Brookings scholars Ron Haskins and Isabel Sawhill define the "success sequence" as getting educated, working, and then marrying before having children … in that order. National Longitudinal Survey of Youth sociologists W. Bradford Wilcox and Wendy Wang recently tested the *three success sequence* among millennials (ages 28 to 34). The following are some of their key findings:

- 53% of millennials who failed to complete all three steps were poor.
- The poverty rate dropped to 31% for those who completed high school, 16% for those who completed high school and had a job, and 3% for those who also married before having children.
- The probability of ending up poor was reduced by 60% for those who married before having children.
- The probability of ending up poor was reduced by 90% for those who followed all steps of the sequence compared to those who missed all three.

Millennials from less privileged families were much less likely to follow the sequence. Approximately two-thirds of those who grew up in the bottom third of the income distribution missed one or more steps in the sequence, compared to only 35% of those from upper-income families.

> **This divide is troublesome. Young adults from more-privileged backgrounds generally get the message from parents, peers, and teachers that they need to get a degree, work and marry before having children. But this message doesn't filter down to young adults from poor working-class families, among whom unmarried parenthood is more than twice as common as in the upper middle class.**
>
> **Wendy Wang, Nat'l Longitudinal Survey of Youth - WSJ 3/27/18**

According to the National Association of Realtors, more than 80% of people ages 22 to 35 with student loan debt who have not purchased a home blame their educational loans.

Student loan debt holders do want to own a home, that's part of their American dream. It's just really hard to get there right now.

Jessica Lautz, National Association of Realtors - CNBC 3/31/18

The general conclusion is that Americans pay more for healthcare than other countries and achieve *inferior* outcomes. A recent paper from the World Economic Forum concludes that the U.S. spends a higher percentage of GDP (17.1%) on healthcare than other developed countries and has a lower life expectancy at birth.

Using life expectancy at birth can distort comparisons. For example, homicide rates in the U.S. are relatively high. Life expectancy rates at age 50 are more comparable, but gaps are widening because of bad life-style choices. The U.S. had the highest per-capita smoking rate for the 40-year period ending in the mid-1980s. The U.S. also has a higher rate of occurrence of obesity than in other developed countries.

Measuring the effectiveness of cancer treatments, presents a very different conclusion. The U.S. outperformed the 17-country averages for all types of cancers. Researchers also found that high blood pressure and high cholesterol are more likely to be treated in the U.S. than other countries.

The superiority of the U.S. health care system is evident in the cancer survivor rates. If, as one would expect, this superiority extends to other complex or hard-to-diagnose diseases, then one should be very skeptical of claims that the American health care system is not the best in the world.

Robert Huebscher, Advisor Perspectives - 3/5/18

Further, for every dollar spent on health services, the U.S. spends $0.56 on social services … other developed countries spend $1.70 on social services. When social service and healthcare spending are grouped together, total spending in the U.S. is actually quite similar to the rest of the developed world.

Today, nearly 70% of high school graduates enroll in two or four-year colleges. Back in 1980, only 47% went to college. That trend is starting to reverse its course, as birthrates fall, student debt soars, states cut funding to public colleges, and the pay advantages of a college degree narrow. Wall Street Journal statistics show college enrollment growing 37% from 1996 to 2011. Between 2011 and 2016, enrollment at the bottom 20% of colleges declined by 2%, while the top 80% of colleges saw 7% growth.

> **You're going to see, over the next five years, a real increase in the number of schools in serious trouble. A degree from a top school is still a pretty good signaling device to employers. It means you're smart and hardworking. But a degree from one of these lower schools doesn't mean much of anything.**
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> **Dr. Richard Vedder, Ohio University - WSJ 2/21/18**

To protect their reputation, gurus often hedge their bets. For example, Tony Blair recently said there is a 40% chance that Brexit will be reversed. Citigroup analyst Jim Suva just wrote there is a 40% chance Apple buys Netflix. Nomura Holdings economist Lewis Alexander believes there is a 40% chance that Nafta gets ripped up. But why 40%?

A favorite technique used by Wall Street analysts is referred to as the 40% rule. The nature of the rule is to make a bold call without being too bold. For example, if you say something has a 40% chance of happening, you look smart if it does … but if it doesn't happen, you said the odds were against it anyway.

The nice thing about 40% is that you never have to say you were wrong.

Peter Tchir, Academy Securities - WSJ 2/26/18

According to updated projections by the Census Bureau, people over 65 years old will outnumber children by the year 2035. This will be a first in U.S. history, and a milestone for our aging nation. It will also exacerbate challenges to fiscal policy and overall economic growth.

In fact, this year's prime-age workforce (ages 25 – 54) is 630,000 smaller than forecasted by the Census Bureau just three years ago. The Bureau also projects that by 2030 net immigration will equal the surplus of births over deaths (referred to as the *natural increase*) as a share of population growth. By 2040, immigration is estimated to be more than twice the natural increase.

This is a country that should be grateful for all the immigration it's had over the last 25 years. These projections put even more of an exclamation point on it.

William Frey, Brookings Institute - WSJ 3/13/18

According to Thomas Lee, head of research at Fundstrat Global Advisors, the nation faces a shortage of 8.2 million workers from 2017 to 2027.

A lot of low-hanging fruit of replacing workers with tech already took place 10 to 20 years ago. Production workers were replaced by robots, and secretaries were replaced by personal computers. It turns out that to replace the next worker with technology is not as easy.

Gad Levanon, The Conference Board - Barron's 3/9/18

China's trade practices are predatory. They restrict access to their markets, steal intellectual property of U.S. companies or force them to turn it over, and discriminate against foreign firms.

> **If there is a trade war between the U.S. and China, don't blame Donald Trump: China started it long before he became president.**
>
> **Greg Ip - WSJ 3/23/18**

Tesla suffers with a 25% tariff on cars imported by China, while the U.S. has only a 2.5% tariff on cars from China. Facebook can't even operate in China.

> **I don't think anyone can really defend the way China has moved in the past few years, violating intellectual property and forcing technology transfer.**
>
> **Douglas Irwin, Dartmouth College economist - WSJ 3/23/18**

The total value of the cryptocurrency sector declined 54% during the first quarter according to CoinMarketCap. For those of you keeping score … Bitcoin was down 49% for the quarter, after advancing 1,375% during 2017.

The widely accepted narrative is that strong global growth and corporate earnings will continue to justify today's high stock valuations. Corporate profits are dependent on consumer spending, which accounts for 70% of the U.S. economy. Tax cuts will help bolster spending over the next year or two, but what happens after that? How much longer can the consumer drive our economy?

Economic research firm Macromavens believes that consumers have had to draw down savings (amassed after the financial crisis) and run up credit-card debt to keep up with basic necessities. After the crisis, total savings rose from $440 billion to $1.4 trillion. Now it is back to $400 billion. So, consumers have spent their savings … with most of the outlays due to the rising share of nondiscretionary expenses like food, energy, healthcare, and housing.

I'm not forecasting doom, or that consumers are never going to spend. This is about a big gap between asset prices and reality. The problem is, if the markets correct materially, they [the Federal Reserve] have a real problem. The pension funding problem will be the next crisis. This is the real problem the Fed will have to confront if the market goes down.

Stephanie Pomboy, Macromavens founder - Barron's 3/22/18

With all the political discord, you would think world problems are getting worse by the day … inequality, racism, pollution, terrorism, crime and moral decay … pick your poison.

Don't listen to the gloom-sayers. The world has improved by every measure of human flourishing over the past two centuries, and the progress continues.

Steven Pinker, Harvard professor and author - WSJ 2/10/18

In an essay adapted from his new book, "Enlightenment Now: The Case for Reason, Science, Humanism and Progress", Mr. Pinker offers the following advances that have occurred over the past 30 years:

- The U.S. homicide rate was 8.5 per 100,000 … today it is 5.3 per 100,000.
- Eleven percent of Americans fell below the consumption poverty line … today only three percent.
- The U.S. emitted 20 million tons of sulfur dioxide and 34.5 million tons of particulates … today we emit four million tons of sulfur dioxide and 20.6 million tons of particulates.
- In 1988, 23 wars raged globally, killing people at a rate of 3.4 per 100,000 … today there are 12 wars killing 1.2 per 100,000.
- The number of nuclear weapons has fallen from 60,780 to 10,325 today.
- In 1988, the world had 45 democracies with two billion people … today there are 103 democracies with 4.1 billion people.
- There were 46 oil spills in 1988 … just five in 2016.
- And 37% of the global population lived in extreme poverty … compared with 9.6% today.

We just celebrated the 9-year anniversary of this bull market for stocks. March 9, 2009 was the low point coming off of the financial crisis … which is also referred to as the Great Recession. Since that market low, stock values have more than quadrupled. But how did we get to that market low?

Ten years ago, March of 2008, Bear Stearns was forced into a shot-gun marriage with JPMorgan. Excessive debt pushed Bear to the brink, and the Federal Reserve expedited the sale with $29 billion in assistance.

Bear was just the beginning. Stocks lost half their value, Lehman Brothers went bankrupt, Merrill Lynch had to sell itself to Bank of America, and American International Group was bailed out to the tune of $182 billion.

But, can this happen again?

> **Yet even though a big financial-firm collapse in the near future is exceedingly unlikely, another crisis isn't. Bear and Lehman were the manifestation of deeper economic forces that since the 1970s have produced crises roughly every decade. They are still at work today: ample flows of capital across borders, mounting debts owed by governments, corporations and household, and ultralow interest rates that nurture risk-taking in hidden corners of the economy.**
>
> **Greg Ip - WSJ 3/14/18**

There is still plenty of risk in the marketplace … private credit markets, cryptocurrency exchanges, and leveraged exchange traded products to name just a few. Total U.S. debt is at a record high of 250% of GDP, consumer debts continue to surge, and corporate balance sheets are highly leveraged. Still, China's debt levels are even worse. The world is awash in debt, and excessive debt will almost certainly be the epicenter of the next financial crisis.