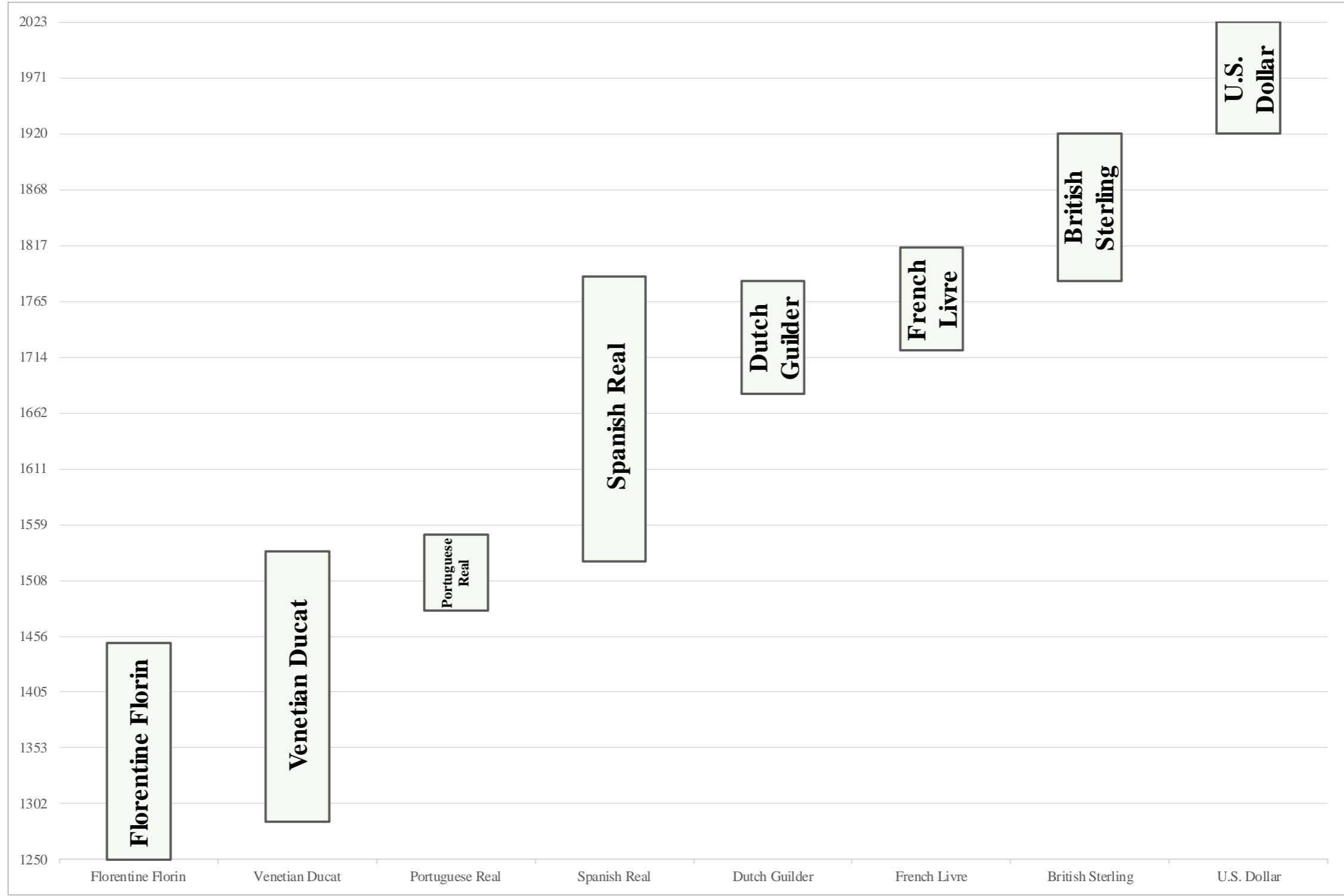
# U.S. Standard of Living (GDP per capita) Relative to the Rest of the World



## Standard of living . . . takeaways

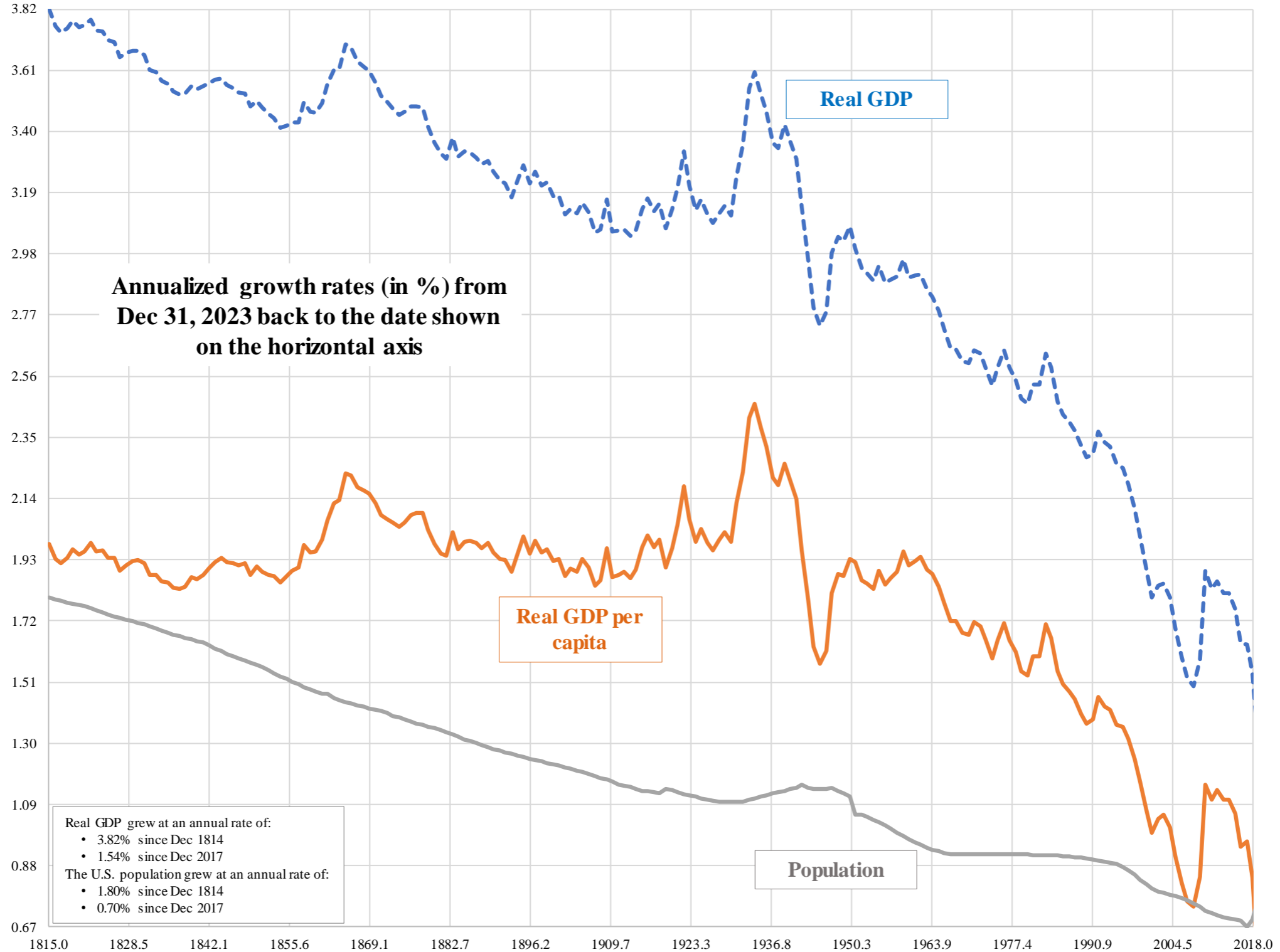
- Why should the standard of living even matter
- It's complex, nuanced, and one-dimensional
- But, broad-brushing . . . . it allows a nation to
  - Be more creative
  - More innovative
  - Be greater risk-takers . . . **this is incredibly important**
  - Better control and thereby reduce the cost/inefficiencies of social unrest
- It's always about "relatives"
- The U.S. reached it greatest comparative advantage (versus its most prominent competitors) back in perhaps "1950"
- Since that date . . . the U.S. has been losing edge

# Major Global Reserve Currencies Since 1250



- No nation has ever been able to maintain its currency as the “*Global Reserve Currency*”
- Why even care?
- Because significant benefits accrue to the nation . . . who’s currency is accepted by all . . . and who’s currency, everyone stores their balances
- The size and nature of this benefit has varied over time . . . as the nature of “currencies” has evolved . . . nevertheless, it remains pertinent

# U.S. Economy Grows Slower and Slower with the Passage of Time

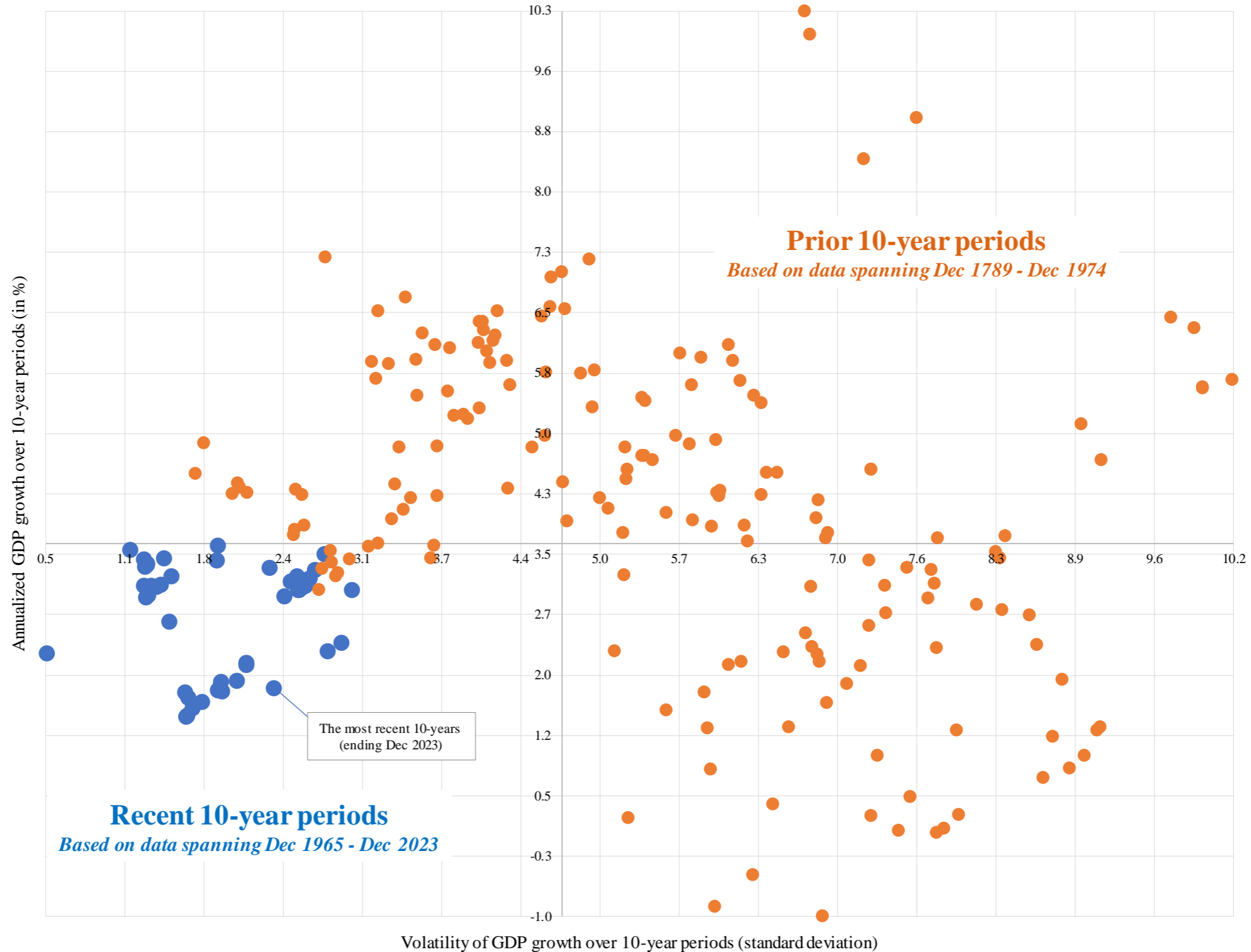




## Growth has slowed for the U.S. . . . takeaways

- GDP growth has slowed
- Population has slowed
- The standard of living has slowed
  
- This is natural, expected, and well-predicted . . . there's no surprise here
  
- If history repeats . . . these trends will continue

# Last Five Decades - U.S. Economy is Growing Slower and with Reduced Volatility



## Mature managed economies . . . takeaways

- The U.S. is one of the most mature economies in existence
- It is heavily managed . . . seeking to prevent the incidence (and severity) of forest fires
- **There is a consequence**
  - Forest fires are a necessary basis for any/all healthy forests
  - Maturity and the prevention of forest fires . . . have resulted in ever more slowly growing U.S. economy

# Bottom line

Pulling it all together

- The U.S. did pretty darn well
- I'm incredibly grateful
  
- **BUT**
  - This is nothing new . . . in fact, it is seriously old-hat . . . even boring
  - There have always been such standout, exceptional nations . . . . always !!!
  - I'm still incredibly grateful
  
  - Let's not stick our heads in the sand
  - It is all about comparative relative advantage
  - Let the data speak . . . don't deny the data
  
  - Does the data show that U.S. comparative relative advantage continues as strong as its ever been
  - Or is it slowly declining?

- The U.S. experience since the end of WWII . . . . since 1945 . . . . is
- Non-repeatable
- Non-representative
- Extremely misleading

# Bonus topic . . . unrelated

What caused . . . . each isolated recession

Recessions, never happen by accident . . . . they are “caused”

From Goldman

# US Recessionary Drivers

Monetary policy has been the driving force behind the economic slowdown, though the Fed's role in the economy has evolved over time

## KEY CONTRIBUTORS TO PAST US RECESSIONS

Recession	Fiscal	Industrial	Oil	Monetary	Financial	Medical
Aug 1918						
Jan 1920						
May 1923						
Oct 1926						
Aug 1929						
May 1937						
Feb 1945						
Nov 1948						
Jul 1953						
Aug 1957						
Apr 1960						
Dec 1969						
Nov 1973						
Jan 1980						
Jul 1981						
Jul 1990						
Mar 2001						
Dec 2007						
Mar 2020						
2023?						

Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of May 31, 2023. "2023?" row refers to potential risk of recession, not a forecast. For illustrative purposes only. Purple shading refers to key contributors to past recessions. **Past performance does not guarantee future results, which may vary.**



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# Which returns more, U.S. or international

Friday

June 23rd

11:00 a.m. EASTERN

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