Due to declining birth rates, U.S. population growth fell to an 80-year low last year. There was a disparity in state population growth rates, with the eight fastest-growing states by population last year located in the West or South … Nevada, Idaho, Utah, Arizona, Florida, Washington, Colorado, and Texas.

These states also have seen strong economic and employment growth, generally attributed to low tax rates and business friendly environments. Last year's tax reform, which limited the deductibility of state-and-local taxes, could very well intensify the flight from high-tax states.

America as a whole can thank the Founders for creating a federalist system that allows the economic and political safety valve of interstate policy competition.

The Editorial Board WSJ – 12/28/18

Approximately half the world lived in extreme poverty in 1980. The proportion of people living in extreme poverty was projected to fall to an estimated 8.6% last year. Much of this decline is attributed to China, which initiated economic reforms back in 1978. Currently about half the world's population is considered to be at or above middle-class status.

The world got better last year, and it is going to get better this year. Poverty around the world is plummeting; half the world is now middle class; and illiteracy, disease and deadly violence are receding. These things don't make headlines because they are gradual, relentless and unsurprising. Invest more in your human and physical capital, open yourself up to markets and trade … and incomes will rise.

Greg Ip - WSJ 1/2/19

Census and other research data suggests that one in eleven Americans age 50 and older lacks a spouse, partner or living child … and their share of the population is projected to grow.

Baby boomers had fewer children and divorced in greater numbers than previous generations. More than one in four is divorced or never married, and about one in six lives alone. According to a study by Harvard University, Stanford University and AARP, the lack of social contacts among older adults costs Medicare $6.7 billion annually.

> **Along with financial issues including high debt and declining pensions, social factors such as loneliness are another reason boomers are experiencing more difficult retirement years than previous generations.**
>
> **Janet Adamy and Paul Overberg - WSJ 12/11/18**

Consider some of the research findings:

- Loneliness is even worse for longevity than being obese or physically inactive.
- The most likely to lack close kin are college-educated women and people with little money.
- More senior women than men are kinless because women's life expectancies are nearly five years longer, at 81 years.
- For Americans age 50 and over, 27% of women were widowed or never married, compared to 16% of men.
- Greater social connection was associated with a 50% lower risk of early death.
- Those who are isolated are at an increased risk of depression, cognitive decline or dementia.
- Social relationships influence blood pressure and immune functioning, as well as whether people take their medications.

The War on Poverty started in the mid-1960's during the Johnson administration. Poverty levels had dropped from 32.1% to 14.7% during the 20 years before the program was initiated. Since then, transfer payments to low-income families have increased in real dollars from an average of $3,070 per person in 1965 to $34,093 per person in 2016. Still, recent poverty levels as reported by the Census Bureau remain virtually unchanged.

Census Bureau poverty levels haven't budged because they only measure "money income" and exclude most of the transfer payments. The poverty level would be less than 3% if these payments, approximately $1.5 trillion annually, were included in the calculations.

Transfer payments now constitute 84% of the disposable income of the poorest quintile of American households and 58% of the disposable income of lower-middle-income households. These payments currently account for over 27% of America's total disposable income.

Over the past 50 years, there has been a significant decline in work among low-income Americans. In 1965, the lowest income quintile had only 5.4% more families with working-age heads and no one working than did the middle quintile. This differential had climbed to over 37% by 2015.

> **The stated goal of the War on Poverty is not just to raise living standards, but also to make America's poor more self-sufficient and bring them into the mainstream of the economy. In that effort the war has been an abject failure, increasing dependency and largely severing the bottom fifth of earners from the rewards and responsibilities of work.**
>
> **Phil Gramm and John F. Early – WSJ 10/10/18**

Only 17% of workers ages 55 to 64 had a pension plan in 2016, down from 33% in 1992. Late career employment struggles are also disrupting the retirement prospects for many Americans.

According to a Wall Street Journal analysis of government data, nearly 8 million older Americans are either unemployed or underemployed. Workers over the age of 55 earn about 27% less in their new jobs after they have been unemployed for at least a month, while people under age 30 receive a 7% raise on average.

> **There is a model we are familiar with - work to 55 or 60, play golf for five or ten years and then die. But now people are living to 80 or 90 and that model is completely broken.**
>
> **Paul Rupert, Respectful Exits - WSJ 12/20/18**

The Organization for Economic Cooperation and Development (OECD) released its annual Revenue Statistics report in December. France was at the top of the list with a total tax take of 46.2% of GDP. The OECD average was 34.2% of GDP. In the U.S., all levels of government bring in tax revenue at 27.1% of GDP.

France relies disproportionately on social-insurance, payroll, and property taxes to collect about 50% of revenue. An additional 25% comes from the value-added tax (VAT), a regressive consumption tax. (Consumption taxes generally fall the hardest on the poor and middle class, who devote a higher percentage of cash flow to consumption.) As the most heavily taxed country in the developed world, no wonder the recent fuel tax triggered riots in Paris.

> **The rich aren’t rich enough to fund the modern welfare state’s ambitions … The real money is in the middle class, whose labor is far easier to tax, especially if the tax is disguised as a social contribution.**
>
> **The Editorial Board - WSJ 12/7/18**

International Monetary Fund economists expect growth in India to exceed 7% over the next few years, while China's growth rate is expected to be on the decline. According to Dealogic data, overseas companies have invested approximately $40 billion to acquire assets in India during 2018, or about 25% more than projected outlays made in China. About half of the activity has been in India's consumer and retail sectors.

Global consumer brands have been infatuated with Chinese consumers. Now it is India's shoppers they are after. Add the threat to Chinese consumer spending posed by trade tensions with the U.S, and it's easy to see why companies are now betting on India.

Carol Ryan – WSJ 12/5/18

America is now the world's top producer of oil and natural gas. The fracking boom has greatly reduced reliance on foreign sources. In early December, the U.S. was a net exporter of oil and refined fuels. This is the first time the U.S. has been a net exporter since at least 1973.

It's been a remarkable change from 10 years ago, when we were worried about peak supply. The world would be in a difficult situation if we had not seen the shale revolution. With the growth we've had, we're now able to export all over the world.

Brian Youngberg, Edward Jones – WSJ 12/6/18

Still, current levels of production may be hard to sustain, with shale drillers under pressure due to crude-oil price declines. Shale companies have attracted substantial capital, but investors have generally lost money. According to FactSet, the 29 companies in a recent WSJ analysis have spent $112 billion more in cash than they generated from operations in the last 10 years.

A survey by the Spectrum Group found that a person's political affiliation affects their economic outlook and investing tendencies. The survey found that Republicans rated the current economy high … scoring +56, when a reading of +31 to +51 is considered bullish. Democrats scored the economy at -31 … where a reading of -31 to -51 is considered the most bearish. The survey also found that nearly half of the Democrats were not currently investing, compared to less than one-third of Republicans not investing.

Surveys done in November and December of 2016 provided further evidence. When Hillary Clinton's election appeared to be inevitable, Democrats had higher confidence than Republicans. That completely reversed after the election.

A similar study in 2009 (Political Climate, Optimism, and Investment Decisions – Bonaparte, Kumar and Page) had the following conclusions:

- Individuals became more optimistic and perceive the markets to be less risky and more undervalued when their own party is in power.
- When the opposite party is in power, their perceived uncertainty levels increase, and investors exhibit stronger behavioral biases, leading to poor investment decisions.
- There are differences in stock preferences of investors located in highly Republican and Democratic regions. For example, Democrats are more likely to support environmental and labor protection while opposing tobacco use, firearms, and defense.

Mistakes are often made because we are unaware that our decisions are being influenced by our beliefs and biases ... The bottom line is that the evidence suggests that, just as investors should not let the latest economic news cause them to abandon well-developed plans (shift their asset allocation), they should not let the political climate do so either.

Larry Swedroe, The BAM Alliance – Advisor Perspectives 12/7/18

Corporations have taken advantage of low rates by substantially increasing their debt levels. Debt financing has helped to fund stock buybacks, dividends, and acquisitions. Total corporate debt, which stood at $4.9 trillion in 2007, has expanded to more than $9 trillion … surging 86% according to Securities Industry and Financial Markets Association data.

U.S. nonfinancial corporate debt is now 0.46 times the size of GDP, exceeding the peak of 0.45 times GDP during the 2008-09 contraction. The ratio of cash to debt for corporate borrowers fell to 12%, the lowest on record. Simply put, corporations have been leveraging their balance sheets, which can boost stock prices in the near-term but greatly increase risk during times of economic stress.

> **There will be a shift among equities. Cash will no longer be a four-letter word. Debt will become a four-letter word.**
>
> **Rupal J. Bhansali, Ariel Investments - Barron's 12/12/18**

Tyler Cowen is a highly respected author and economics professor at George Mason University. He takes the position that our goal as a society should be to maximize wealth. He believes that the virtue of growth is the benefit it brings to ordinary people. Mr. Cowen offers the following insight (see Advisor Perspectives, Lawrence Siegel – 12/17/18):

> ***If a time traveler from the Eighteenth Century were to pay a visit to Bill Gates today … he would find televisions, automobiles, refrigerators, central heating, antibiotics, plentiful food, flush toilets, cell phones, personal computers, and affordable air travel.***
>
> ***The time traveler would not be impressed by the number of cars Gates has, but by the fact that he has one at all - and so does everyone else. The 18th century time traveler would be startled, not by inequality, with which she'd be very familiar, but with the equality of consumption that we've achieved.***