

The METROWEST DAILY NEWS

2010s vs. 2000s

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By most accounts, 2019 was a very good year.

Stock indices set new records and the historically longest bull market continued. So did the historically longest recovery.

In 2018, the stock market had its worse year since the financial crisis, with the S&P 500 down 6.2%, Dow Jones Industrial Average down 5.6% and the Nasdaq Composite Index down 3.9%.

In contrast, 2019 was the best year for the stock market since 2013. The Nasdaq Composite Index finished the year up 34.21%, the S&P 500 Index was up 28.37%, the Dow Jones Industrial Average (DJIA) was up 22.01% and the Russell 2000 jumped 23.84%.

Corporate bonds had their best year in a decade and gold had its best year since 2010. Both assets often move in the opposite direction of stocks.

Slower growth

Granted, economic growth slowed, with growth of 3.1%, 2% and 2.1% in the first three quarters. But growth was hampered by trade wars and a shortage of skilled workers.

The unemployment rate fell to 3.5% — its lowest level in 50 years. Working Americans benefited from the worker shortage, as wages rose at their fastest rate in more than a decade. In November, wages for the bottom 25% of wage earners were up 4.5% from the previous year and 2.9% for the top 25% of wage earners, according to the Federal Reserve Bank of Atlanta.

Overall wages rose an estimated 3.2% in 2019. That's on top of a 3.1% increase in 2018. And WorldatWork projects an increase of 3.3% in 2020.

Thanks to capitalism, supply and demand is forcing wages higher. That will have a negative impact on profits, but it could also keep consumer spending in high gear and that could keep the current recovery going. Consumer spending accounts for 70% of economic growth.

It's a good sign that retail sales were up 3.4% this Christmas, after an exceptional 2018. While in-store sales grew by only 1.2%, online sales were up 18.8%.

Progress on trade

And while trade wars slowed growth, as the year ended a temporary trade agreement was reached with China and a new agreement with Canada and Mexico was being approved by Congress.

Details of the agreement with China are still being worked out, but China has agreed to purchase more U.S. products, including farm goods, while the United States has agreed to cancel a new round of tariffs and reduce some existing tariffs.

Meanwhile, the U.S. House of Representatives approved the U.S.-Mexico-Canada Agreement (USMCA) by a bipartisan vote of 385 to 41. Under the agreement, farmers will have greater access to Canadian markets, especially for dairy products.

In addition, The Washington Post reported, “automobile manufacturers will have to produce a higher share of parts within the three-country trade zone to qualify for tariff-free status. This means Korean, Japanese and European auto manufacturers will have to build plants or increase production in North America rather than import parts from their home countries and merely assemble the vehicle here.”

The provision requiring that 40% to 45% of automobile parts be produced by workers earning at least \$16 an hour reduces Mexico’s main competitive advantage over U.S. plants, according to The Post, and “over time should encourage auto and auto-parts manufacturers to invest in U.S. plants.”

In addition, pro-American Boris Johnson soundly defeated anti-American Jeremy Corbyn in an election for prime minister of Great Britain. Johnson is expected to negotiate enthusiastically to reach a trade agreement with the United States. Johnson’s decisive victory should also help overcome the Brexit stalemate, enabling the United Kingdom to leave the European Union.

Trade wars and tariffs shaved nearly 1% off of economic growth in 2019. With progress being made on phase one of an agreement with China, the near-certain passage of the U.S.-Mexico-Canada Agreement and the potential of a quickly negotiated trade deal with Great Britain, trade agreements could boost economic growth throughout the year.

An astonishingly good decade

It wasn’t just 2019 that was a very good year. The past decade, taken as a whole, was astonishingly good. While the first decade of the millennium brought us 9/11 and the Great Recession, the past decade was the first ever without a recession or a bear market.

Less poverty. Writing in The Wall Street Journal, The Cato Institute’s Johan Norberg called it “the best decade ever.” Citing the United Nations Development Report, he wrote that “the gap in basic living standards is narrowing, with an unprecedented number of people in the world escaping poverty, hunger and disease.”

As evidence, he cited the World Bank’s report that globally the percentage of people living in extreme poverty fell from 18.2% in 2008 to 8.6% in 2018. As the standard of living has improved, for the first time ever more than half of the world population is now “middle class,” according to the World Data Lab.

Better health. Progress in health care has also been remarkable. The incidence of malaria in Africa declined almost 60% from 2007 to 2017, and antiretroviral therapy reduced HIV/AIDS deaths by more than half.

The global mortality rate for children under five declined from 5.6% in 2008 to 3.9% in 2018, according to the United Nations. South Korea, for example, reduced its child mortality rate by 98%.

A cleaner environment. Deaths caused by air pollution declined by almost 20% worldwide and by 25% in China between 2007 and 2017, according to Our World in Data. Consumption of many natural resources has fallen, as developed countries use less aluminum, nickel, copper, steel, stone, cement, sand, wood, paper, fertilizer, water, crop acreage and fossil fuel every year, according to Norberg. He noted that consumption of 66 out of 72 resources tracked by the U.S. Geological Survey is declining.

Annual deaths from climate-related disasters declined by a third between the periods 2000-09 and 2010-15, to 0.35 per 100,000 people, according to the International Disaster Database, and they have declined by 95% since the 1960s.

Longer life. Globally, life expectancy increased by more than three years during the past decade. In fact, over the past decade on any given day, the average life span increased by almost eight hours!

As 2009 ended, the U.S. unemployment rate was 10%, the DJIA was 10428 and oil was \$80 a barrel. As of this writing, the unemployment rate is 3.5%, the DJIA is over 28000 and oil is \$60 a barrel. Traditional telephones have been all but replaced by smartphones that take high resolution photos, give directions and provide apps for everything from games to wine ratings. DVDs have been all but replaced by streaming movies - and consumers have thousands of choices for what they want to watch.

We can talk to Alexa and receive answers to our questions. Drones, electric and driverless cars, the Internet of Things and 5G technology are here and progressing.

Yet pessimism Is widespread

Given all of this good news, why is everyone so glum?

In 2018, when the British polling firm YouGov asked 18,000 adults in 17 countries whether the world is getting better or worse, two-thirds of respondents answered that things are getting worse.

In most of the countries surveyed, the percentage of those who believed the world is getting better was in single digits — just 6% in the United States.

Yet the world is healthier and wealthier than ever before. The world is a better place than it was 10 years ago. It will be better still 10 years from now.