

ECONOMIC COMMENTARY

- Dr. Francois Stofberg

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AN ODE TO AMERICA: THE GREATEST COUNTRY IN THE WORLD?

In a recent letter to shareholders, legendary investor Warren Buffett, the Chairman and Chief Executive Officer (CEO) of Berkshire Hathaway, wrote "never bet against America". He went on to explain that during America's brief history, albeit only 232 years, no other country has been a better "incubator for unleashing human potential". Buffett concluded that, despite some severe interruptions - recessions, world wars and the like - America's "economic progress has been breathtaking". We could not agree more.

What we have started to notice is that the United States (US) economy, and especially the listed portion of their economy, i.e. their financial markets, has an extraordinary ability to recover quicker, and often better, from recessions. Just as astounding is how well things can go when things are going well: specifically, the timespan and size (amplitude) of expansionary periods in the US. Consider the previous expansionary period that was kept alive longer than a decade by mostly monetary stimulus, which pushed the US economy into full employment and markets to record highs. By limiting their downside and by outperforming on the upside, over the long-term, the US economy and its financial markets have compounded themselves ahead of the rest.

Values such as freedom and democracy, blended with a culture of cutthroat competition and aspirations to be bigger and better, have allowed US society to achieve the unthinkable. It might be key to explain that Buffett was not referring to mainstream America that we often only see as bystanders. America is not Amazon, Facebook, Apple, Google or suchlike. These companies, large as they may seem, only represent a fraction of America's employment and annual output. It is also not what we hear on Fox News or CNN, and it is definitely not what we see on reality shows or in Hollywood movies. Behind this exterior lies an economy that remains decades ahead of its peers and multiple decades ahead of the rest. The Americans have focus, willingness to change and bureaucratic flexibility that put them decades ahead of Europe. An example is President Joe Biden's recent announcement around an enormous infrastructure plan. Convincing all the necessary European counterparts of such a lavish spending program will probably take decades. America's appetite for risk also positions it decades ahead of Japan. US ideologies around freedom and the individual put the country many decades ahead of China, who might be catching up quickly in terms of size, but has many, very difficult developmental challenges and growing pains to get through first. These are not the types of issues that you can simply circumvent or throw money at; they will weigh heavily on China's long-term performance. Think about the Hong Kong uprisings. And then there is the sheer size of America's research and innovation which sets the US well ahead of the clever Scandinavians. Not to mention America's political influence, the prominence of the US dollar and US 10-year bonds as well as the export of Western ideologies. In the end, the US has uniquely combined a couple of key strengths to create a competitive advantage that no one should ever bet against, no matter the odds.

