

The 4th of July

On **July 4, 1776** our Founding Fathers forged a new nation. On the backs of the American worker, the United States has grown into the undisputed economic and military superpower - the leading economy and richest country in the world. Rising from the ashes of the pandemic, the US economy has flourished preserving its eminent world status while others have struggled. Economically and militarily, the battle lines have been drawn between the democratic and the autocratic societies who are attempting to dethrone the US from its peak position.

From our country's nascent start in 1776, by 1890 the melting pot of American workers propelled the US economy to lead the world, producing twice as much as Britain, its closest competitor. By 1920, New York City surpassed London as the foremost financial center. Both economically and financially the US had surpassed the British Empire, who had occupied 1/4th of the globe earning the quote, *"the sun never set on the British empire."*

Surrounded by peaceful neighbors and oceans away from the rest of the world, the US had no need to develop its military. At the start of WWI the U.S. Army ranked a lowly 17th in size, hard to believe but just behind Romania. When Japan attacked Pearl Harbor, *"a date which will live in infamy"*, the US reluctantly accepted its global role.

The American worker engineered a never before seen massive mobilization war effort. The need for labor opened up new opportunities for women, African Americans and other minorities. Demand for workers drove wages higher and forced improved working conditions. The American workers' WWII war effort drove the US to become the **global superpower** -

- ⇒ *The US economy doubled in size.*
- ⇒ *Bretton Woods Agreement of 1944 established the US Dollar as the world's reserve currency.*
- ⇒ *The US military ended the war as the world's strongest while growing its presence around the world to contain the spread of communism.*
- ⇒ *The US formed North Atlantic Treaty Organization (NATO) to provide collective security against the Soviet Union.*
- ⇒ *US culture and influence was spread through reconstruction of countries devastated by the war.*

During the Cold War, US military's superiority was challenged by the USSR. On December 26, 1991, the USSR collapsed restoring relative world peace. The US and the world economies boomed during the 1990s, a

decade of rapid global growth and one of the longest expansions in US history. The '90s boom was driven by new technologies in computers/internet, worker productivity, and low oil prices yielding an amazing average GDP gain of 3.4% per year. This golden era of *fair winds and following seas* is remembered as a time of peace, prosperity, and optimism.

After the '90s golden era, rough seas caused by three financial meltdowns tested the American workers' spirit-

1. *The Tech Bubble burst from 2000-02, triggering the longest period of job losses ever.*
2. *The Great Recession of 2008 resulted in the slowest jobs recovery ever taking 51 months to recover the jobs lost, dubbed "the jobless recovery."*
3. *COVID-19 shutdowns in March and April of 2020 drove 22 million out of work with the unemployment rate peaking at an unprecedented 14.8%.*

No one knows what lies ahead, but after weathering three epic economic storms over the last two decades, the American workers are once again pulling together and driving the economy forward. In spite of the current headwinds of steeply higher borrowing costs, the resilient job market with increasing wages and low unemployment is driving remarkable 3.0+% economic growth which bodes well for workers.

Investors have been waiting for Fed rate reductions to calm the seas, but in the meantime, the American worker is at the helm, driving a strong economy allowing the Fed to hold pat to make sure inflation is under control. An inflation spike earlier this year made the Fed think twice about

lowering rates, but recent lower inflation readings have put those rate cuts back on the table.

Pundits have been forecasting doom and gloom, yet the American workers' strong work ethic, ingenuity, and know how have not only conquered these rough seas but created a rising tide that lifts all boats. On July 4th we will celebrate the birth of our nation and take pride in our contribution to its success.



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