



THE PRICE OF PROSPERITY

Why Rich Nations Fail
and How to Renew Them

TODD G. BUCHHOLZ

Bestselling author of *New Ideas from Dead Economists*

 Enterprise Bank
CREATE SUCCESS

Prosperity Ahead – or Not?

Todd G. Buchholz

www.econTodd.com
@EconTodd

Part I Anything Can Happen

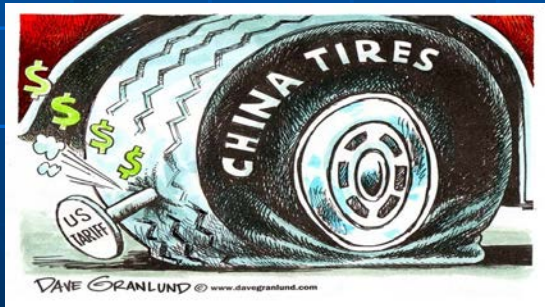


How Many Hours?

- ❑ 1960 took 80hr of labor to buy refrigerator vs. 20hr in 2022
- ❑ 1 broiler/hr vs. >3 today
- ❑ Life expectancy +10 years greater
- ❑ Child poverty 60% since 1993



Free Trade Backlash:



- ❑ Dems vs. USMCA
- ❑ Trump, Sanders, Warren, Biden
- ❑ Canada XL, Lumber, Milk
- ❑ "Buy America?"
- ❑ EU rum, whiskey, cheese?
- ❑ India v. Steel; Russia v. Cars and Chickens; Argentina v. auto parts

New Silk Routes: Made in China

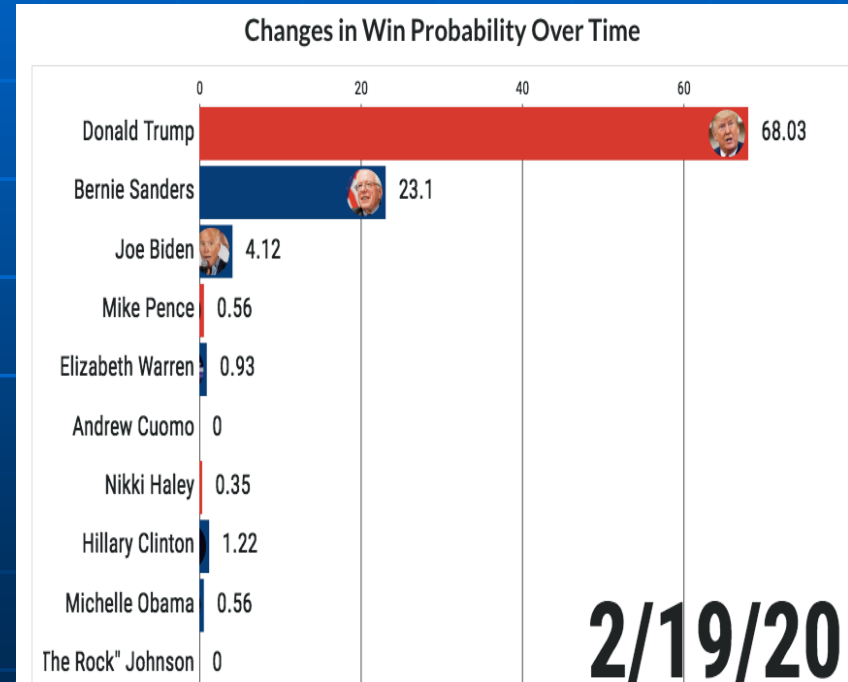


Electronics
Antibiotics
Ventilators



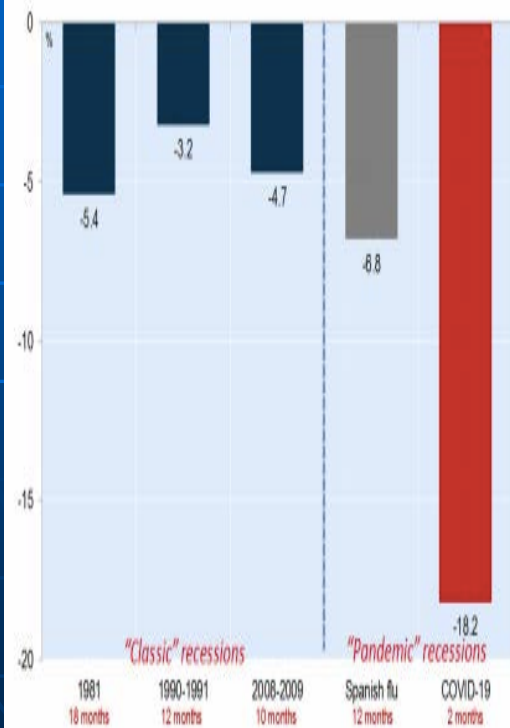
2020 Was Ready to Take Off

- Jobless rate 3.5%
- Stocks +33%
- Inflation 0.1%
- Misery Index:
- 3.6% all-time low



Part II The Great Cessation!

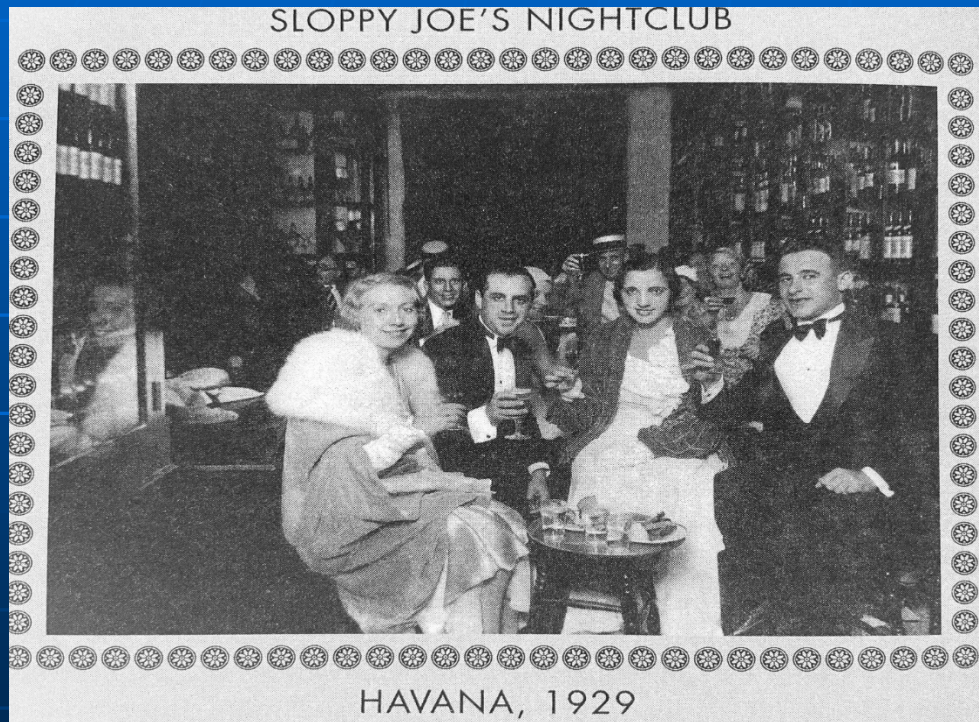
Decline of GDP from previous peak (monthly data except for 1918-1919)



% change in GDP by sector, February to April 2020



Welcome to the Roaring '20s!



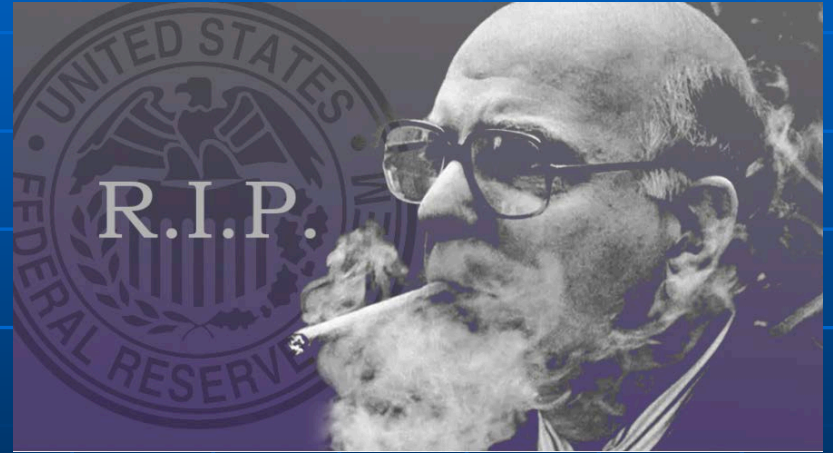
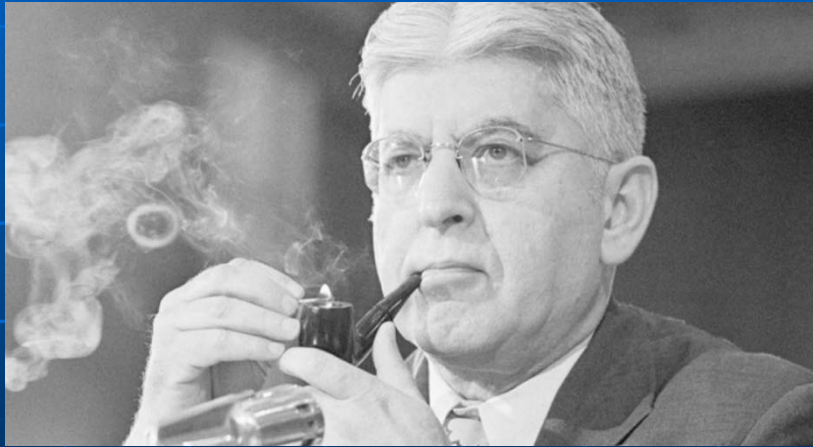


Critical Levers: ROT

- Rates: Central Banks' New World
 - Sparks risky schemes?
- Oil and Gravity
- Trade pressures

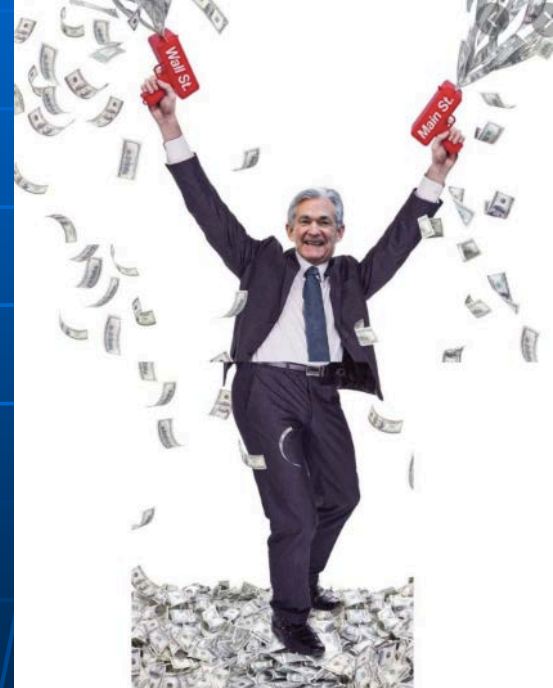


Who Haunts Jay Powell...



Jay Powell Cuts 1.50% to 0-0.25%

- QE: \$3 trillion!
 - ⑩ \$20b govt bonds/wk
 - ⑩ \$750b corp bonds
 - 800 companies
 - ⑩ Main Street lending



Stayin' Alive Fiscal Policy

- ▣ \$1,200 adult, \$500 child
- ▣ Paycheck protection
Additional \$600/wk
unemploy (\$300)
- ▣ Suspend student loan
repay, rent
- ▣ Dec 27 '20 \$900b
- ▣ Mar 11 '21 \$1.9tr

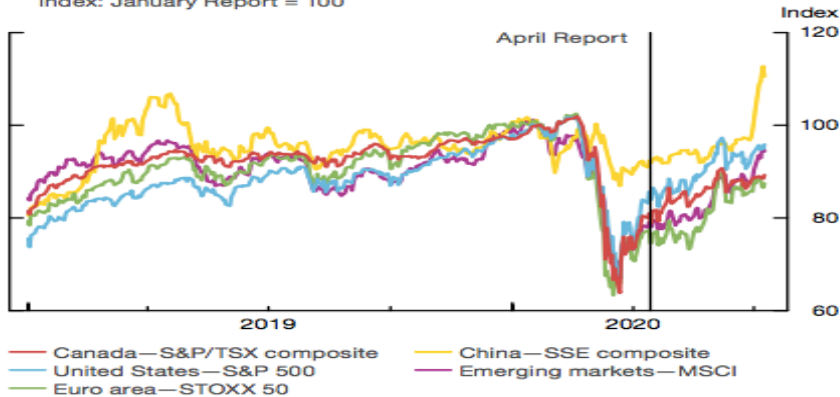


**Trump extends
unemployment benefits,
defers payroll tax**

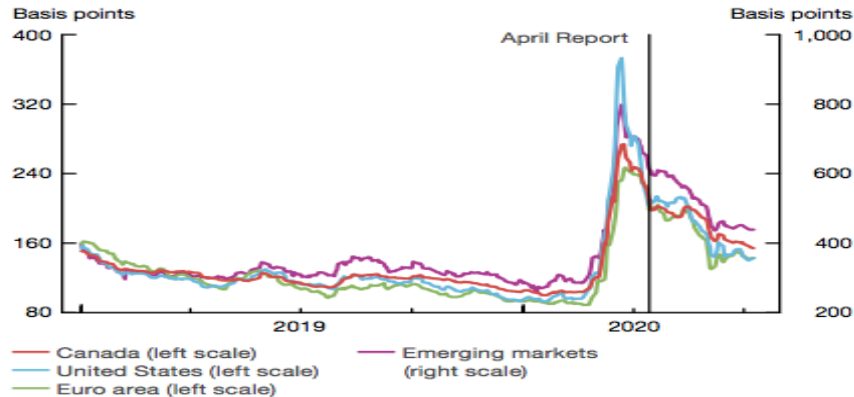
Spreads Shrink, Stocks Jump

a. Equity prices

Index: January Report = 100



b. Corporate credit spreads



iShares U.S. Financials ETF

ADD TO WATCHLIST

CREATE IYF ALERT

CLOSED

\$78.61

▲ 0.28 0.36%

Last Updated: Nov 15, 2022 4:00 p.m. EST
- Delayed quote

PREVIOUS CLOSE

\$78.33



Markets heal quickly from disease outbreaks

Disease outbreaks often weigh on global stock markets in the short term, but the impact fades over time.

Returns (MSCI World Index)

Epidemic	Year	1-month	6-month
Swine Flu	2009	10.9%	40.0%
SARS	2003	8.6%	21.5%
Cholera Outbreak	2010	-2.3%	13.6%
Measles	2019	6.5%	12.0%
Avian Flu	2006	-0.2%	10.1%
Dengue Fever	2006	1.1%	9.7%
MERS	2013	-0.3%	8.6%
Ebola 1	2014	-0.1%	4.4%
Measles/Rubeola	2014	-1.7%	2.3%
Zika	2016	-6.1%	-0.6%
HIV/AIDS	1981	-0.5%	-3.3%
Corona Virus	2020	0.6%	
Ebola	2018	-7.4%	-3.5%
Pneumonic Plague	1994	-2.8%	-4.3%

SOURCE: Charles Schwab



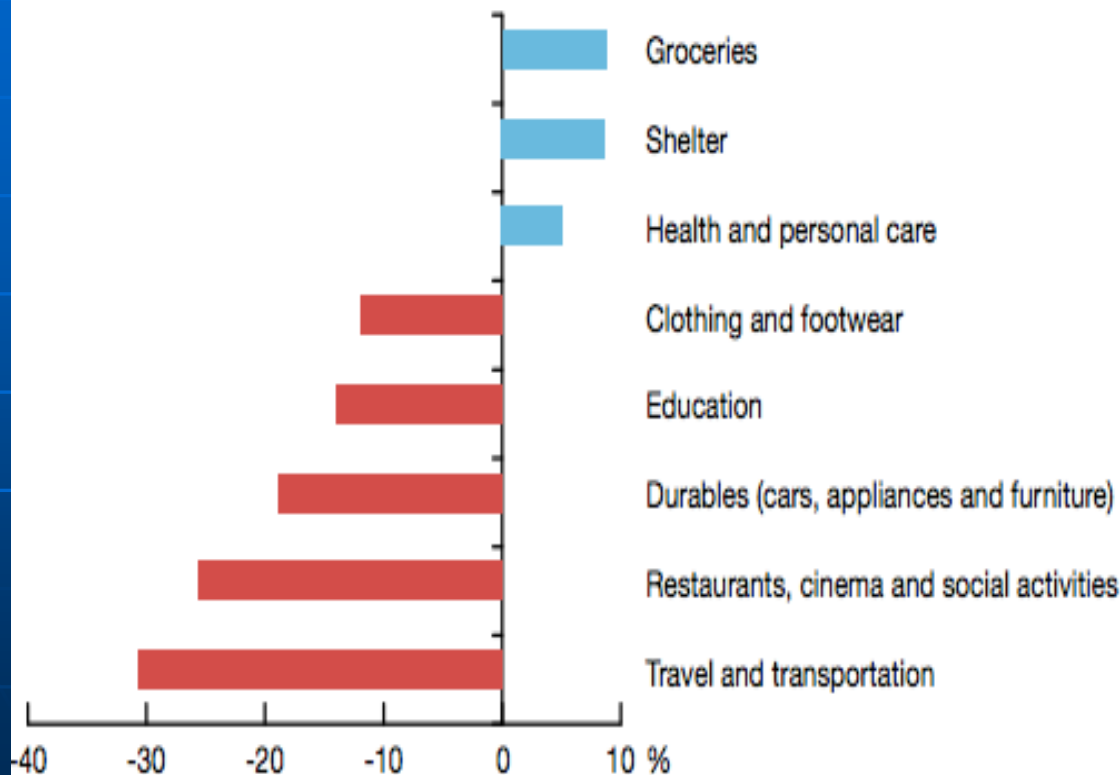
S&P 500 Response to Geopolitical Events

	Year	Change in S&P 500 at trough	Days to recovery
Attack on Pearl Harbor	1941	-19.8%	307
Iraq invades Kuwait	1990	-16.9	189
N. Korea invades S. Korea	1950	-12.9	82
Tet Offensive	1968	-6.0	65
Munich Olympics	1972	-4.3	57
Gulf of Tonkin incident	1964	-2.2	41
Saudi Aramco drone strike	2019	-4.0	41
North Korea missile crisis	2017	-1.5	36
Terrorist attacks on U.S.	2001	-11.6	31
Madrid bombing	2004	-2.9	20
Bombing of Syria	2017	-1.2	18
Cuban missile crisis	1962	-6.6	18
Boston Marathon bombing	2013	-3.0	15
Yom Kippur War	1973	-0.6	6
Iranian general killed in airstrike	2020	-0.7	5
London subway bombing	2005	0	4
Hungarian Uprising	1956	-0.8	4
Suez Crisis	1956	-1.5	4
U.S. pulls out of Afghanistan	2021	-0.1	3
Attempted assassination of Reagan	1981	-0.3	2
Six-Day War	1967	-1.5	2
Kennedy assassination	1963	-2.8	1

Source: LPL Research, S&P Dow Jones Indices, CFRA

Household spending patterns are changing

Balance of opinion,* percent



Q4 2020 Same-Store Sales
Home Depot: 24.1% (US Only: 25.0%)
Lowe's: 28.1% (US Only: 28.6%)

Home Improvement Retail Sales
Q4 2020: 17.5%
Building Materials, Garden Equipment and Supplies Dealers
Retail Sales - U.S. Census Bureau



Homebody Economy Lasts?

- ❑ Whirlpool
- ❑ Kitchens
- ❑ Decks
- ❑ Japanese toilets

WORKING REMOTELY BEFORE, DURING AND AFTER THE PANDEMIC

Proportion of businesses that reported that 10% or more of their workforce was working remotely

Prior to February 1, 2020

16.6%

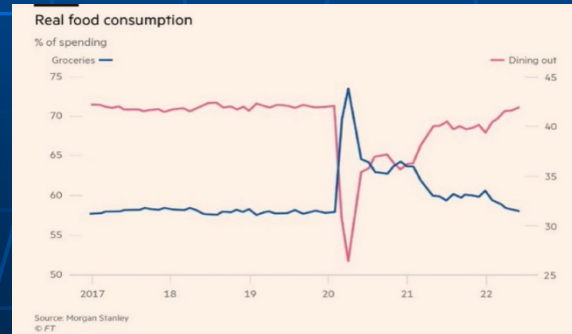
On May 29, 2020

32.6%



22.5%

of businesses expect that 10% or more of their workforce will continue to work remotely once the pandemic is over.



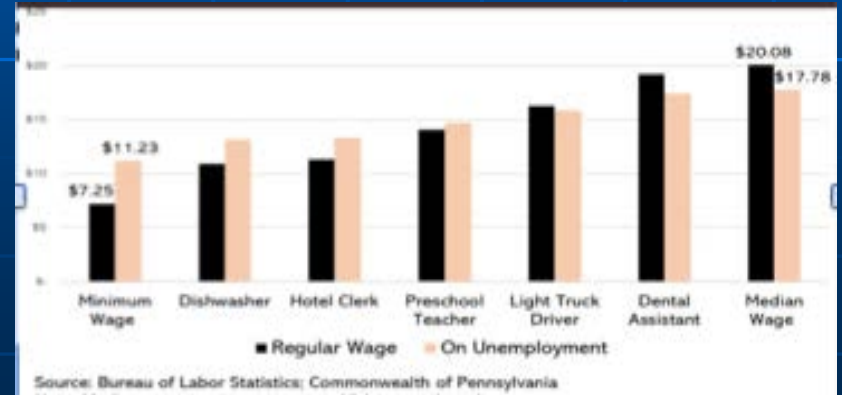
Strong Job Market

A FEW GOOD WIENERS WANTED!!! Hiring New Drivers

f 14.8K t 23 1/7/2020 6:56 AM PT



Number of job openings



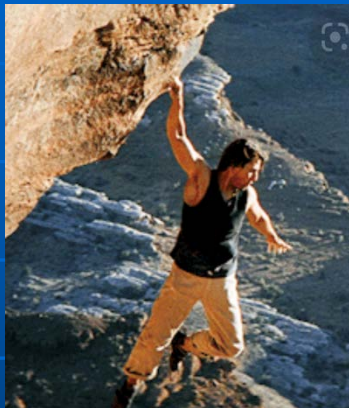
Supply-Side Labor Reforms



- ▣ 20m 25-54yr-olds "do not want a job right now"
- ▣ Lathe operators vs. choreographers
- ▣ For seniors – end penalties/payroll taxes after 45 yrs
- ▣ $\frac{1}{4}$ jobs require govt license
- ▣ Summer jobs for teens drops 40% since 2000.
- ▣ Give young people extra SS credit for early work

Can Consumers Hang On?

Ally Financial Inc.

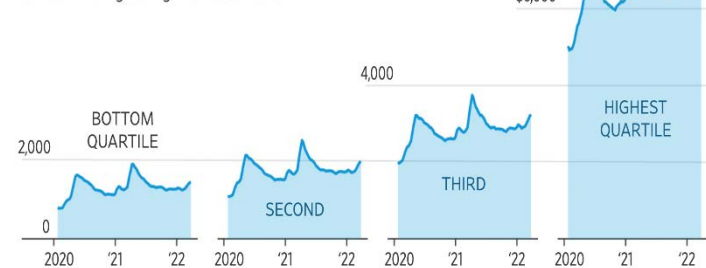


Capital One Financial Corp.



Median checking-account balance, by income quartile

Four-week rolling average for households



Source: JPMorgan Chase Institute



Financial-obligations ratio



Note: Monthly rent, car, mortgage and other fixed payments as a share of disposable income.

Source: Federal Reserve

Survivors Ball?

- ❏ "Surprise, Delight, Immerse"
 - ⑩ IKEA maze, Ulta
 - ⑩ Online Intercourse
 - ❏ Opening a brick store increases area online sales by 29%

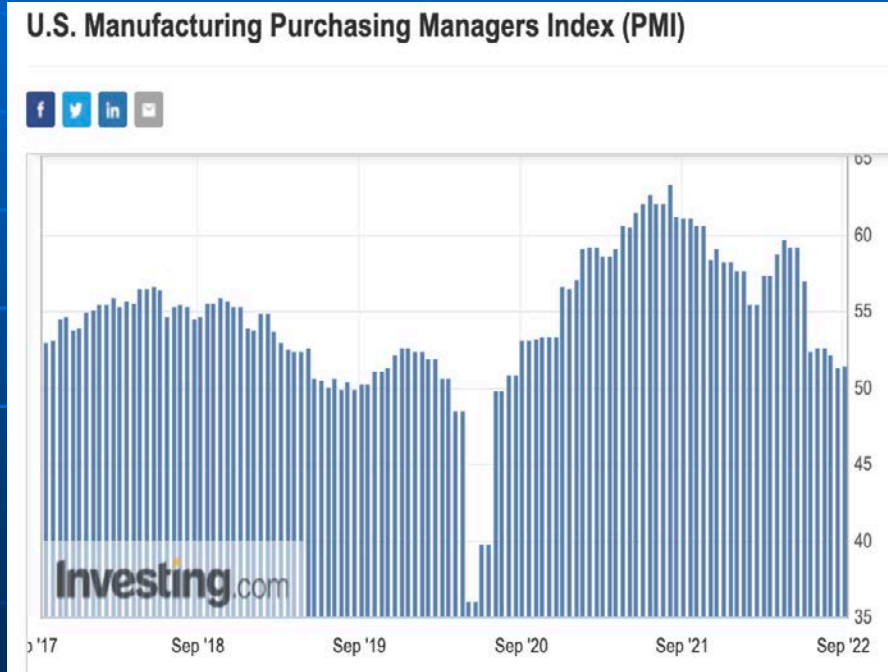


Can Retail & Travel Boom?

- ▣ Pent-up demand
 - ⑩ WFH makes travel more desirable?
- ▣ Savings rate
- ▣ Gov't stimulus
- ▣ Low borrowing rates/high FICO
- ▣ Hotel ADR +8.4% 2019



Can Manufacturing Hang On?



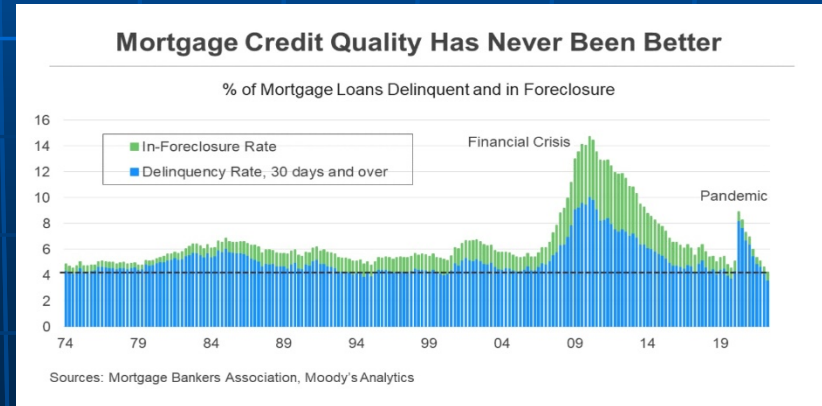
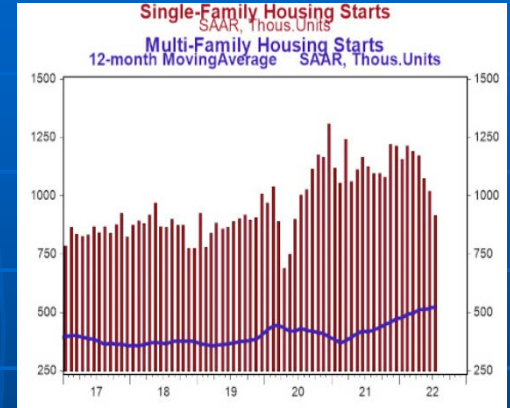
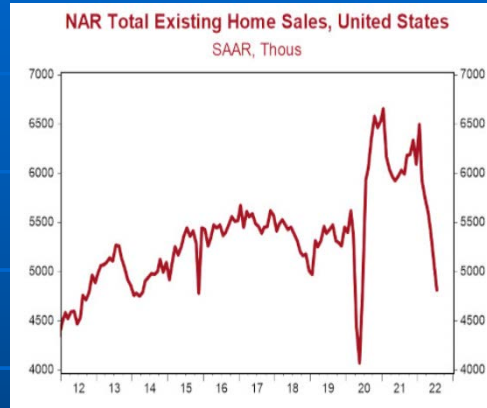
Home, Sweet Home?

▣ Affordability

- ⑩ Rates 3% to 7%
- ⑩ prices +11%
- ⑩ 20% cut prices
- ⑩ New home inventory
11m

▣ Labor

▣ Materials



Watch Dr. Copper

Copper Futures Overview



Lumber Futures Overview



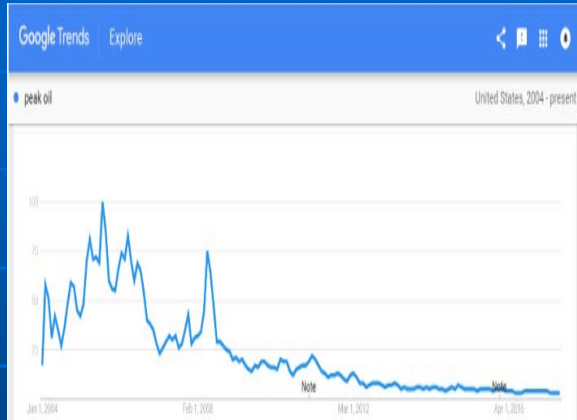


Oil headed for \$50 a barrel?

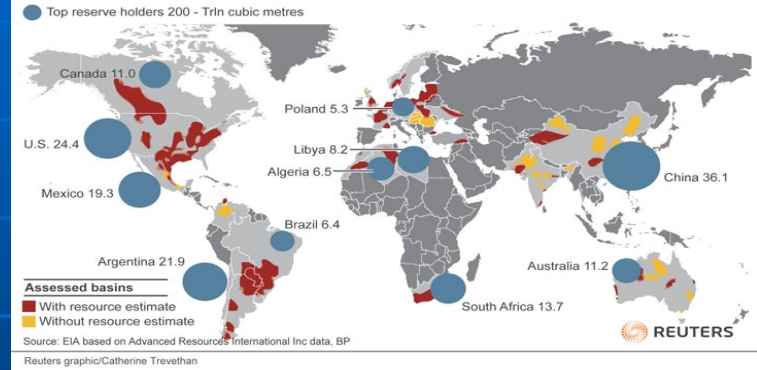
Apr. 01, 2014 - 4:22 - Former White House economic policy director Todd Buchholz gives his outlook for oil and energy.

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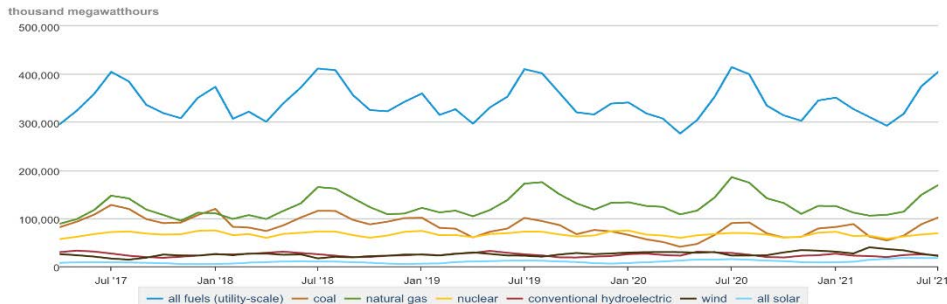
What Happened to the Peak?



Global shale gas basins, top reserve holders



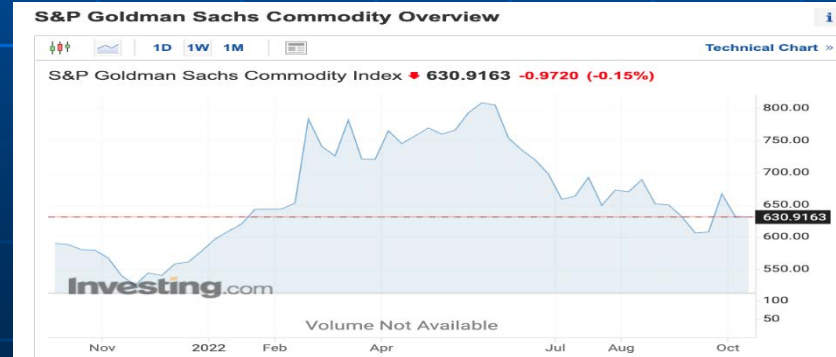
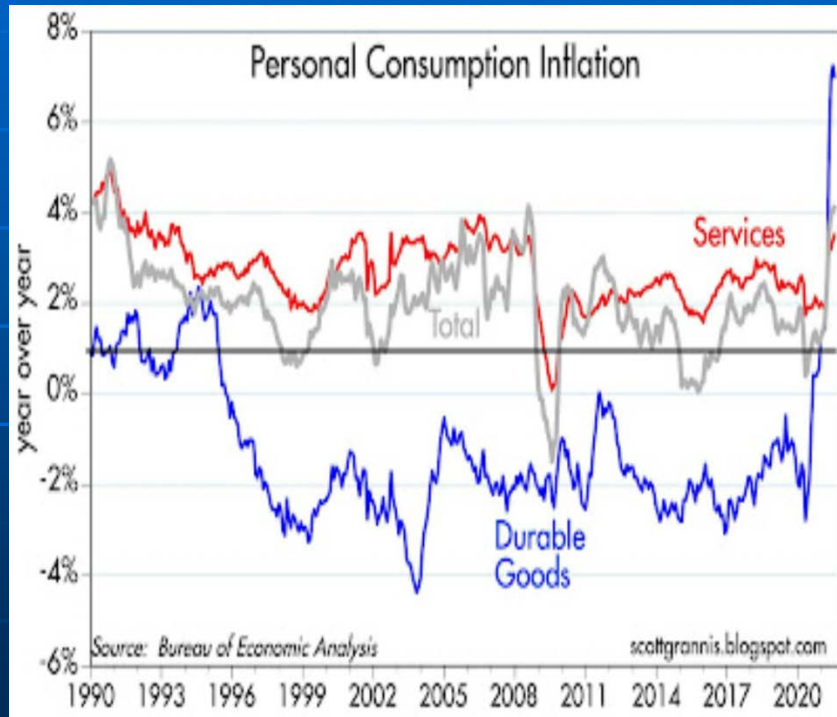
Net generation, United States, all sectors, monthly



U.S. Baker Hughes Oil Rig Count



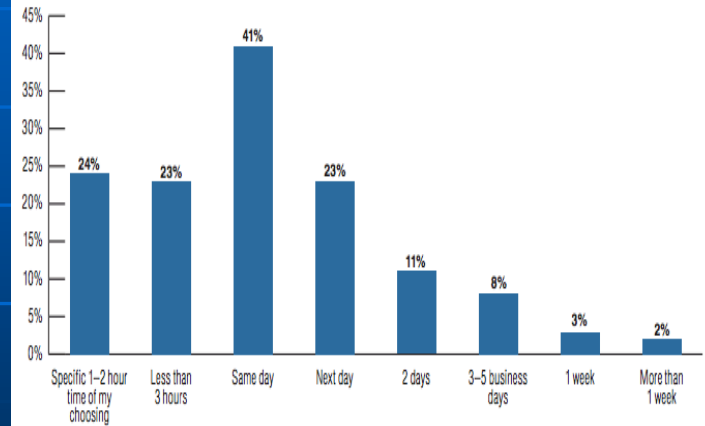
Inflation: Blame Turkeys?



From 98-lbs to...

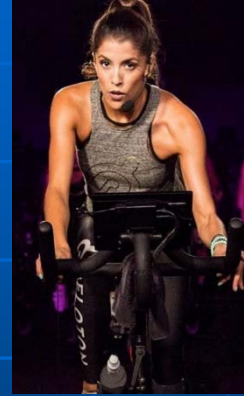


Exhibit 1-13 Percentage of Consumers Willing to Pay Extra for Delivery in Defined Time Frame



Source: PwC, "Global Consumer Insights Survey 2018."

Amazon & Growth Crusade



Price Wars Over



Mobile data price-war continues as AT&T announces a \$60 'unlimited' deal – with...

Clorox Punished for Raising Glad Brand Prices

Retailers responded by cutting back on shelf space, reducing sales for household unit



Target declares a price war as it tries to turn around sales



Wal-Mart launches new front in US price war, targets Aldi in grocery aisle

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MARKETS

JPMorgan Offers Free Trades, Accelerating a Pricing War

The bank says a new investing service will allow at least 100 free stock trades over one year

Bloomberg Technology Markets Tech Pursuits Politics Opinion Businessweek Subscribe

Amazon Cuts Whole Foods Prices as Much as 43% on First Day

By **Jennifer Kaplan** and **Matthew Boyle**
August 28, 2017 at 5:15:33 AM PDT Updated on August 28, 2017 at 7:45:22 AM PDT

USA TODAY Search

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Fidelity and Schwab cut costs as price war in online stock trading heats up

Adam Shell, USA TODAY Published 12:11 a.m. ET Feb. 28, 2017 | Updated 1 hour ago

Fidelity

A full-fledged price war has broken out in the world of online stock investing.

Just hours after Boston-based Fidelity Investments said it would slash its standard commission for online

GET 2X MEMBERSHIP REWARDS POINTS

Supply Chain Mess



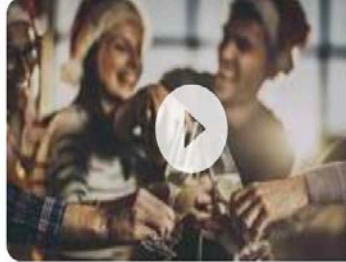
INSIDER

Book sellers struggle with supply chain disruptions



Reuters

Homebuilder D.R. Horton cuts annual forecast on supply chain disruptions



USA TODAY

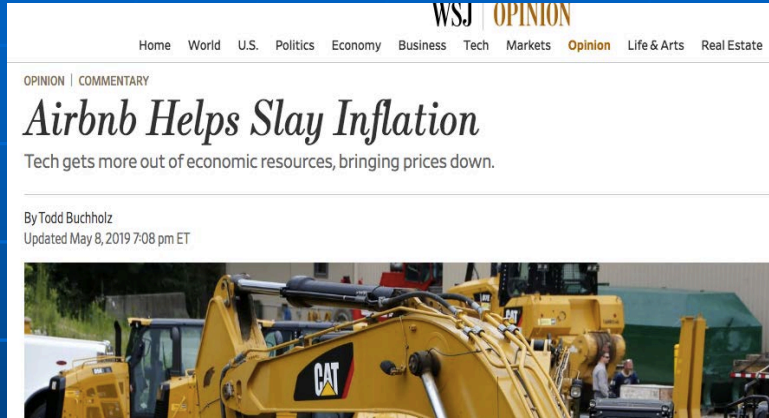
Pennsylvania enforces 2-bottle limit on some booze due to supply chain disruptions



Southern California's Container-Ship Backlog Moves Farther Out to Sea



The New Supply Side & the Gig



+ 25% hotel rooms



The Doctor Can't See You
Now

Inflation Fighters

- Gig Economy
- Deregulation
- Internet
- Strong Dollar
- Vigilant Fed

OPINION | COMMENTARY

Biden Will Pay a High Price for Bread and Circuses

Voters aren't amused by Washington's political clown show, which is rapidly raising the cost of living.

By Todd G. Buchholz



What Do Stocks Need?

- ❑ Vax beats new strains
- ❑ Inflation turns around
- ❑ Consumers solvent
- ❑ Housing avoids plunge
- ❑ Escape trade wars!



McDonald's higher U.S. menu prices fuel earnings beat;
chain raises sales forecast

McDonald's on Wednesday reported quarterly earnings and revenue that topped analysts' estimates as its international sales bounced back.



Energy Recovery Inc.

ADD TO WATCHLIST

CREATE ERII ALERT

AFTER HOURS

\$21.48

0.00 0.00%

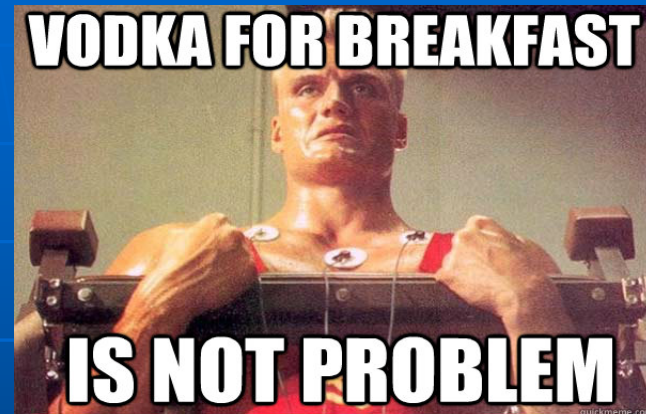
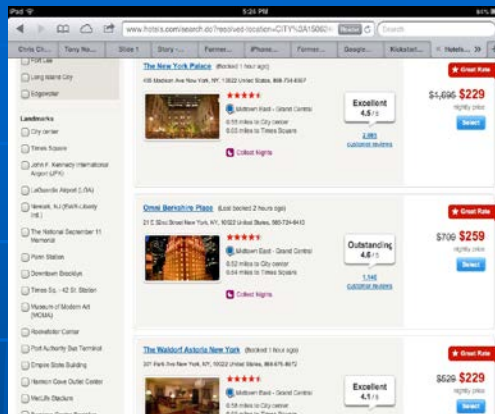
After Hours Volume: 2.37K

Last Updated: Nov 15, 2022 4:01 p.m. EST
Delayed quote

CLOSE	CHG	CHG %
\$21.48	0.73	3.52%



Why's the Abercrombie Dude Lonely?



U.S. Dollar Index (DXY)

OPEN
106.51
▼ -0.15 -0.14%

Last Updated: Nov 15, 2022 at 4:26 p.m. EST
- Delayed quote

PREVIOUS CLOSE

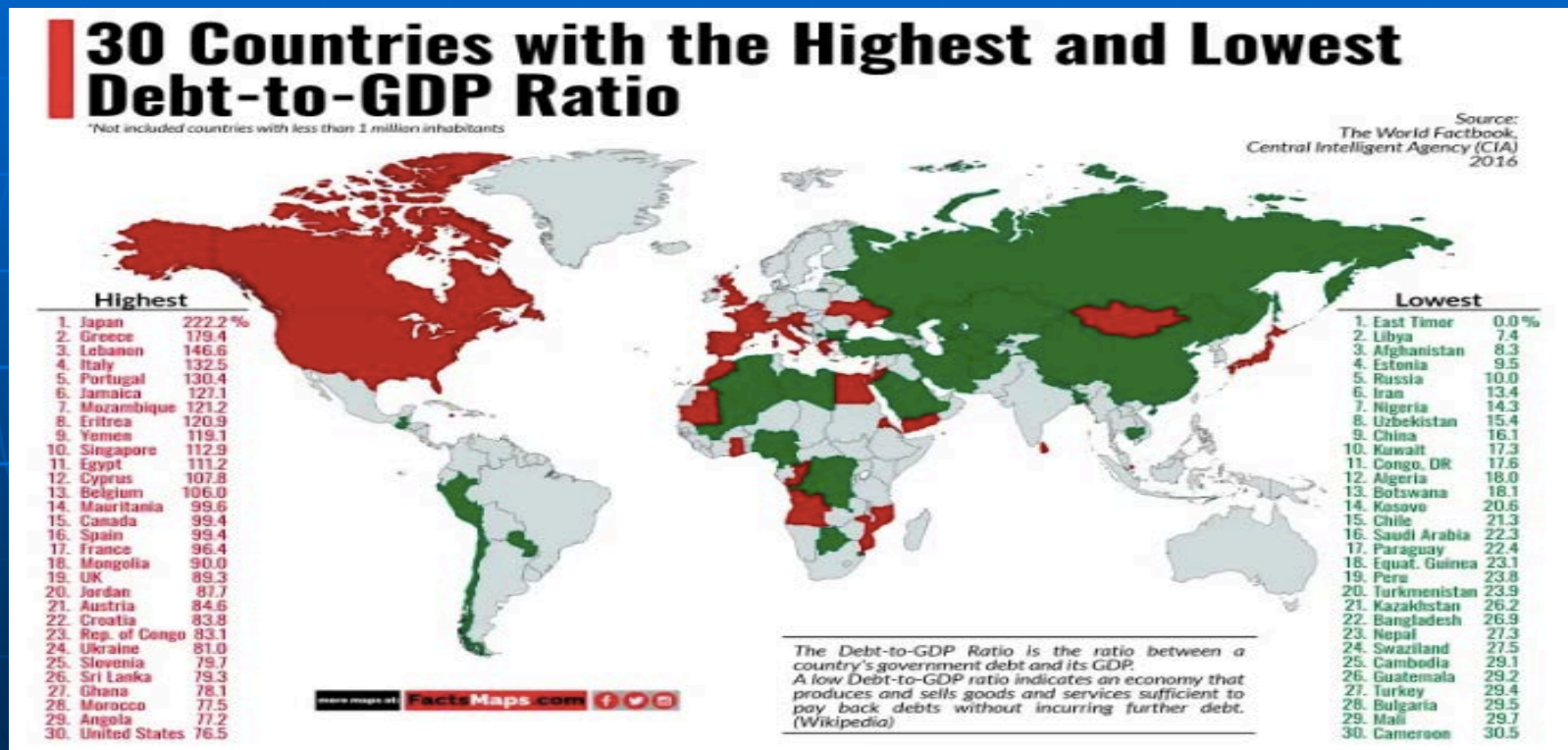
106.66



From Toasters to S&P

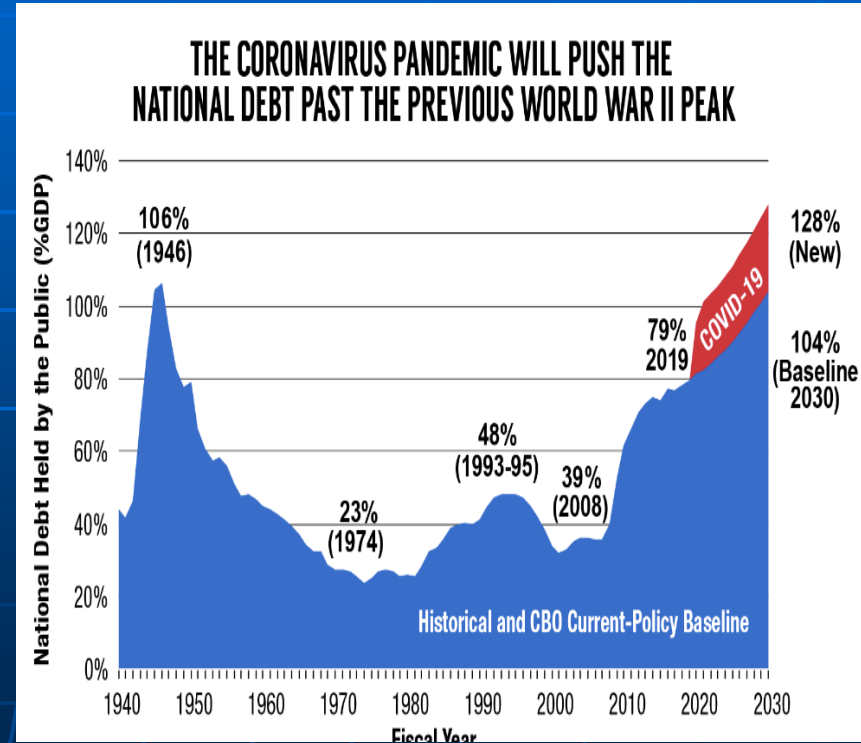


Part III Debt and Demographics



Money Isn't Free

- Debt-to-GDP leaps past WW2 levels





One of the Great Moments of your life... *His First Day At School*

Why it's one of the most important times to see your life insurance agent.

Do you remember, how he looked? Eager... and scared. Proud, too. Remember how you felt... such a little boy taking such a big step. Both your lives changed that day—yours with the responsibility to see him through high school... and per-

haps college. His with the hope of the future. Great changes in your life, like these, are times when you should see your Massachusetts Mutual Agent...

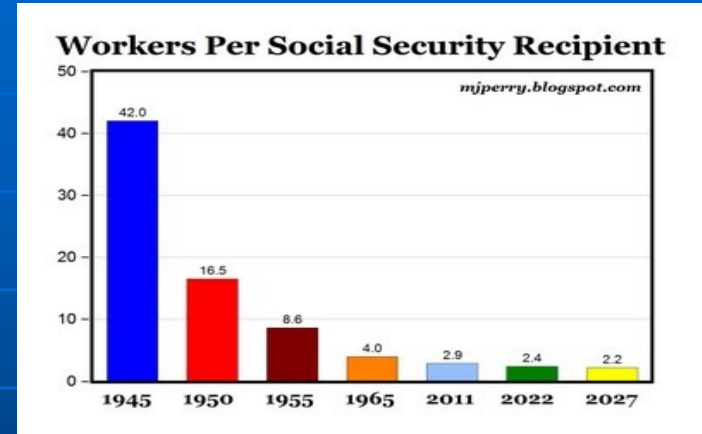
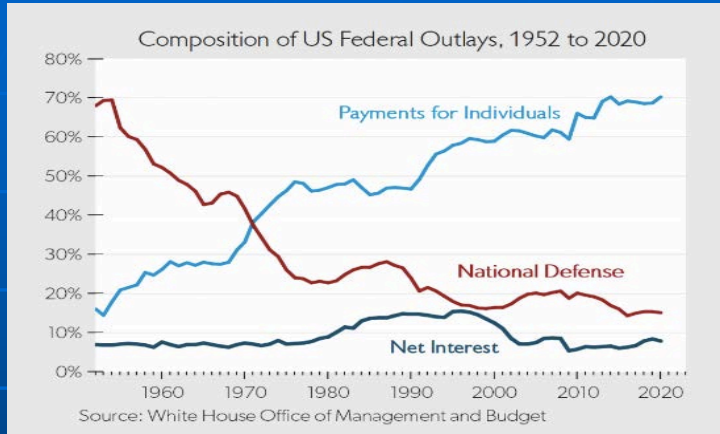
...for he's been especially trained to help you get the extra security and protection you may need. It does not necessarily mean that you must buy more life insurance. Perhaps all you need to do is reprogram your present

life insurance, so that it has a flexibility planned for your son's education.

Providing life insurance programs of "planned flexibility" to meet changing insurance needs has been our job for almost one hundred years... another good reason why, at the great moments of your life, you should talk over your plans with your Massachusetts Mutual Agent.

Massachusetts Mutual Life Insurance Company
SPRINGFIELD, MASS. *For nearly 100 years... a great name in life insurance.*

Taking from Peter...



1970
2015
2050



8:1
4:1
2:1

Old-age Dependency Ratios, 2010 and 2050

Number of people older than 64 per 100 people of working age (ages 15 to 64)

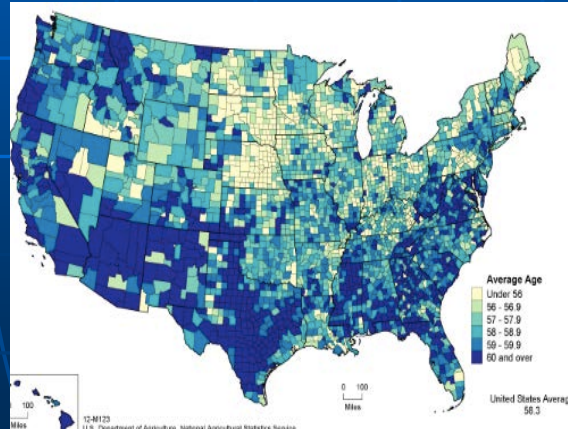
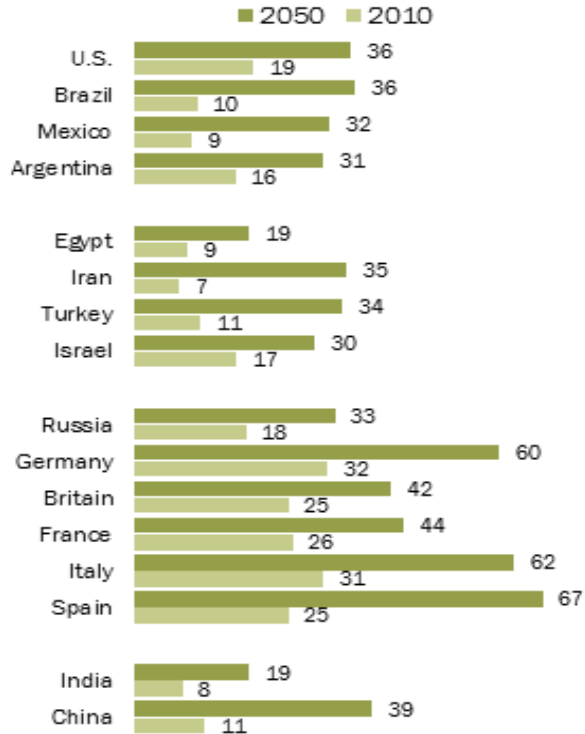
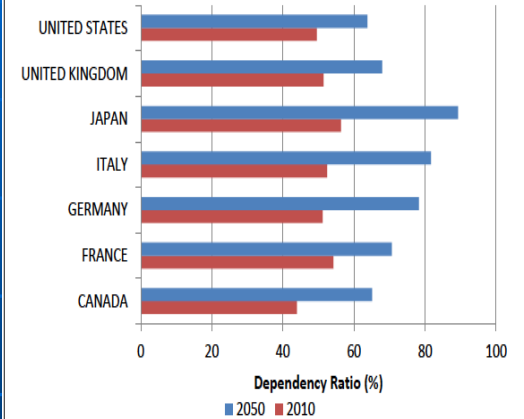


Chart 4.1 – G7 Dependency Ratios



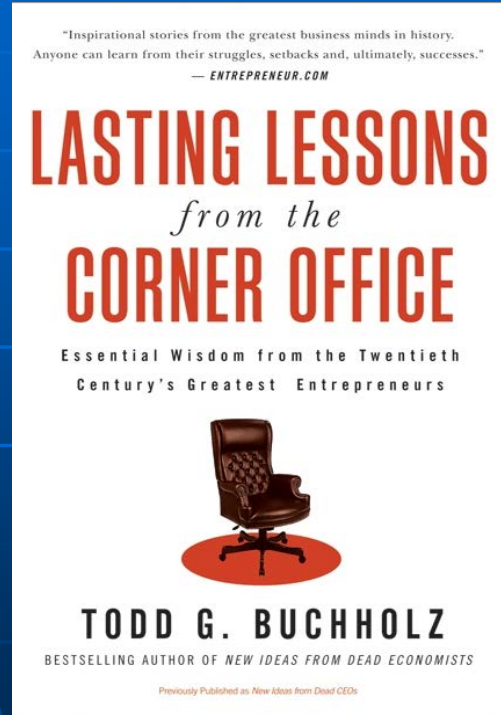
Note: Dependency ratio here is defined as the ratio of dependents – people younger than 15 and older than 64 – to the working age population – those aged 15-64, expressed as a percentage.

Source: World Bank

Golf or Golden Arches?



Part IV Leading Amid Uncertainty



Government Divided

- Fed
- Trade
- Antitrust
- Windfall profits
- Minimum corp tax
- No stimulus



Friends, Foes or Fiends?





A screenshot of a web browser displaying a TIME magazine article. The browser's address bar shows the URL: time.com/3624928/doctor-zhivago-vladimir-putina-russia/. The article title is "Former White House Adviser: What Vladimir Putin Could Learn From 'Doctor Zhivago'". The author is Todd G. Buchholz, dated April 19, 2015. The article text includes: "There is still greatness in the Russian people – but they have been bottled up for 100 years". A sidebar on the left lists other articles like "The San Francisco Giants Could Become the First MLB Team to Ban Chewing Tobacco" and "Watch the 2015 TIME 100 Gala in Two Minutes". At the top of the article, there is a map of Europe with Russia highlighted in red and Kaliningrad labeled.

War Games, or War?



**Australia Reconsiders \$70B Deal
for French Submarines**

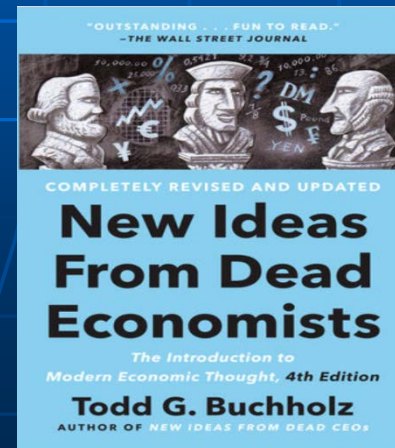
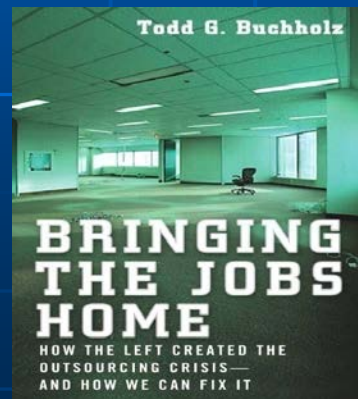
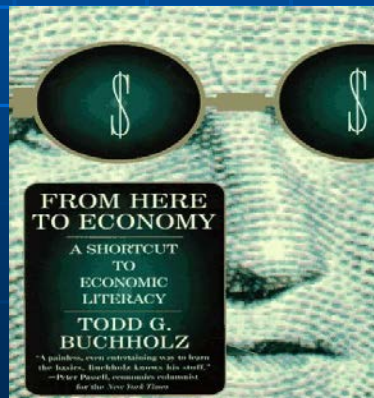
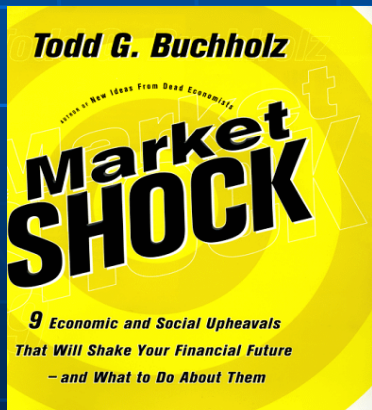
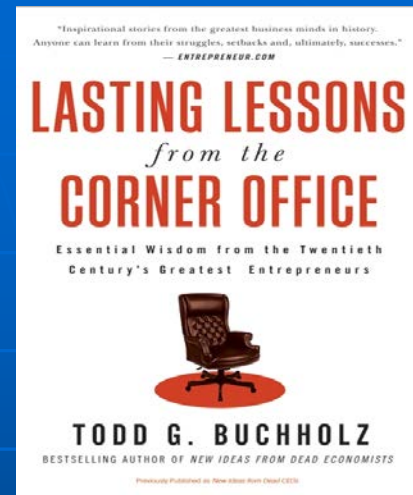
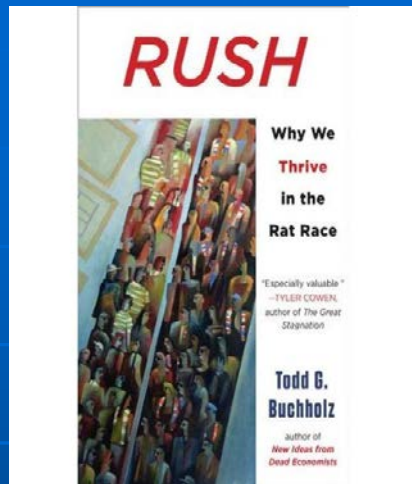
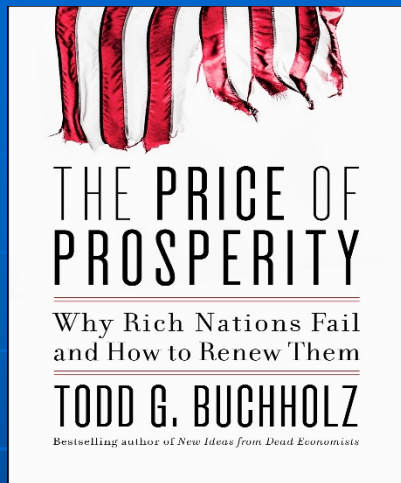


One Man, One Country

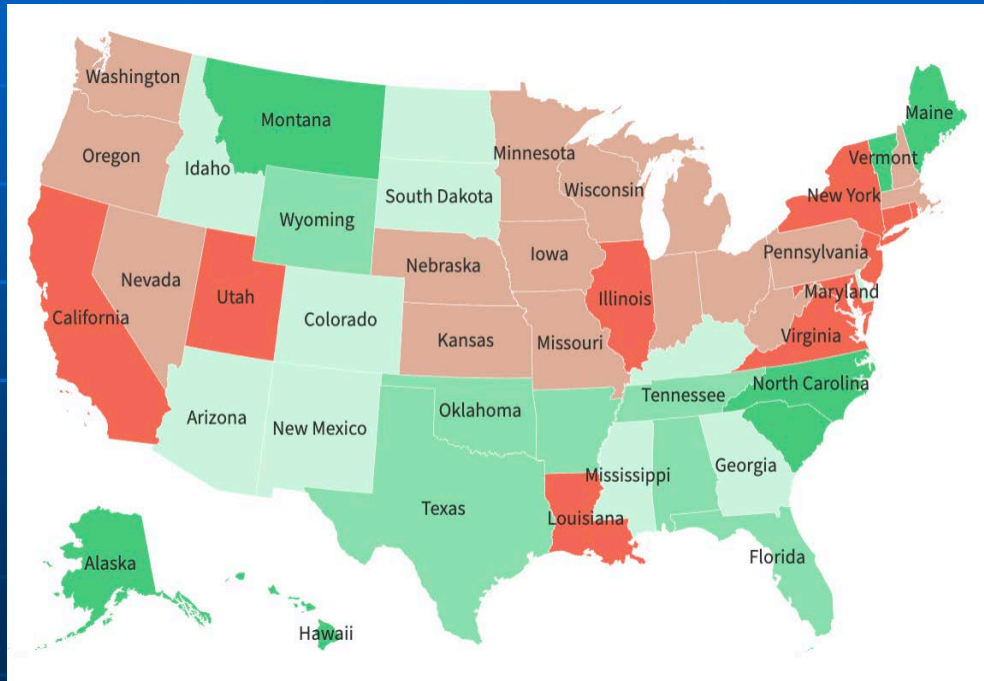




- ▣ Ask not if the economy will prosper; ask how you and your clients can win regardless
- ▣ Watch commodities & consumer credit
- ▣ Inflation must behave! ROT
- ▣ Populism >> More Regulation, Slower Growth
- ▣ Stay in touch: @EconTodd
www.econTodd.com



On the Road Again



The Race for IQ Points

- ▣ Stevedores -17%
- ▣ Timber -32%
- ▣ Farm -20%
- ▣ Sewing -50%
- ▣ Typesetters -62%



- Elect. Engineers +28%
- ▣ Med. Scientists +33%
- ▣ Architects +44%
- ▣ Legal Assistants +66%
- ▣ Fin. Services +78%⁵³

Kids, Math & You!

