



## *Watching the Trees Blow*

October 2024

*“Mathematics is the supreme judge, from its decisions there is no appeal.”  
- Tobias Dantzig*

If you look closely, you can see the trees blowing in the wind. Sometimes the wind blows hard, other times it's a gentle breeze. And if you wait long enough, you can see the wind shift to blow the branches in different directions. But all the while you may miss the most important thing: what's happening to the forest. I bring this up due to conflicting world views of the current economy. There are certainly some very encouraging short-term signs, such as the employment report last week; the U.S. economy added far more jobs than expected in September and the unemployment rate edged lower. In fact, nonfarm payrolls surged by 254,000 for the month, up from a revised 159,000 in August and better than the 150,000 Dow Jones consensus forecast; the unemployment rate fell to 4.1%, down 0.1 percentage point.

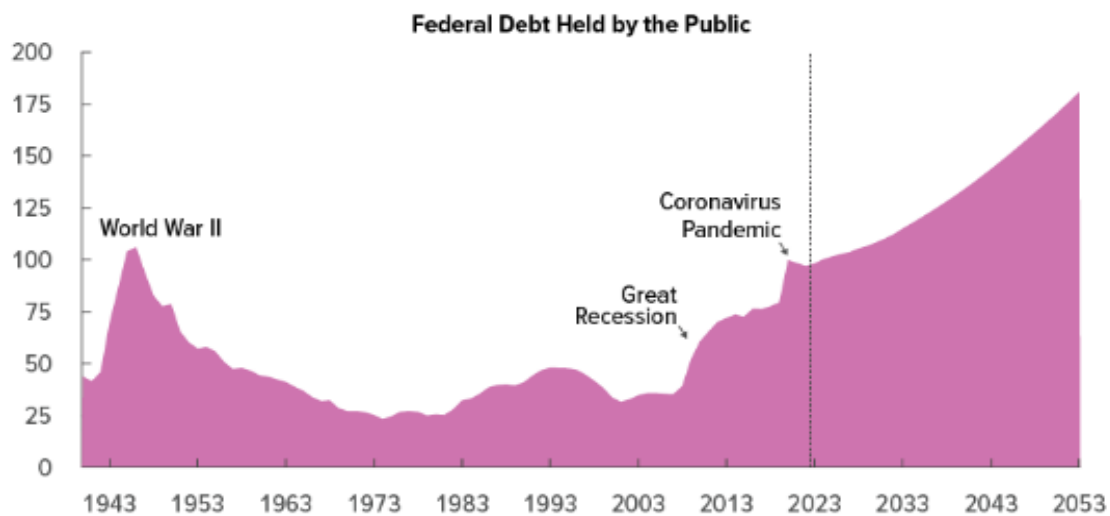
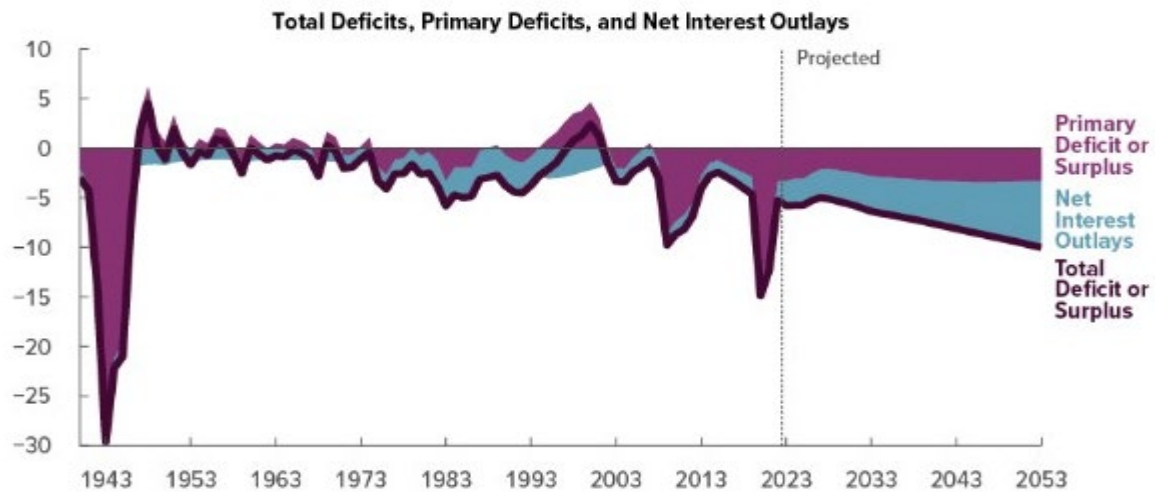
And the current fascination with the Federal Reserve is a comforting spectacle as it may feel like the Fed is in control and can help us escape short-term issues like a recession. Seriously, how many flattering headlines have you read in the last week about how the Fed looks like it is going to stick a soft landing? Or that it has been guiding us to the goldilocks economy? Maybe it's just the cynic in me, but I believe too many people may be blinded by these short-term headlines and are actually missing the forest for the trees when the forest has some interesting mathematics to behold.

To wit, let's discuss the current debt load in the United States. Currently more than \$22 Trillion (that's a capital T!), as a percentage of gross domestic product it is on track to eclipse our post-World War II record, which is nothing to be proud about. We used to brag that the United States' books were nothing like those overseas, but now some of the so-called PIIGS (European debt crisis countries including Portugal, Italy, Ireland, Greece, Spain) are probably looking at us sideways. To add salt to the festering debt wound, a new report by the CRFB (Committee for a Responsible Federal Budget, a bipartisan group that favors lower deficits) reminds us that if Congress simply continues to do nothing then we will add another \$22 Trillion in debt due to an aging population. These people, many of whom are Baby Boomers, are coming of age and looking to claim their “entitlements” of Social Security and Medicare.

And don't kid yourself this is a red or blue problem; both sides of the aisle have been spending like drunken sailors for over 20 years. And the CRFB report says *both* presidential candidates are signaling increased deficits; though both candidates have proposed policies that could boost growth, both also have policies that would cut the other way. Under both plans, the national debt would keep growing faster than the economy. If you don't like the CRFB, just look at the Congressional Budget Office's charts below.

## Deficits and Debt

Percentage of GDP



Are we whistling past the graveyard? In my mind, absolutely; the only question is how long can we whistle? Another year or two or ten? No one knows. Am I being too cynical or pessimistic? Maybe, but we wouldn't be doing our job if we simply took short-term events and allowed them to steer long-term strategy. Actually, I believe we are optimists by choice, since the future is unknowable and a blank slate upon which we can draw a new, better future - but it will take determination, compromise, and sacrifice. And what I know for sure is that if you stick your head in the sand or just watch the trees blow, then you will not be able to see the forest for the trees. And our country and democracy have always been too important, too fragile, and too precious to ignore problems and not work for a better future!

As always, thanks so much for your friendship, your trust, and your referrals!

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