

# A New Age of Growth

**A** bad idea has crept into our national thinking. It goes something like this. The United States is destined for a sharp slowdown in growth from our historical experience. This insidious attitude even has a name, the New Normal. According to this line of thinking our children will not enjoy the opportunities our parents had or that we received as our cultural inheritance. Our standard of living will necessarily decline. The U.S. has reached its natural limit just as our national debt is approaching bankruptcy proportions. Good jobs are disappearing, long term unemployment is growing, and more people are falling into poverty. The market economy is too uneven and unpredictable for these circumstances. Nor can we look to overseas to bolster our flagging economy. Europe is in decline and a solution to their problems is nowhere in sight. Even if stability is achieved and recovery sets in, growth will be minimal at best. The European Union is not likely to survive these strains. China has serious problems with its banking system and potential inflation pressures, as does India. Other nations in the region will follow the trend of the two giants. Rampant conflicts around the globe remind us daily that the world is a dangerous place. We are blocked at every turn and we better get used to it.

The preceding is a composite of the more pessimistic utterances by some leading economists and financial experts in the recent past. Their analyses are colored by the financial disaster in the U.S. in recent years and the threats

to the European banking system currently, leading them to anxiously anticipate the next financial crisis. The gathering strength of the recovery in the U.S. is suspect, they believe. If one can separate oneself from the intense inspection of even the most minute economic statistic, and the constant warnings from the Fed that new stimulus actions may be needed and are at the ready, major positive forces are building. We are witnessing the renewal of a global economic boom which commenced about thirty years ago by the relentless forces of globalization, the integration of markets, and new technologies. The U.S. economy will be a primary driver and beneficiary of this tectonic shift.

Despite the very vocal fears about a slowdown in emerging economies, growth and development will continue at a rapid pace. More than fifty percent of the world's population now live in cities, a mass migration from the farms which results in massive long term infrastructure projects, and abundant low cost labor. The process of urbanization will continue for years if not decades. Demographically, Asia is well placed to maintain its rapid growth. In countries such as India and Indonesia the populations are young and growing. Education levels have improved dramatically over the years. Unlike in the Middle East, the opportunities for establishing personal businesses have expanded many fold and the process has been generally supported by government policies. The Asian middle class has been estimated at some 600 million people, equal

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to the combined population of Europe and the United States. This number is expected to double over the next five years. As the middle class increases consumption of everything from automobiles to toothbrushes to vacations abroad, increases. China is a good example of this maturation process. Although its population is aging, the middle class is well established, and real wages are rising. China is already the world's second largest economy, and its growth is increasingly driven by domestic consumption, and less by export.

It is in the United States, however, that the greatest changes have taken place. Our manufacturing sector has reduced costs dramatically and has become cost competitive with the rest of the world, including China. The favorable development will be long lasting due to huge investments in technology for manufacturing processes and efficient transportation networks. The trend is evidenced by the rising tide of large American manufacturing companies which are returning production to our shores. Due to our favorable cost advantages exports of our manufactured products are rising boosting factory output and employment possibilities. Business capital spending will provide our economy with a sustainable boost as the need to expand and

modernize facilities accelerates to meet increasing demand.

The U.S. embrace of technology is the seminal force behind our bright future. Technology is central to our lives and our economic development. Today the U.S. is as close to energy independence as it has been in many years, due solely to technological advances in exploration. Energy exploration and production is a worldwide, highly developed business owned in large part by foreign governments, but the advances which have changed U.S. fortunes for the better were developed and perfected by private U.S. energy companies. Similarly, advances in information technology, data processing and storage, cloud computing, and others were U.S. initiated discoveries. The growth of social media is a brand new development, and smart phones are already ubiquitous. The process is spawning new companies at a rapid pace. Companies such as Amazon and Google did not exist twenty years ago, but employ thousands of people and are still expanding. The entrepreneurial spirit is alive and well in the U.S. A longer term outlook toward investing will reap solid rewards as U.S. growth accelerates.

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