



THE PRICE OF PROSPERITY

Why Rich Nations Fail
and How to Renew Them

TODD G. BUCHHOLZ

Bestselling author of *New Ideas from Dead Economists*

Prosperity Ahead – or Not?
Wire Harness Manufacturer's
February 2019

www.econTodd.com
@EconTodd

Part I Anything Can Happen



Who's Faster? Who's Bigger?



Where Have All the Habsburgs Gone?



The Ottoman Empire During the



Ottoman Empire will last until 1917

It's a whole new world!

Why Do Rich Nations Fail?

- Globalization
- Debt
- Work
- Population
- Patriotism

MarketWatch

Opinion: 5 factors that could turn America into another collapsed empire

By Todd G. Buchholz
Published: June 6, 2016 12:35 p.m. ET

[f](#) [t](#) [g+](#) [e](#) [m](#)

Aa

Nations are just as likely to unravel after periods of prosperity as after periods of depression



“Your Nationality?”

- ▣ Airplane test
- ▣ Bubble wrap
- ▣ “Nations are just as likely to unravel after periods of prosperity”

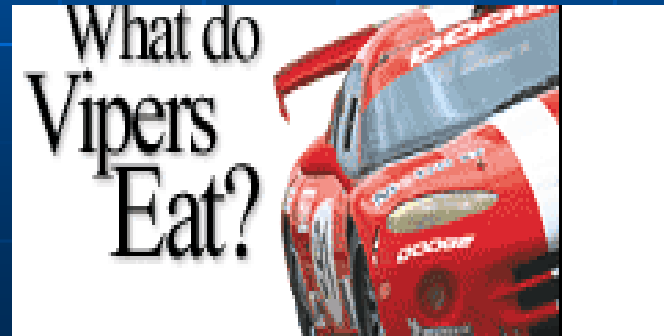
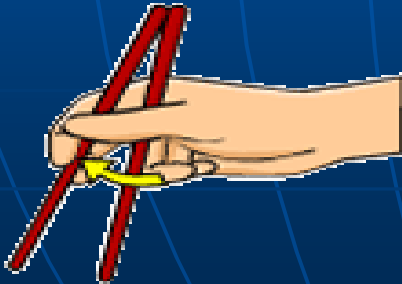


How Many Hours?

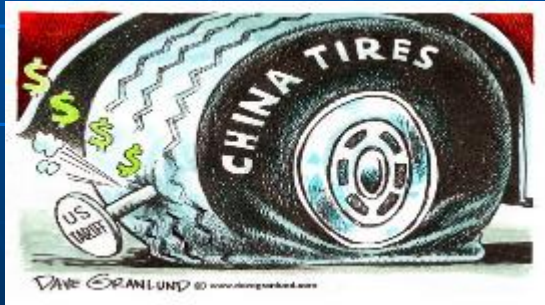
- ▣ 1959 took 80hr of labor to buy refrigerator
- ▣ 20hr in 2018
- ▣ 1 broiler/hr vs. >2 today



Age of Anxiety

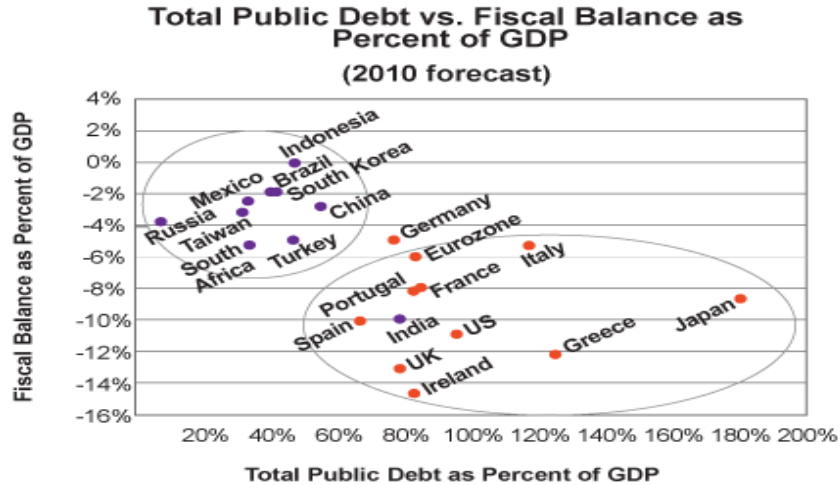


Free Trade Backlash:

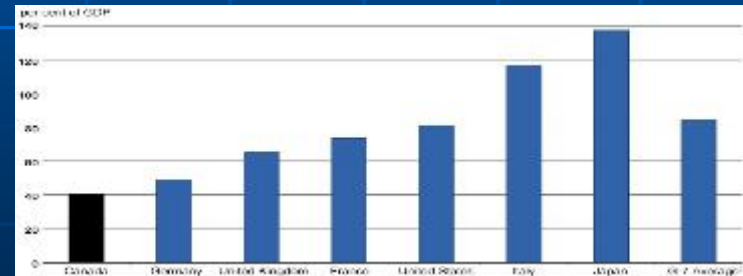


- ▣ Dems vs. NAFTA
- ▣ Trump, Sanders, Warren
- ▣ Canada Lumber, Milk
- ▣ "Buy America?"
- ▣ India v. Steel; Russia v. Cars and Chickens; Argentina v. auto parts
- ▣ Boeing vs. Airbus

Part II Debt and Demographics



Source: Eurostat, IMF.



The High Price of a Free Lunch?

**Percent of Individual Income Tax Returns
with Zero or Negative Tax Liability
1950 to 2007**





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

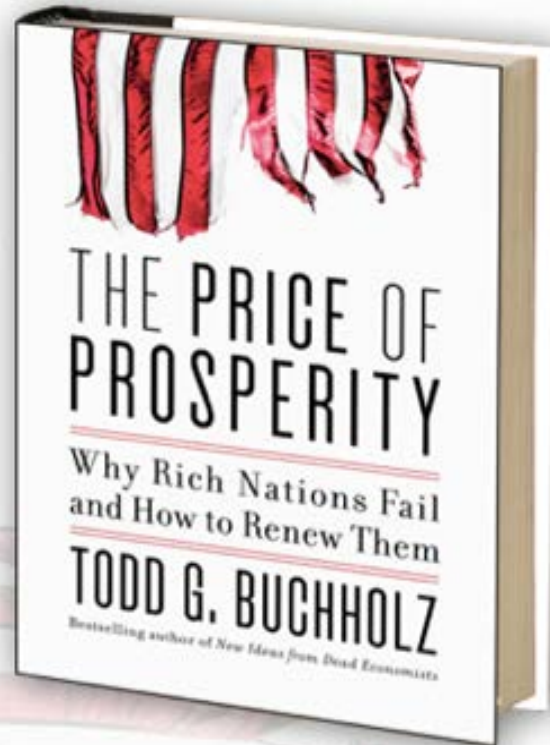
Why it's one of the most expected hours in your life insurance agent's calendar is because it's your first day at school. You'll be nervous, but you'll be excited. You'll be nervous because you're leaving home for the first time. You'll be excited because you're starting a new chapter in your life. You'll be nervous because you're leaving home for the first time. You'll be excited because you're starting a new chapter in your life.

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Massachusetts Mutual Life Insurance Company
 PROVIDENCE, MASS. ... A MEMBER OF THE MFC GROUP

We used to size up
a man by counting
his children. Now
we count Rolex
watches, six-pack
abs, and Twitter
followers.

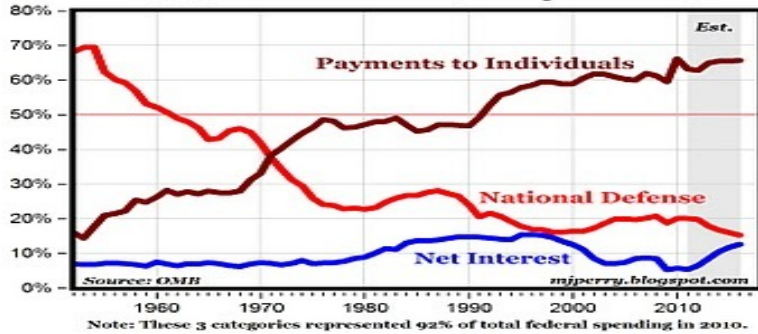


Golf or Golden Arches?

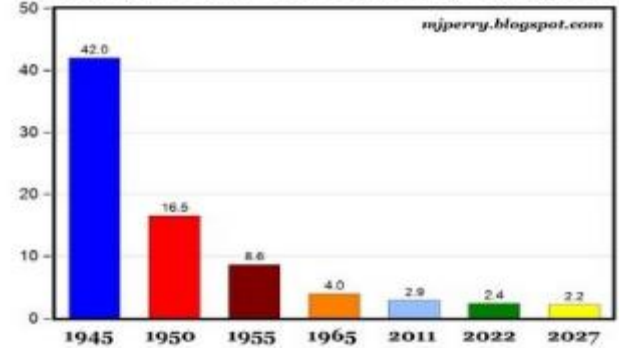


Taking from Peter...

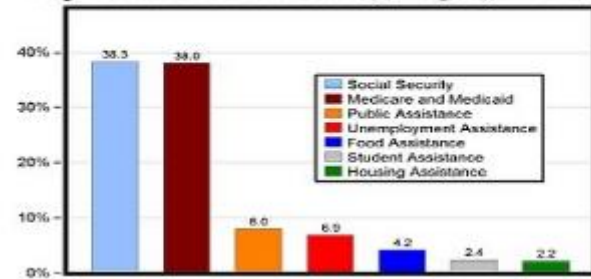
Composition of Federal Spending 1952 to 2016 (Projected)



Workers Per Social Security Recipient



Federal Payments to Individuals By Share of Total (\$2.3T) in 2010



Old-age Dependency Ratios, 2010 and 2050

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

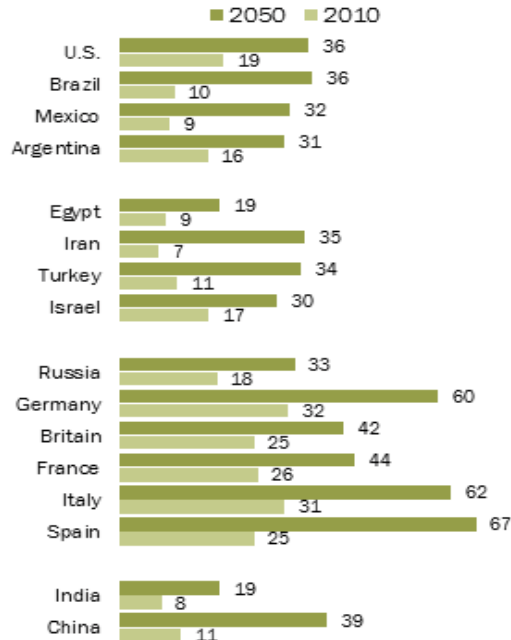
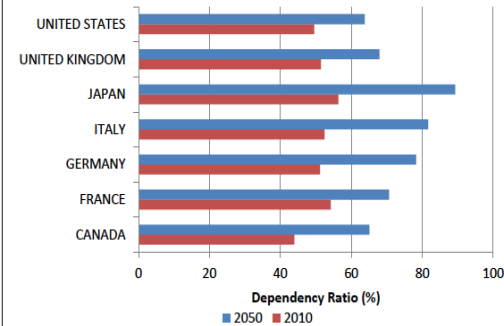


Chart 4.1 – G7 Dependency Ratios



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

Obama's Targets?

- ❑ Insurance
- ❑ Oil, Gas, Coal
- ❑ Healthcare
- ❑ Ag Chem
- ❑ Finance
- ❑ Manufacturing
- ❑ Hotels/Restaurants



Trump Targets, Friends?

- ▣ High Taxes
- ▣ Regulations
- ▣ China Dumping
- ▣ Mexico Exporting People & Goods
- ▣ Mainstream Media



TONIGHT: TRUMP VS. WORLD

DRUDGE REPORT

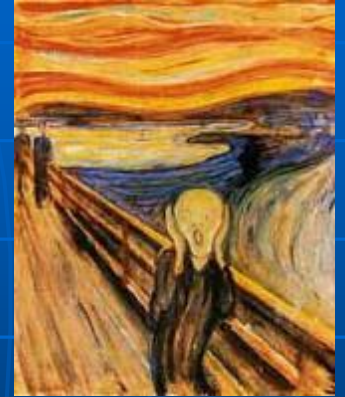
Part III Economy and the Baton



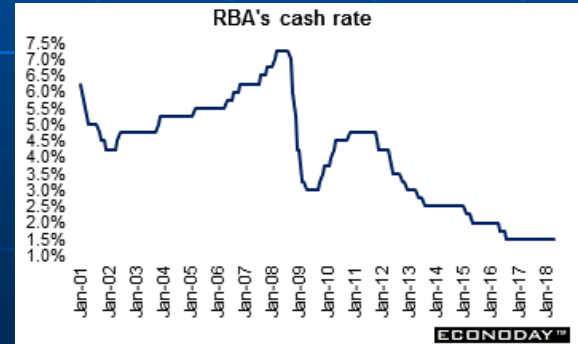
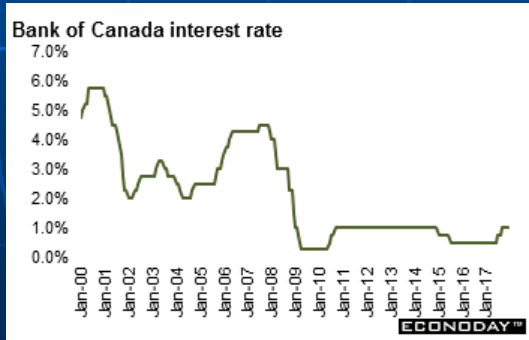
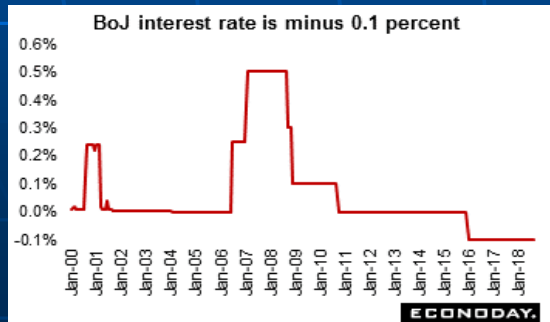
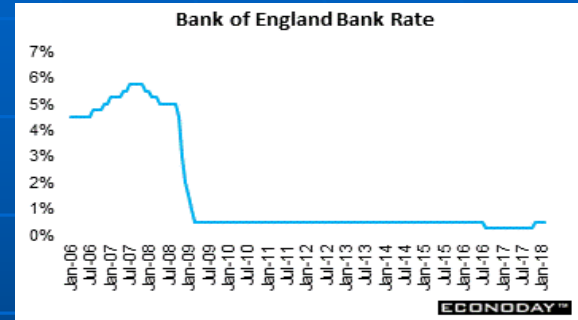
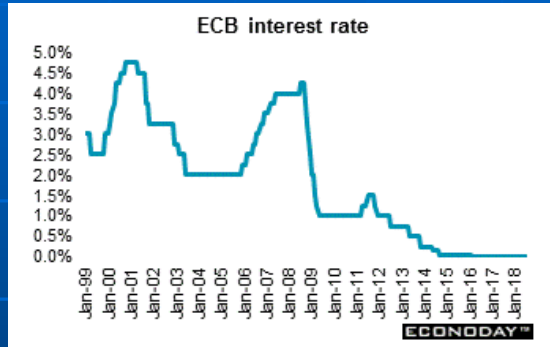


Critical Levers: ROT

- Rates: Fed's New World
 - Sparks risky schemes?
- Oil and Gravity
- Trade under pressure



A Flood of Money...Pass It On



Back to the '70s?



From 98-lbs to...

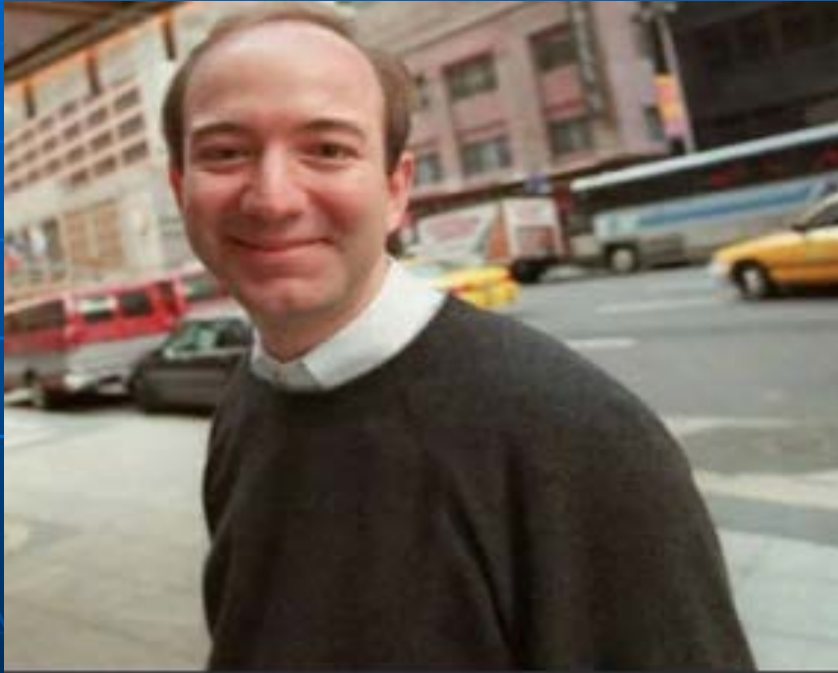
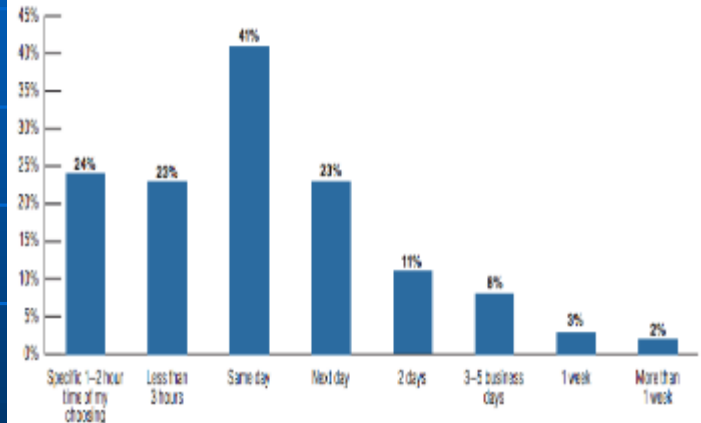


Exhibit 1-13 Percentage of Consumers Willing to Pay Extra for Delivery in Defined Time Frame



Source: PwC, "Global Consumer Insights Survey 2018"

Amazon





Price Wars?

Aldi is overhauling its stores to win the grocery wars — and it's coming straight for Walmart and Kroger

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



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

THE WALL STREET JOURNAL

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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

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 2:45:22 AM PDT

USA TODAY

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

As a hedge-fund price war has broken out in the world of online stock trading...

Just weeks after Bank of America paid to be named as the nation's largest bank, it has announced competition for online...

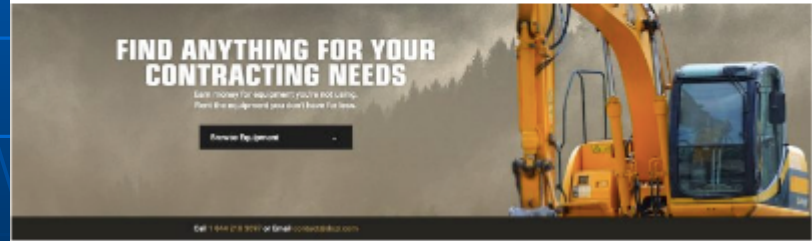
GET 2X MEMBERSHIP REWARDS POINTS

The New Supply Side & the Gig

Dozr expands online heavy equipment marketplace after discovering success in Ontario and New Jersey

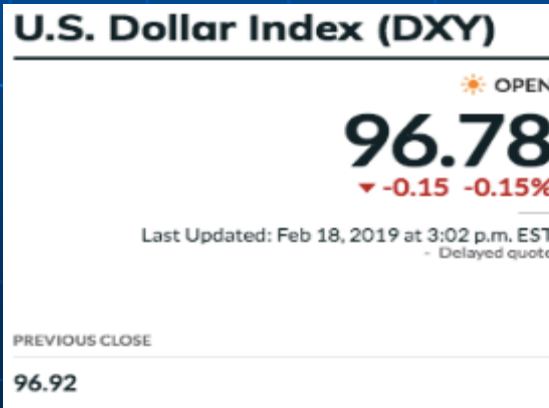
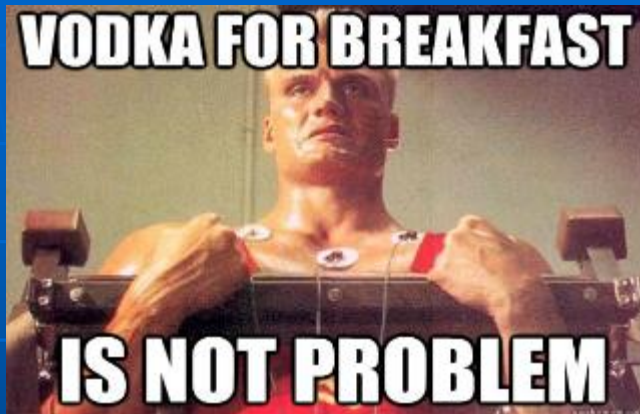
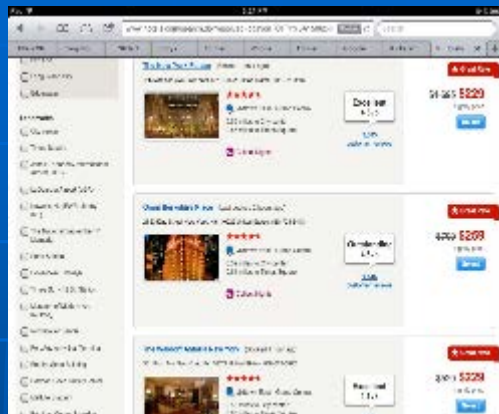
By Mark Buckshon - January 11, 2017

583 0



25% increase hotel rooms

Why's the Abercrombie Dude Lonely?

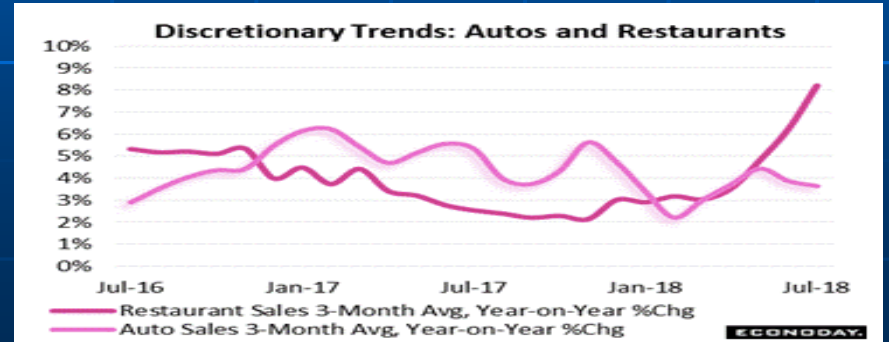


Transport Overheating?

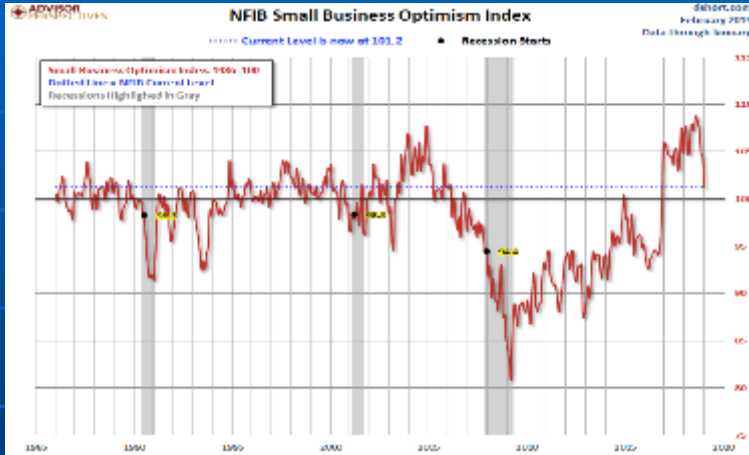
- ❑ Diesel + Spot Truck Rates +19%
- ❑ WalMart TV ads starting \$86k
- ❑ 296,000 vacancies?
 - ⑩ (FTR Intelligence)



What Are They Buying?



Consumers Stable?





OIL CRUDE (SWEET) (CL/)

3 YEAR 100.76 ▼ 0.82 TODAY'S CHANGE (-0.81%)

HIGH ▲ 4/29/11 | LOW ▼ 9/30/11

12 13 14

76 87 98 109 120

OPENING BELL CRUDE OIL ▼ ON CHINA FACTORY DATA, CRISIS IN UKRAINE

FOX

00:44 / 04:22

Shrink player

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.



What Do Stocks Need?

- ▣ EU/UK grow
- ▣ NKorea, Syria jade
- ▣ Inflation stays low
- ▣ Takeovers
- ▣ Retail survives
- ▣ Avoid trade wars!



From Toasters to S&P

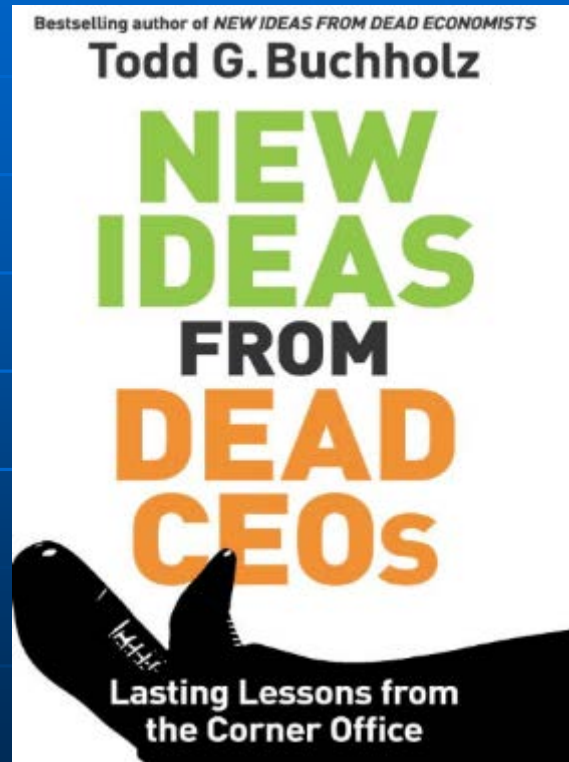


Gambling on Stocks?

- ▣ Tax cut
- ▣ 70% earnings beat
- ▣ + 13% earnings
- ▣ M&A, going private
- ▣ With 2.7% UST, where else?



Part IV: Leading Amid Uncertainty



A Man in His Office



- Bus Tax 21/20%
- Expensing
- Pers Tax cuts
- Repatriation
- Hiring/Reg Freeze
- Tariffs

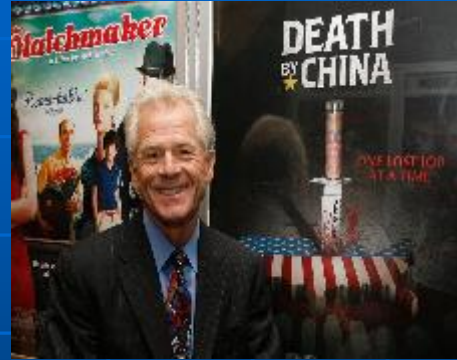


Winners and Losers. Canaries

- ❑ Industrials & Equipment buyers:
 - ⑩ transport
 - ⑩ telecom
- ❑ Energy (high tax rate)
- ❑ Pharma (\$ abroad)
- ❑ Banks: repat spurs M&A



Players...



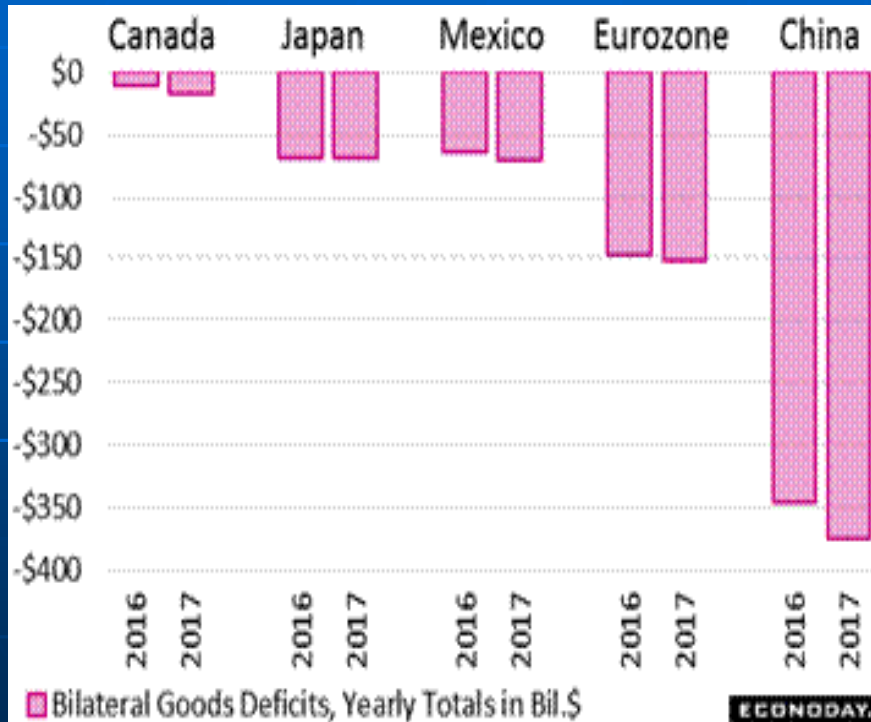
Twitter to lay off up to 8% of workforce

AMERICA BUYER USA TODAY | PUBLISHED 10/11/2017 12:07PM

USA TODAY | TWITTER | @twitter

Ask Twitter's new boss, Jack Dorsey, what he'll do as CEO of the company's sibling, a media firm, in a new block. The Associated Press reports that the social media company announced 530 layoffs here. USA TODAY

Who's in the Red?



STATE OF TRADE : CHINA

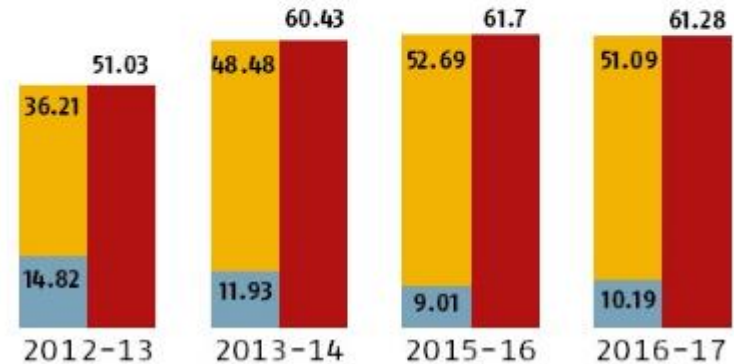
Top exports

- Cotton
- Copper
- Organic chemicals

Top imports

- Electrical machinery
- Organic chemicals
- Fertilisers

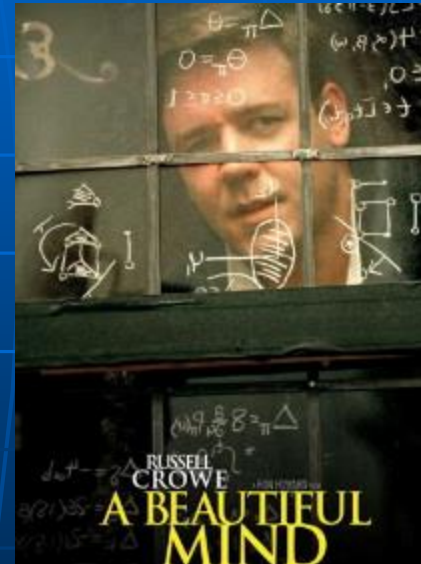
■ Exports to China ■ Imports from China ■ Trade deficit (\$ billion)



Source : Commerce and industry ministry

Game Theory

- ▣ Ask for the World
- ▣ Go Nuts
- ▣ Round Up Allies



Batter Up?

- ❑ C\$ paper 10%, lumber 18%
- ❑ Steel tariff, alum. (+25%)
- ❑ Solar 30%
- ❑ China 10% on \$200b
 - ⑩ Going to 25%
- ❑ Poultry equipment
- ❑ ITC Bombardier C
- ❑ Washing machines
 - ⑩ 50% tariff



The US' 25% tariffs will affect China's poultry equipment

Friends, Foes or Fiends?





Pad 9:26 AM 100%
time.com/3824925/doctor-zhivago-vasil-s-putin-russia/

TIME NEWSWEEK THE 100 MOST INFLUENTIAL PEOPLE IN THE WORLD

Former White House Adviser: What Vladimir Putin Could Learn From 'Doctor Zhivago'

Todd G. Buchholz @tushbook
April 19, 2015

EGS Todd G. Buchholz is a former White House economic adviser and recipient of the Ailiyn Young Teaching Prize at Harvard. He is co-writer of the new musical about the Italian Resistance against Fascism "Glory Ride."

There is still greatness in the Russian people – but they have been bottled up for 100 years

Watch the Stars of the 2015 TIME 100 Walk the Red Carpet
See Striking and Colorful Fields of Dutch Tulips
Watch the 2015 TIME 100 Gala in Two Minutes
This is the First Image from the Next Photos of the Cartoons
The San Francisco Giants Could Become the First MLB Team to Ban Chewing Tobacco

SCROLL TO SEE MORE

One Man, One Country

iShares U.S. Aerospace & Defense ETF

ADD TO WATCHLIST

CREATE ITA ALERT

AFTER HOURS

Advanced Charting 3Y \$ % VOL

\$209.99

▲1.79 0.86%

Last Updated: Feb 15, 2019 6:33 p.m. EST
- Delayed quote

After Hours Volume: 206

CLOSE CHG CHG %

\$208.20 4.24 2.08%



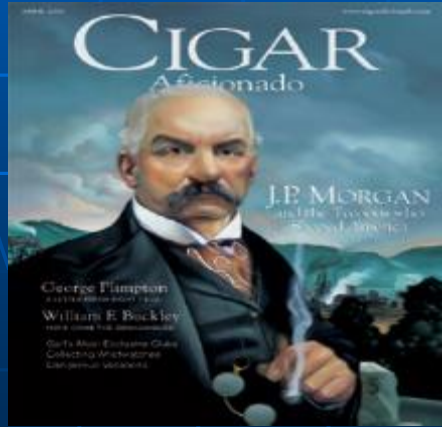
Everyone's Got a Strategy...



“until they get *punched* in the face”



A.P. Giannini: Gladiator of Finance



Compete on Expertise and Service



- ❑ Two languages
- ❑ Non-banker hours
- ❑ "women's department" 3 of first 11 loans to women



No Excuses!



First Mover or Best Mover?



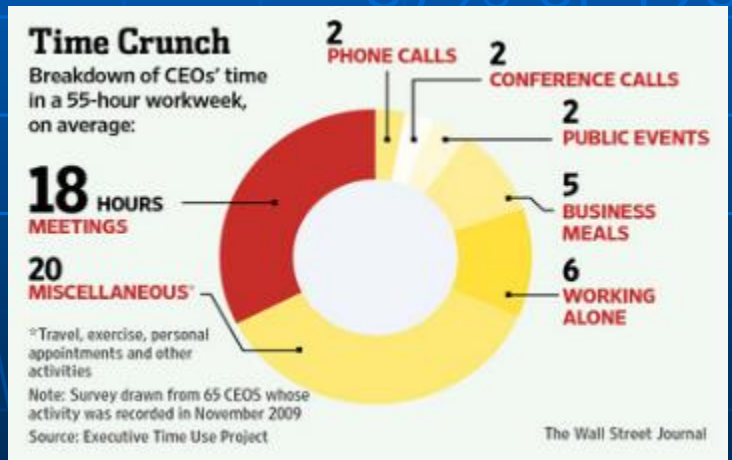
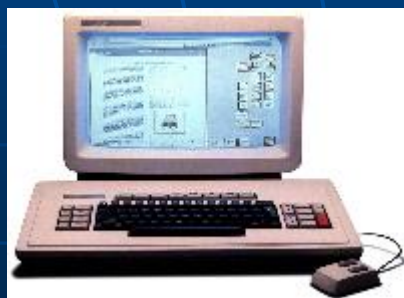
Howdy Pardner



“Better to Make Yourself Obsolete Than Wait For Others to Do It For You”

www.destroyyourbusiness.com

87% of 1955 Fortune 500



On the Waterfront



- ▣ 24 hour turnaround
- ▣ Ships/trains/trucks

Technology Includes...

- ❑ Wire Harness
- ❑ Payment Solutions
- ❑ Inventory systems
- ❑ Supply chain
- ❑ Architecture
- ❑ HVAC
- ❑ Engineering design



Scissors Economy & Middle Men



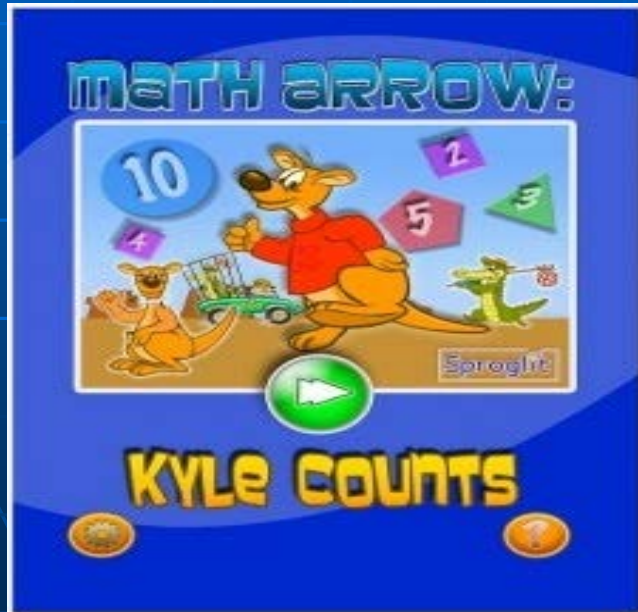
Avoid Commodity Hell



New Markets
Innovation
Service
Branding
Cost Control



Kids, Math & You! Free!



MATH ARROW™

100

100

ODDS TENS
EVENS FIVES

Sproglit www.sproglit.com

PLAY SMART, GET SMARTER!™

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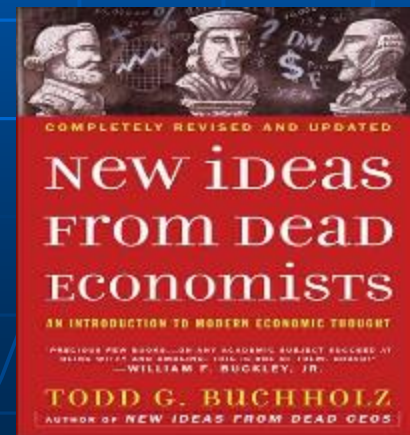
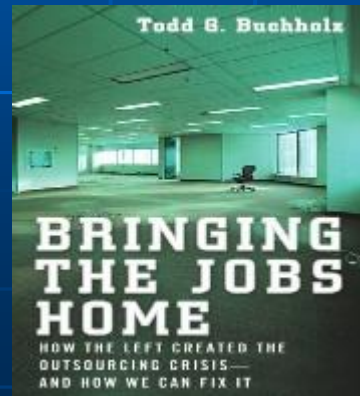
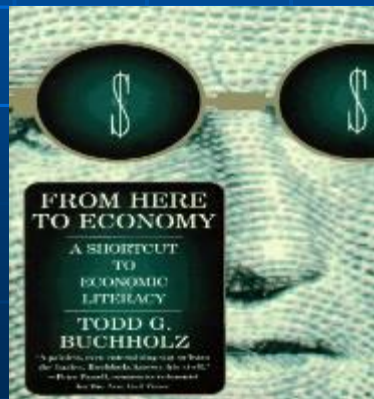
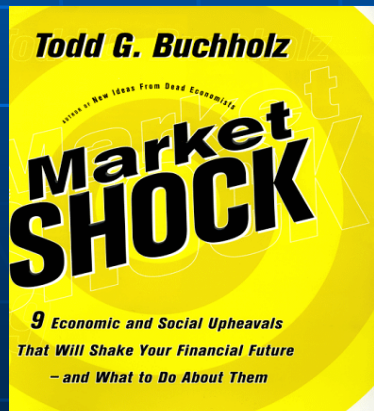
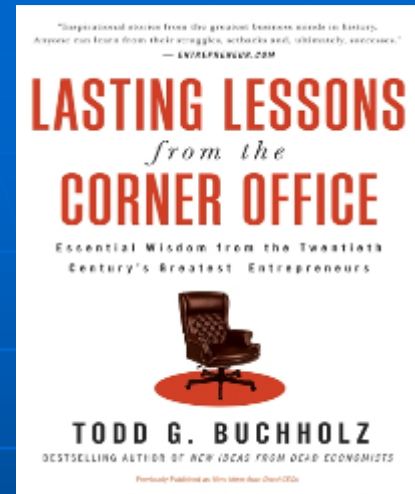
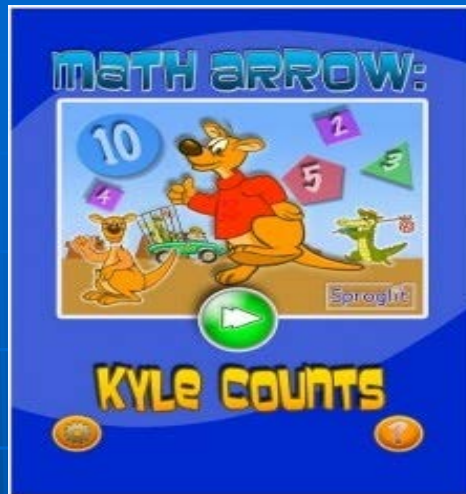
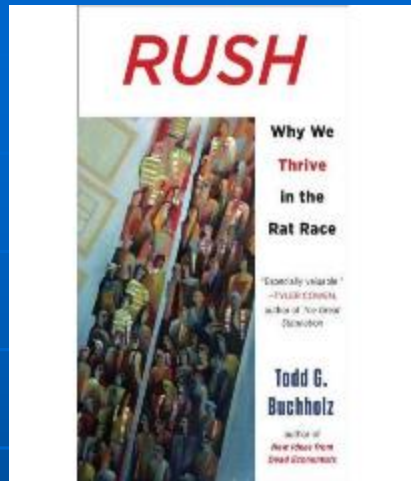
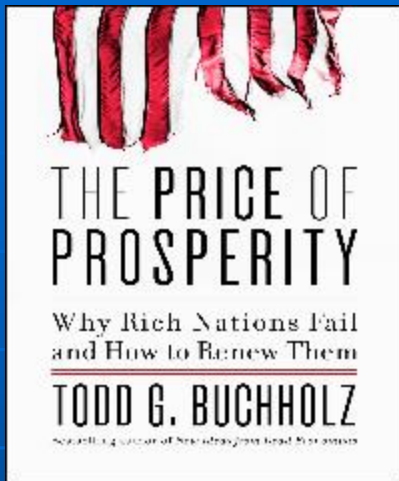
The Race for IQ Points 1992-2002

- ▣ Stevedores -17%
- ▣ Timber -32%
- ▣ Farm -20%
- ▣ Sewing -50%
- ▣ Typesetters -62%
- ▣ Elect. Engineers +28%
- ▣ Med. Scientists +33%
- ▣ Architects +44%
- ▣ Legal Assistants +66%
- ▣ Fin. Services +78%⁵⁹





- ▣ Best economy in 10 yrs
- ▣ Inflation must behave!
- ▣ ROT
- ▣ Trade War Risks Trump's Re-Election
- ▣ Stay in touch: @EconTodd
www.econTodd.com












Game On or Game Over?

- China fears
- Transport costs
- Enviro burden



Does Amazon Kill All?

- Service
- Experience
- Private Label
- Mixed-Use
- Pop-up

Item	Market Value 2006	Market Value (3/31/17)	% Change
 Walmart	\$28.4B	\$15.0B	-47%
 JCPenney	\$18.1B	\$1.7B	-91%
 Home Depot	\$24.2B	\$6.5B	-73%
 Macy's	\$24.2B	\$8.7B	-64%
 Nordstrom	\$12.4B	\$7.5B	-40%
 Sears	\$27.8B	\$1.2B	-96%
 Target	\$51.3B	\$29.4B	-43%
 Walmart	\$214.0B	\$217.8B	2%
 Amazon	\$17.5B	\$428.3B	2347%

*Source: Yahoo Finance



Change from previous year

■ Industrial ■ Manufactured homes
■ Student housing ■ Major sectors*
■ Mall

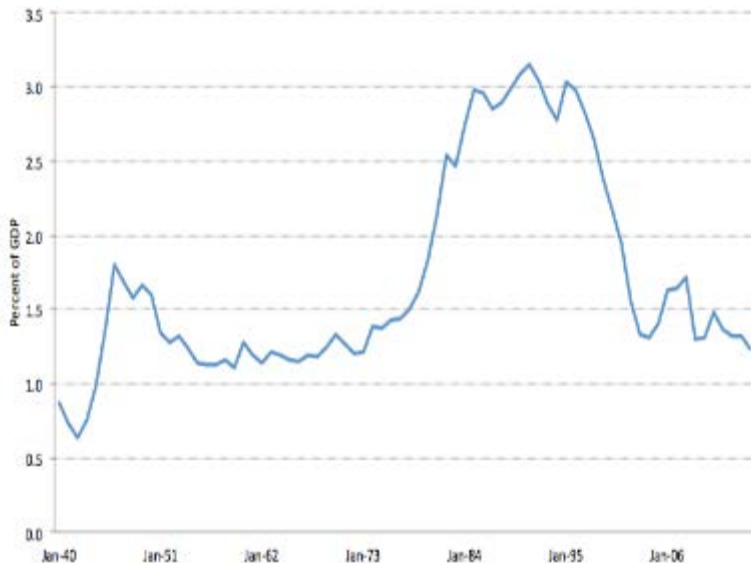


*Weighted averages for the five major property sectors (apartment, mall, industrial, office and strip center).

Source: Green Street Advisors

Gov't Interest Burden

Federal Outlays: Interest as Percent of Gross Domestic Product



Source: Federal Reserve Bank of St. Louis, U.S. Office of Management and Budget (OMB)

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COMMENTARY

Washington Should Lock In Low Rates

With the Fed pushing yields near zero, there's no excuse for not issuing longer-maturity bonds.

By Todd G. Buchholz

June 19, 2012 7:15 p.m. ET

America has long been the land of the game show. And at some point just about all of us have screamed at a contestant: "Don't be stupid—take the money!"

That's what American citizens should be screaming at the United States Treasury today. The government has racked up \$5 trillion of debt since President Obama moved into the White House. We don't know how we're going to pay it back. Yet the world is willing to lend us 10-year money at rates substantially below 2%.

So why not give our kids a break by issuing 50- or 100-year bonds, locking in today's puny rates? Corporations do it. In 1993, Disney issued \$300 million in "Sleeping Beauty" bonds, and the market scooped them up. Last year, Norfolk Southern sold \$400 million in 100-year bonds despite the obvious uncertainty: Will railroads be spaceships in 100 years?

Trump Psyche

- NYC Real Estate
- Accents
- Sam and Fred
- Ideology or Ideas?

