

Should you invest internationally?

Yes. But why? Let me offer several reasons

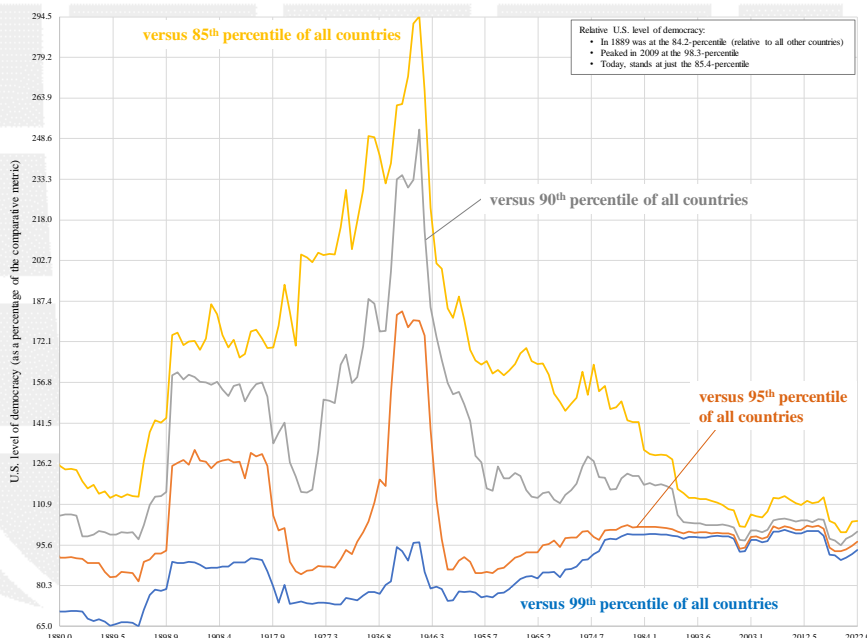
Arguably, the U.S. economy has been more successful than any other nation, during the post-industrial era, measured from mid-1949 through today. And I'm incredibly grateful to be an American citizen, born and raised in this fine country.

But will the U.S. always be "top-dog"? American success didn't happen by accident. Nor was it in any way unique or remarkable. Throughout history, different nations have risen to global preeminence. But no nation has ever retained its transitory crown. The rotation from one top-dog to the next, is driven by two key factors. First, nations like people, pass through stages, i.e., infancy, youth, maturity, dominance, decline, dotage, and old age. Second, success during different eras (agrarian, military/mercantile, industrial, consumer, etc.) requires quite different set of resources. Consequently, those nations with the most relevant, most applicable resources for a given era, dominate during that era.

Let's explore several reasons why the U.S. will follow the same path that every other nation has followed over the last 1,000 years . . .

This graph shows the U.S. level of democracy relative to the rest of the world. In a narrow sense, the U.S. introduced the world to democracy. OK, so that's an overstatement, we need to give significant credit to the Greeks and the Romans. As shown herein, relative to our key competitors, our edge (advantage) with respect to being more democratic, peaked back in the mid-1940s. Today, our edge is no more. This is important, because relatively more democratic nations are more flexible, adaptive, and capable of pursuing economic growth.

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



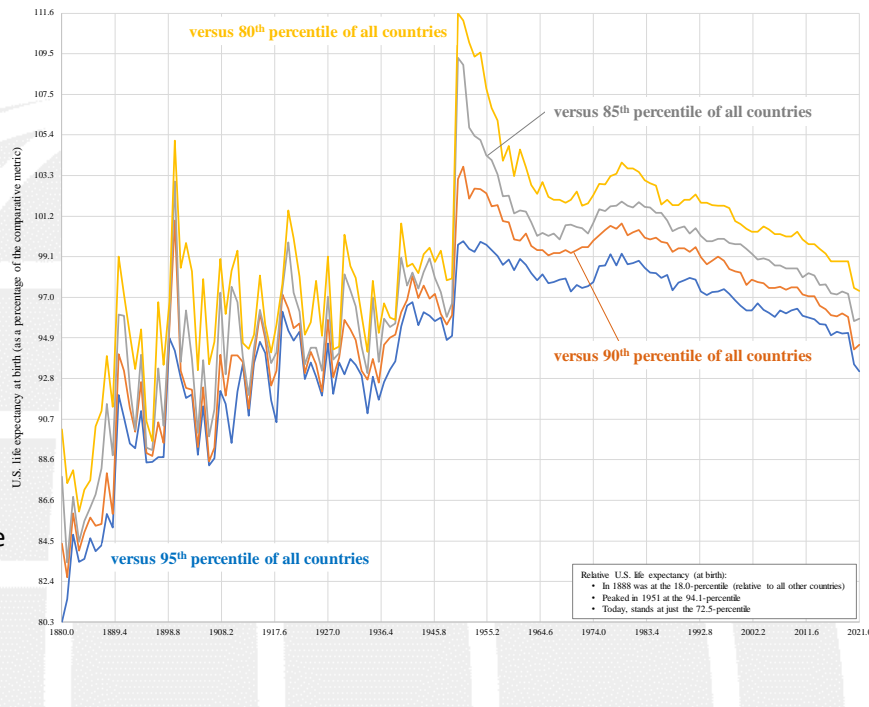
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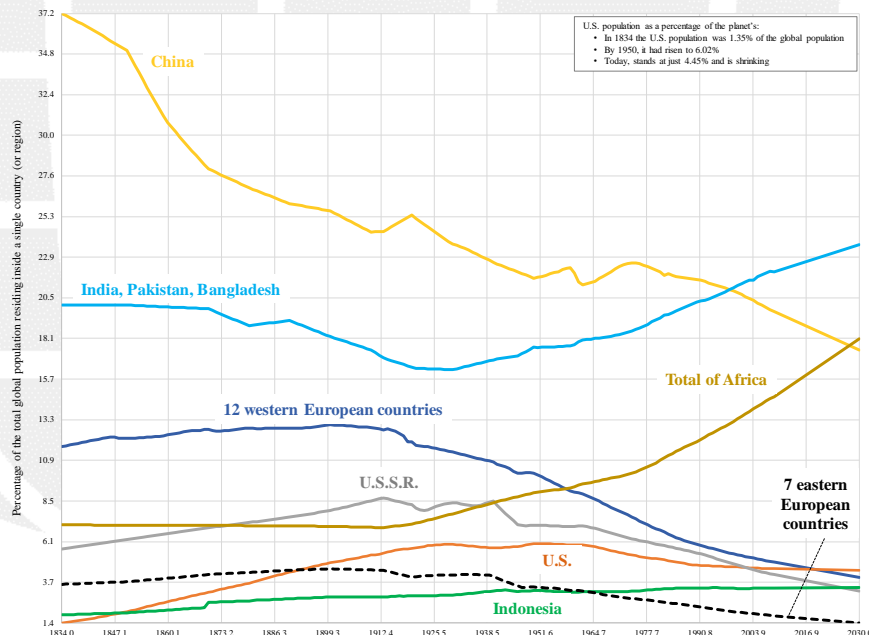
U.S. Life Expectancy (at birth) Relative to the Rest of the World

This graph shows how U.S. life expectancy (at birth) has changed over time relative to the rest of the world. Keep in mind, that in a globally competitive world, it's all about relatives, i.e., how is the U.S. doing versus our competitors. The U.S. started out at a pretty rough and ready spot back in say 1880. But then began making remarkable progress. By 1951, we reached our peak of relative comparative advantage. But since 1951, the U.S. has slowly (very slowly) been losing our relative comparative advantage. Why is life expectancy important? It serves to support a large and growing labor force, in addition to one that is inherently more productive.



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

This graph shows the size of the U.S. population relative to the rest of the world. Economists agree on very few things. One thing they do agree on, is what causes/produces economic growth. It's three factors. First, growth in the size of a nation's working age population. Second, the number of non-working people (the young and the old) who are just consuming and not working, and therefore must be supported as a "dead weight loss". Third, 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.



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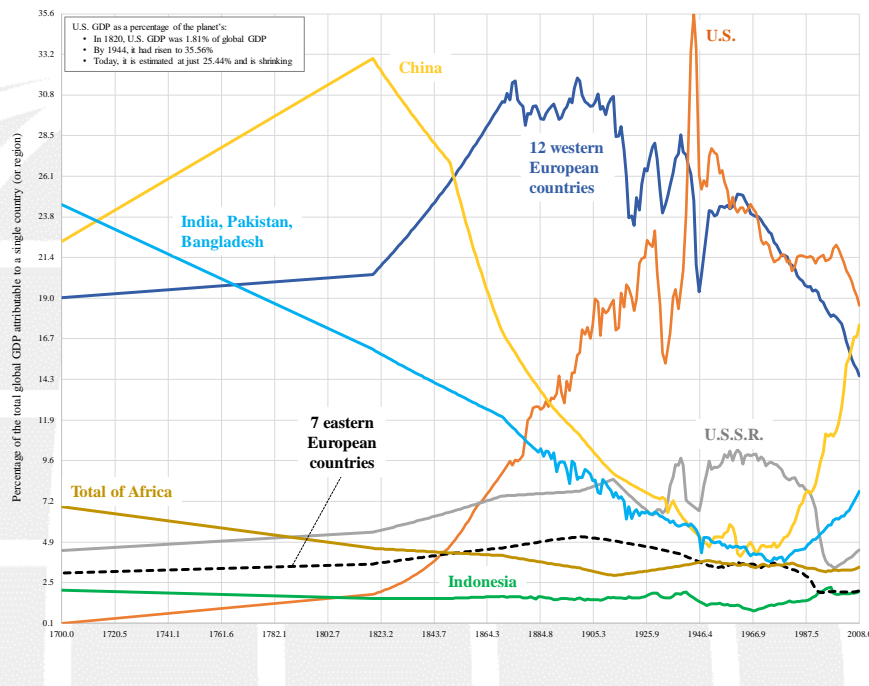
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U.S. GDP Relative to the Rest of the World

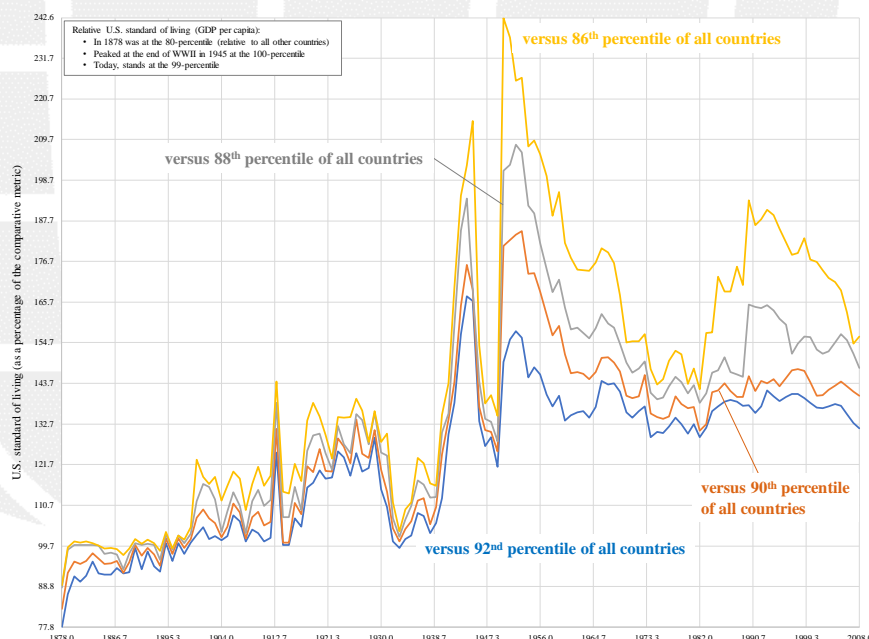
This graph shows the size of the U.S. economy relative to the rest of the world. Size (economic output) breeds advantage . . . a seriously large advantage. But no nation has ever been able to remain “top-dog” for long. First it was India, then China, next Western Europe (narrowly defined). And only post WWII did it become the U.S.

Broadly/widely accepted forecasts (a dangerous thing) have China and India battling it out for 1st and 2nd place in the world, as the planet’s two largest economies.



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

This last graph shows the U.S. standard of living (how well-off we are) relative to that of the rest of the world. Why should the standard of living even matter? That’s a complex, nuanced, and multi-dimensional issue. But, over-simplifying . . . a higher standard of living allows a nation to be more creative, more innovative, and greater risk-takers. These three attributes drive economic growth and to better control and thereby reduce the cost/inefficiencies of social disharmony. Recall, it’s all about “relatives”. The U.S. reached its greatest comparative advantage (versus its most prominent competitors) back in perhaps “1950”. Since that date . . . the U.S. has been losing its edge



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None of this is intended to suggest that there's anything wrong with the U.S.

Nevertheless, an honest and unvarnished assessment of data demonstrates that the U.S. has been losing its relative comparative advantage. This is normal and not unexpected. And it provides a solid reason to diversify one's portfolio well beyond our nation's borders.

Your financial advisor has a menu of possible investment solutions that are directly relevant to the issues discussed above. But the solution that is most appropriate to your unique needs and circumstances can only grow out of a meaningful discussion with your advisor. Reach out to them, talk with your advisor.

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All data was provided by Global Financial Data, Inc. on June 28, 2023.

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