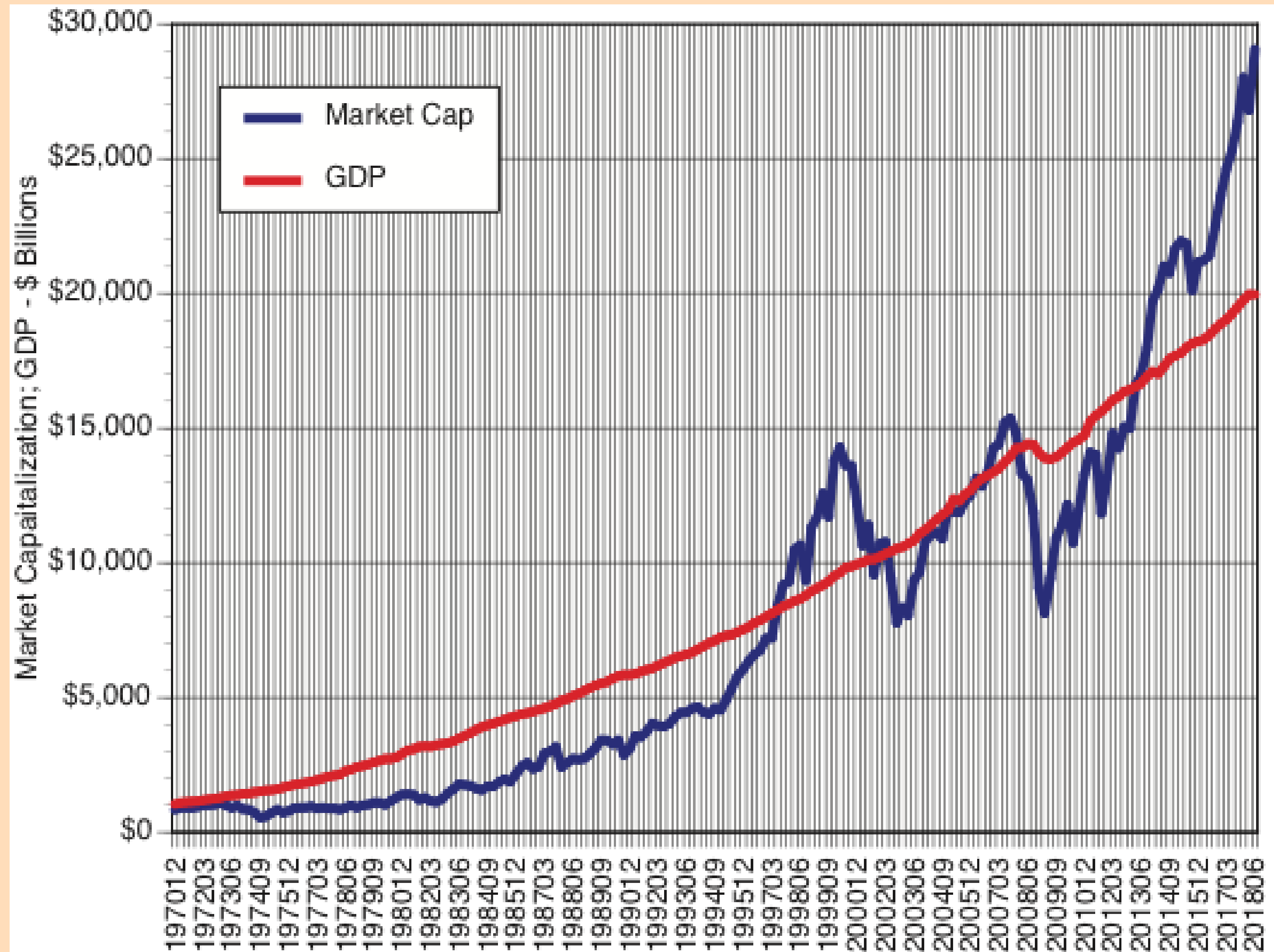


# **Politics Trumps Economics**

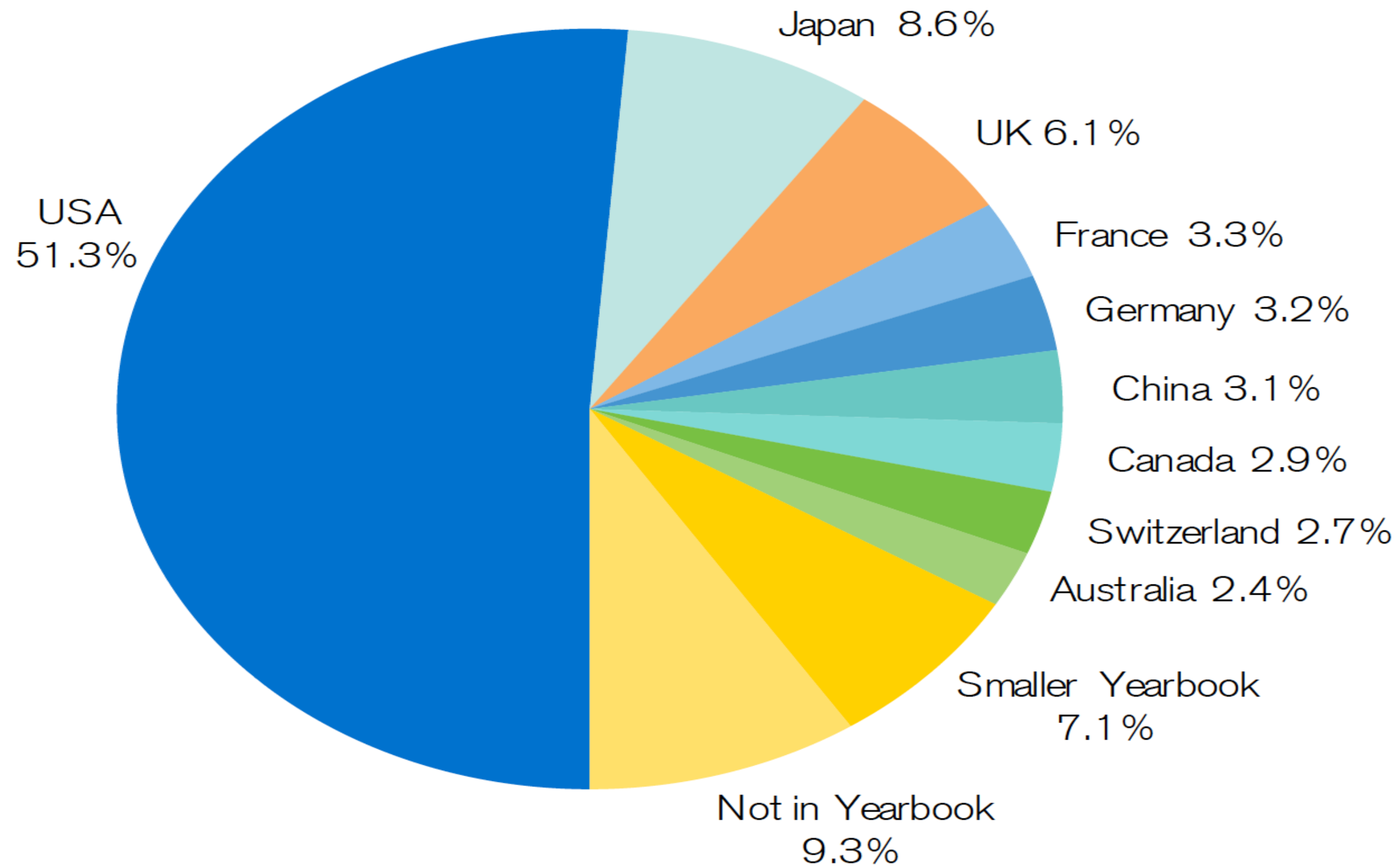
*New Canaan Men Investment Club*

***Lapham Community Center, 10:00 AM, July 9,  
2018***

# Market Capitalization Exceeds GDP

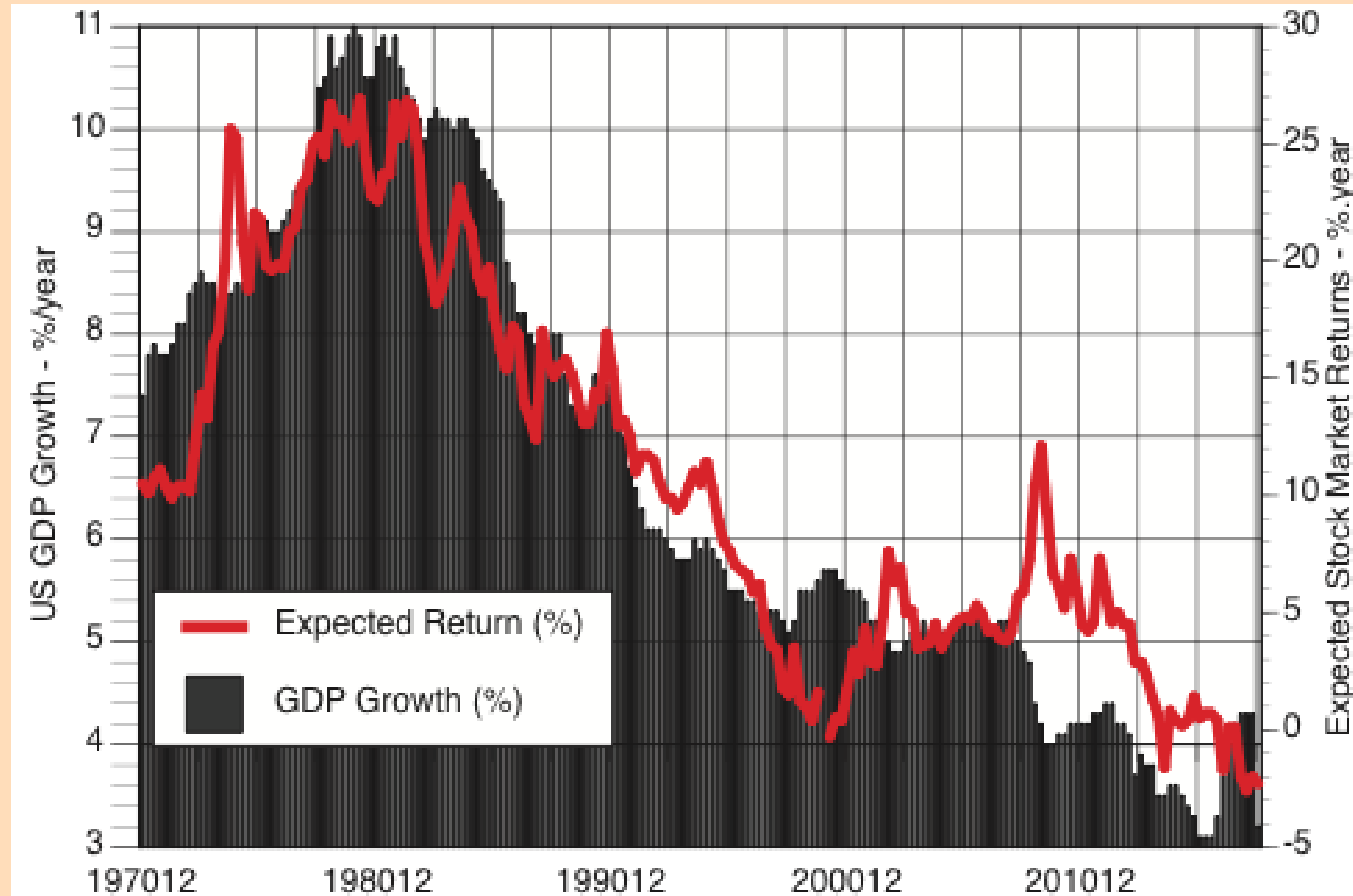


# US Politics Influences Global Market Capitalization



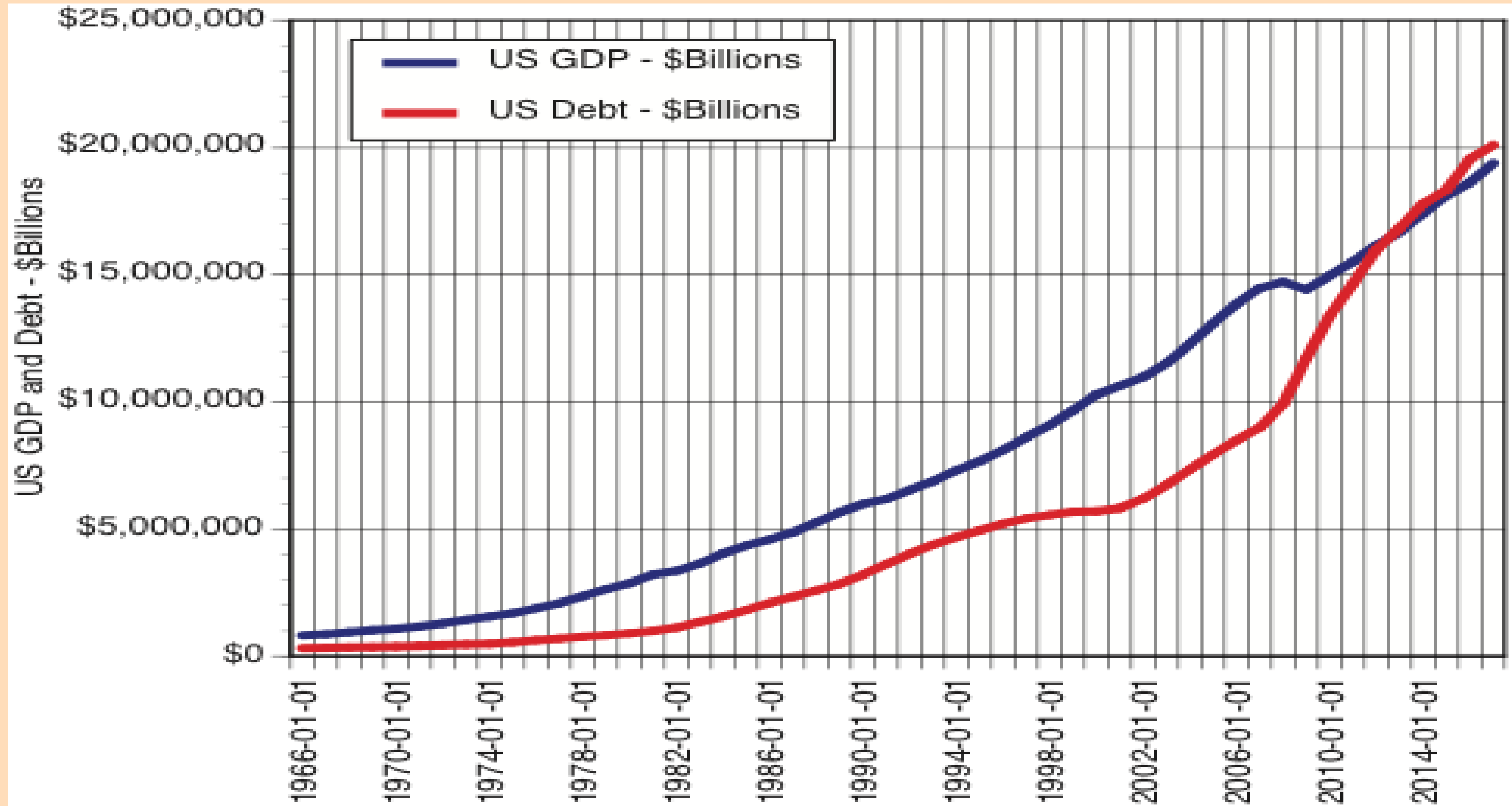
Source: FTSE Analytics FTSE All-World Index Series, December 2017

# Expected Investment Returns and GDP Growth Decline



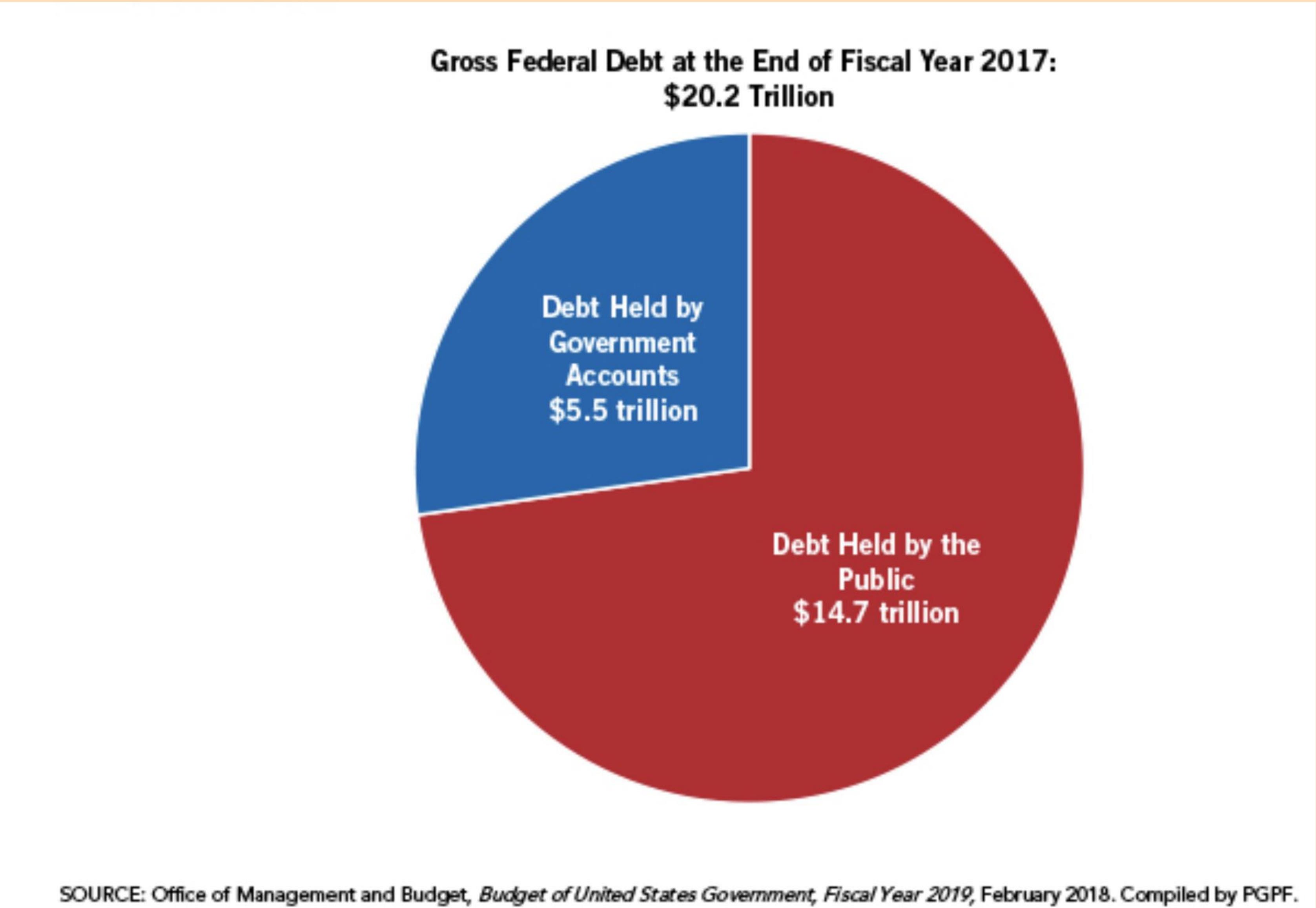
<https://www.gurufocus.com/stock-market-valuations.php>

# US Debt Now Exceeds US GDP

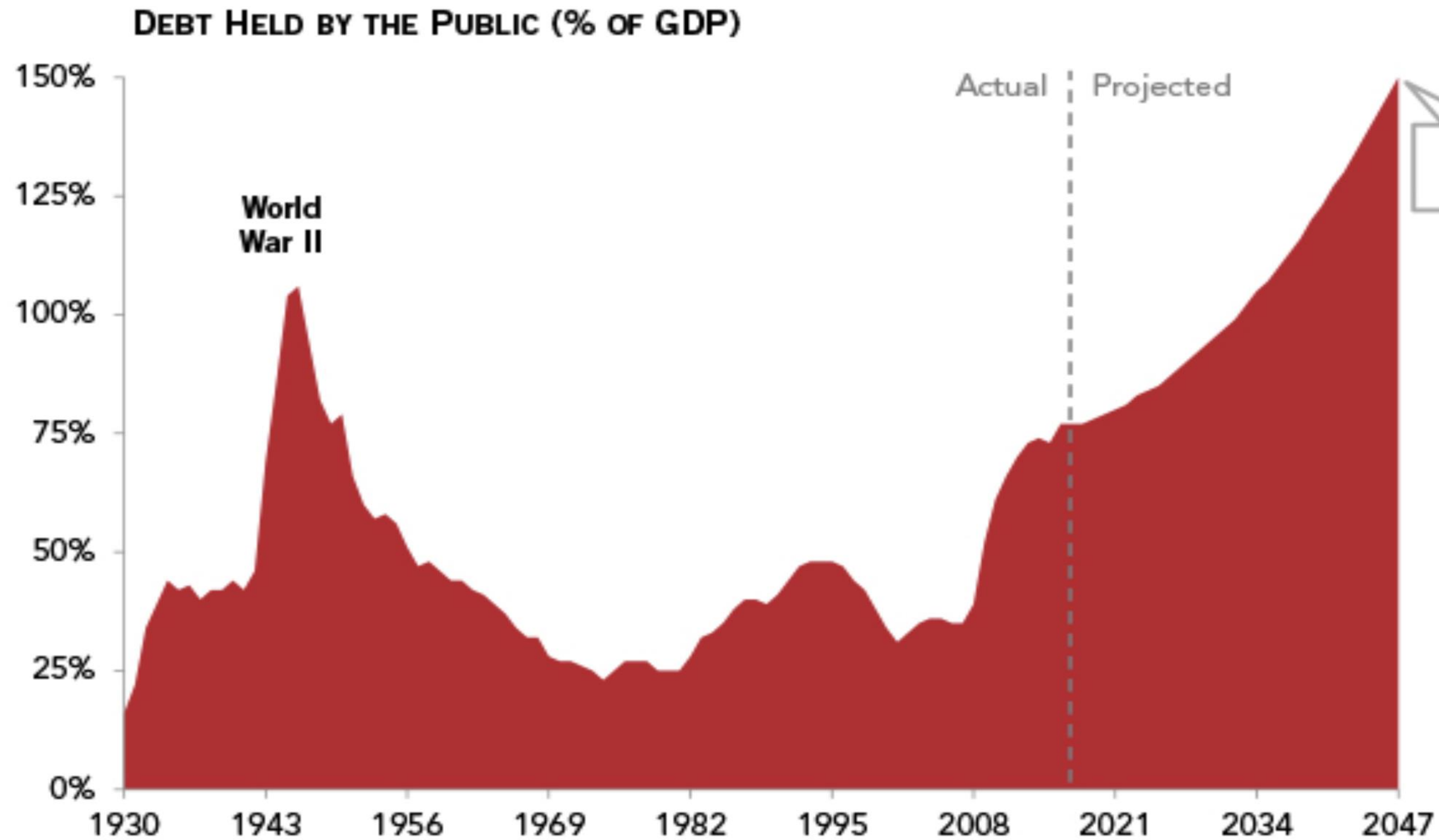


<https://fred.stlouisfed.org/series/GDP>

Gross Federal Debt = \$20.2 Trillion + Unfunded Liabilities = \$40 Trillion

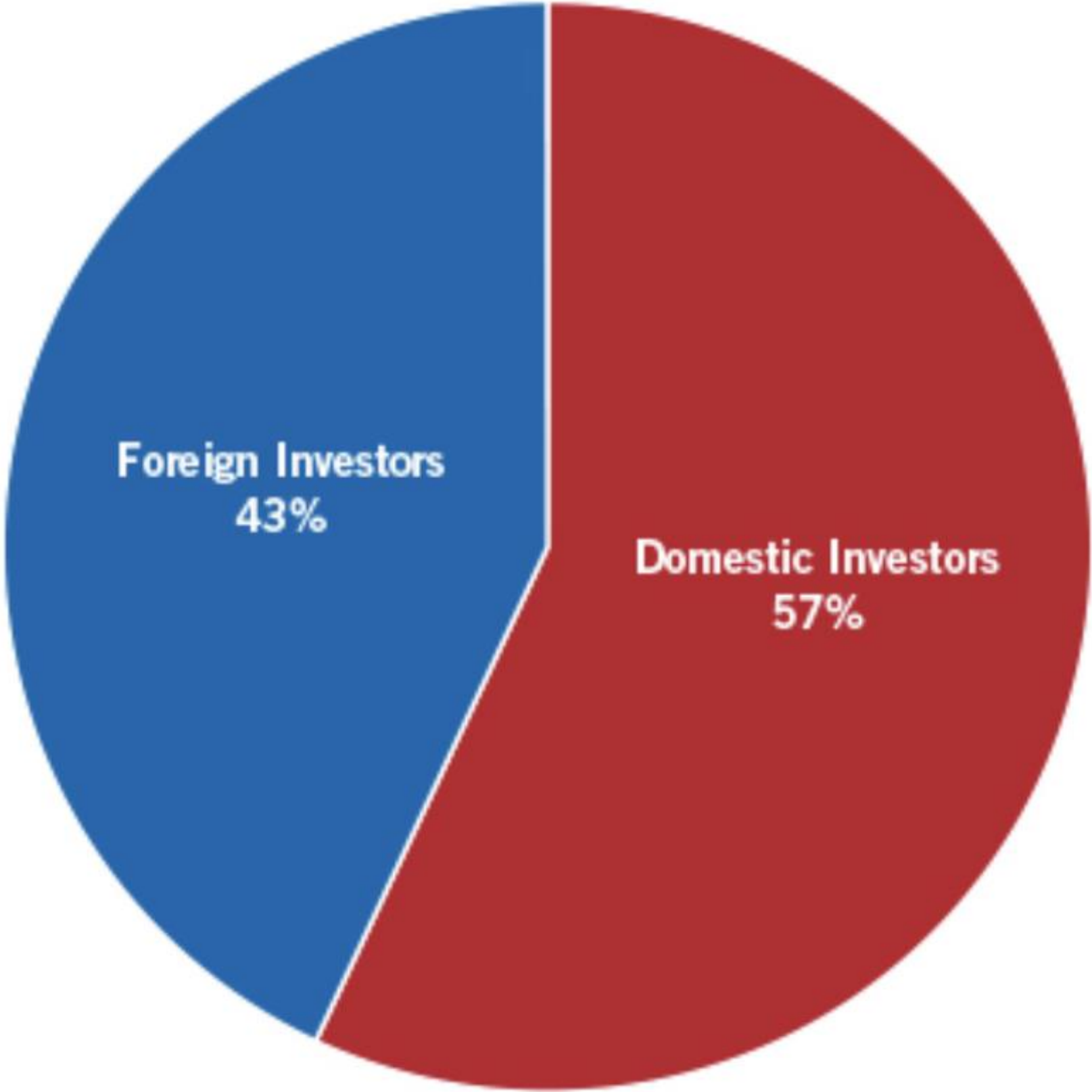


# Public Debt is Unsustainable



SOURCE: Congressional Budget Office, *The 2017 Long-Term Budget Outlook*, March 2017. Compiled by PGPF.

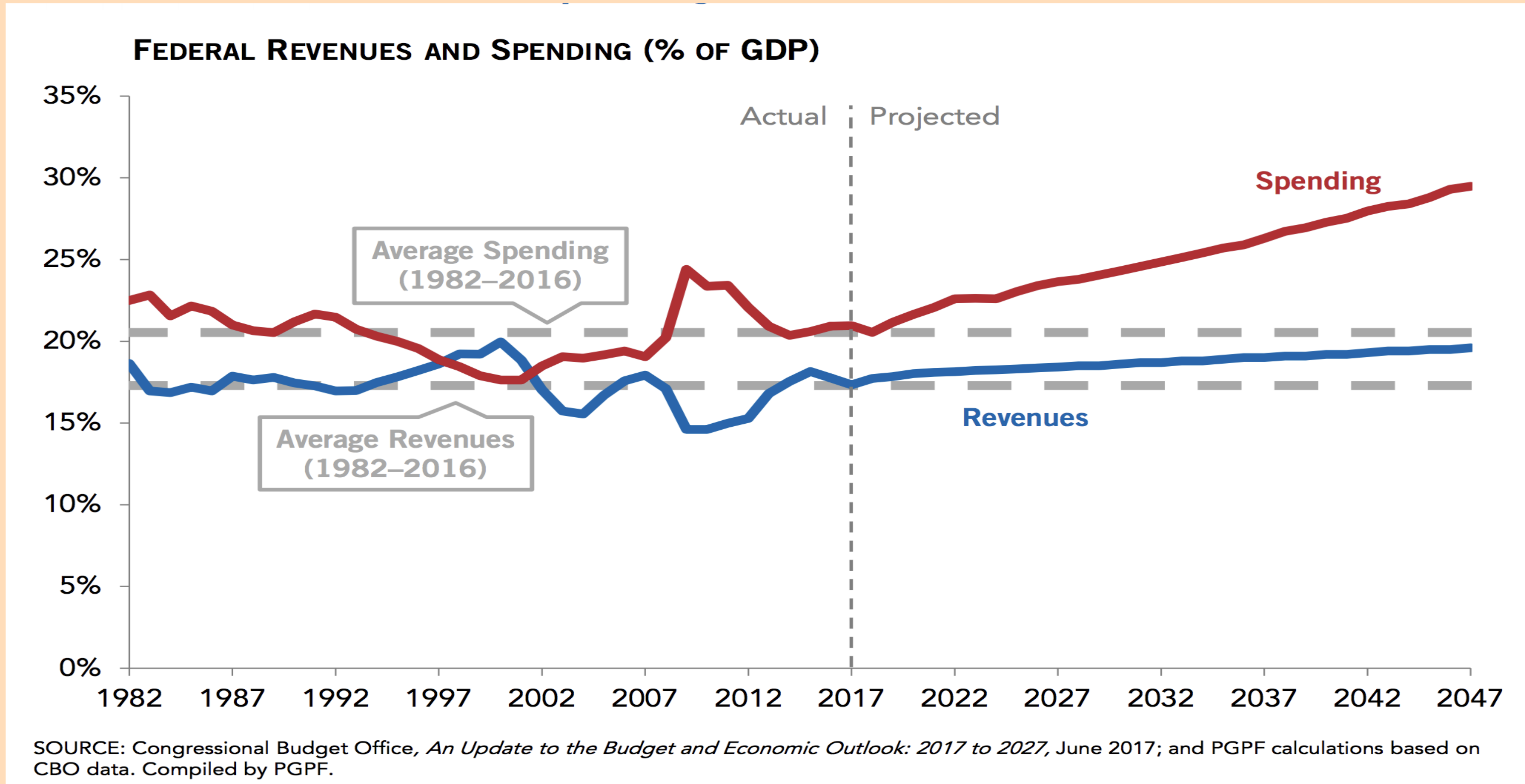
Large Share of US Debt Subject to Foreign Politics



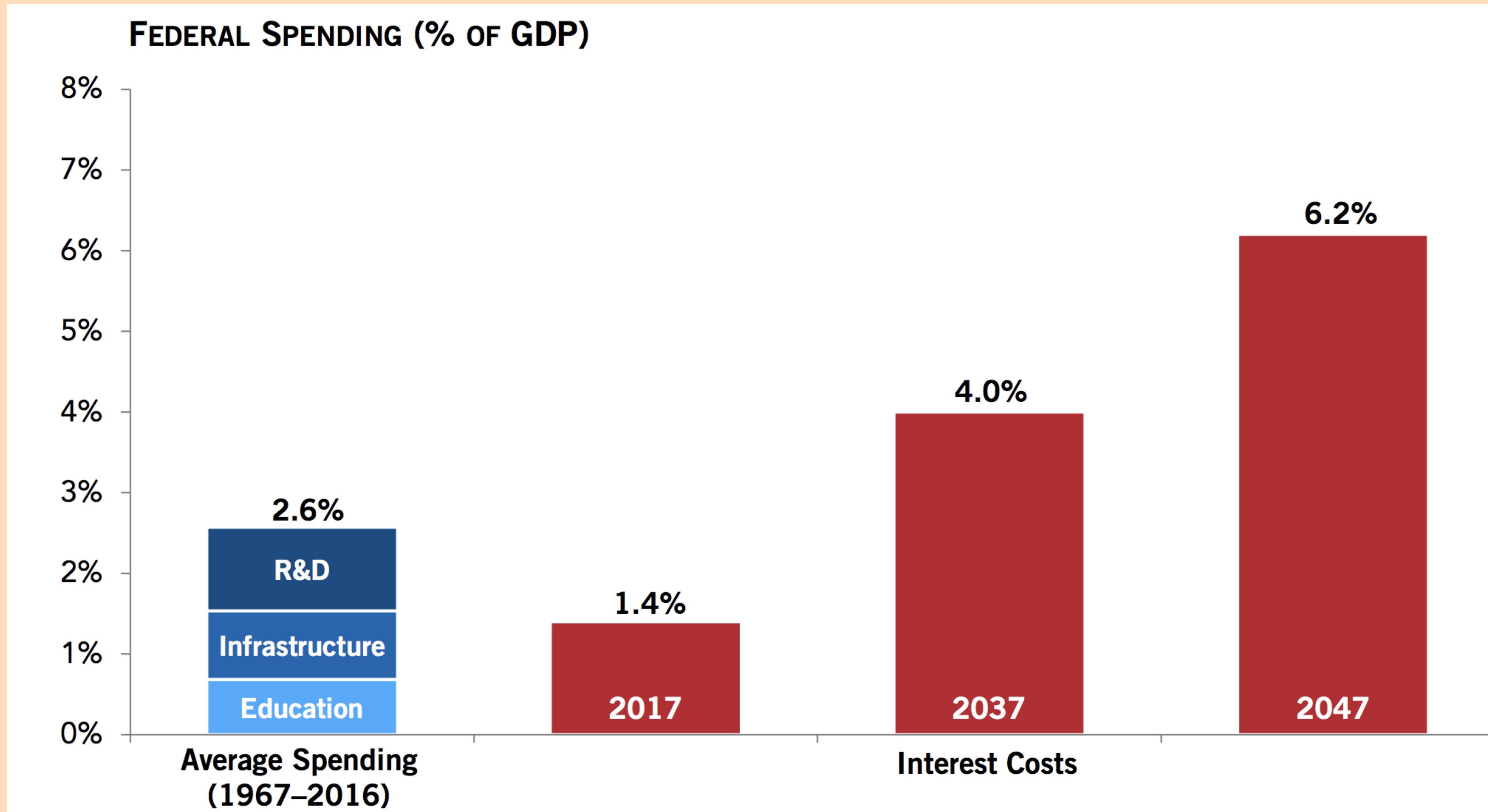
SOURCE: U.S. Department of the Treasury, *Treasury Bulletin*, March 2018. Compiled by PGPF.  
© 2018 Peter G. Peterson Foundation



# How Debt Accumulates – History of Deficit Spending



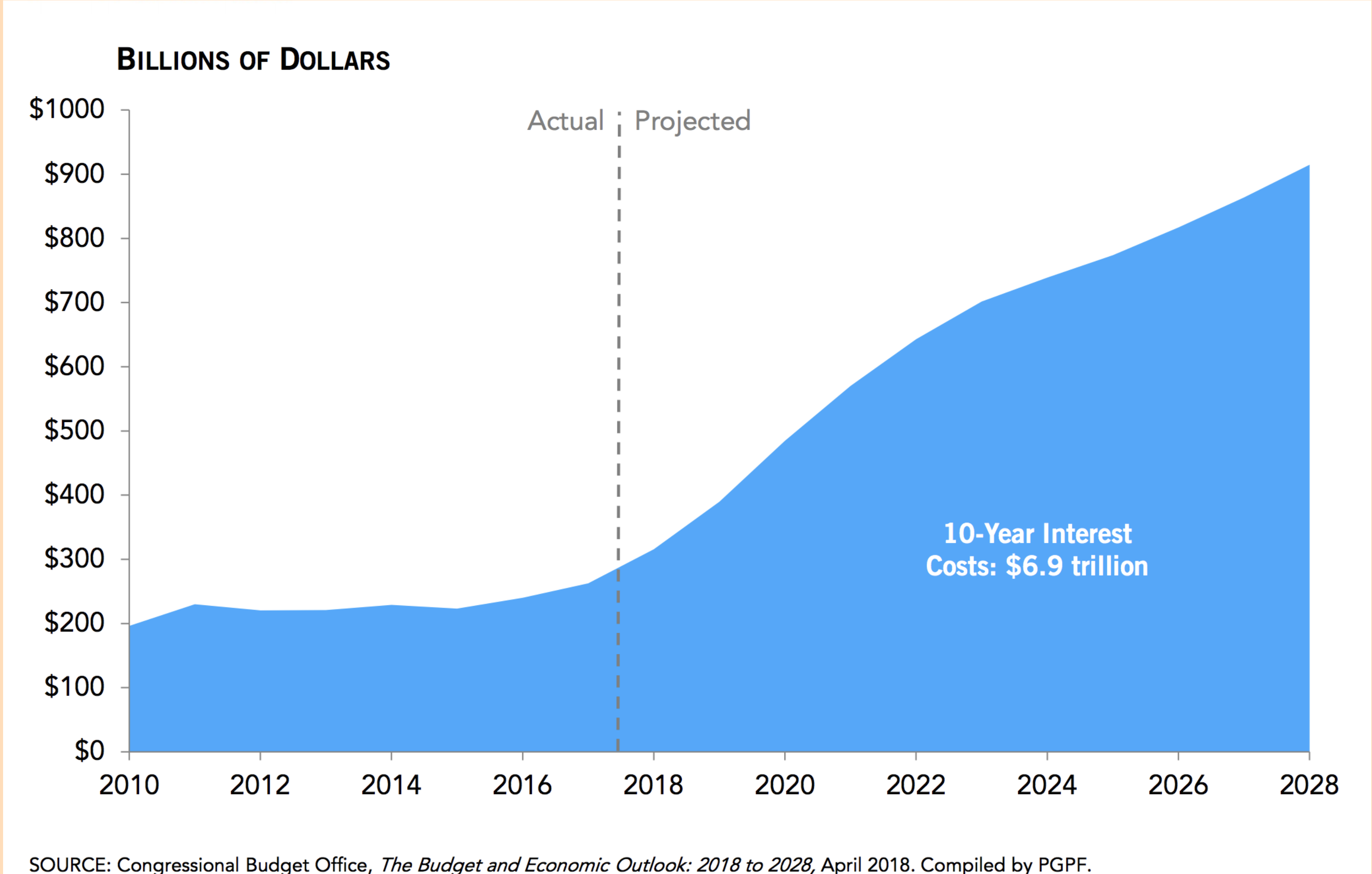
# Interest Costs Exceed R&D, Infrastructure and Education



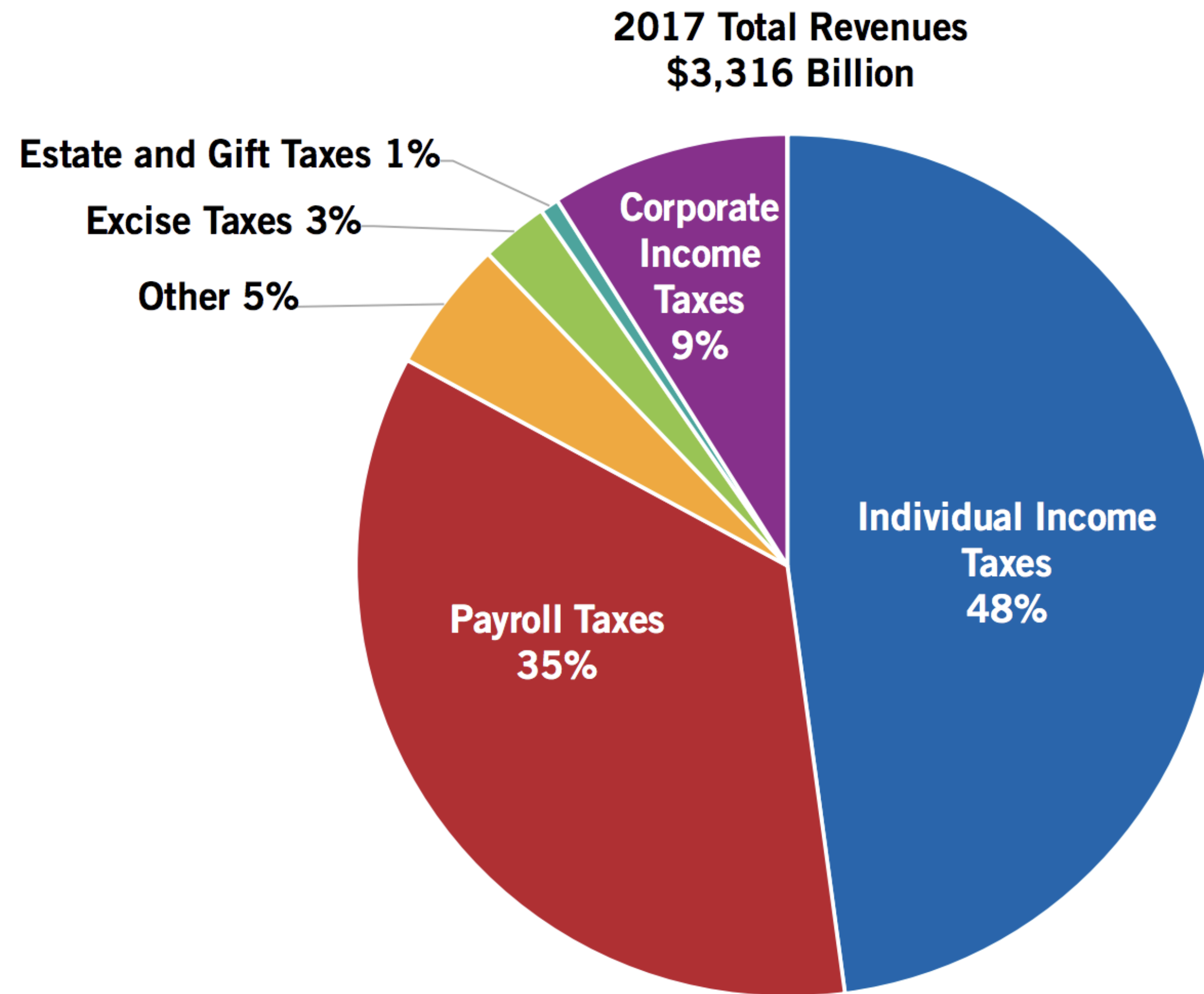
SOURCE: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2018*, May 2017; and Congressional Budget Office, *The 2017 Long-Term Budget Outlook*, March 2017. Compiled by PGPF.

NOTE: Infrastructure excludes defense.

# Projected Interest Costs Become Largest Budget Item

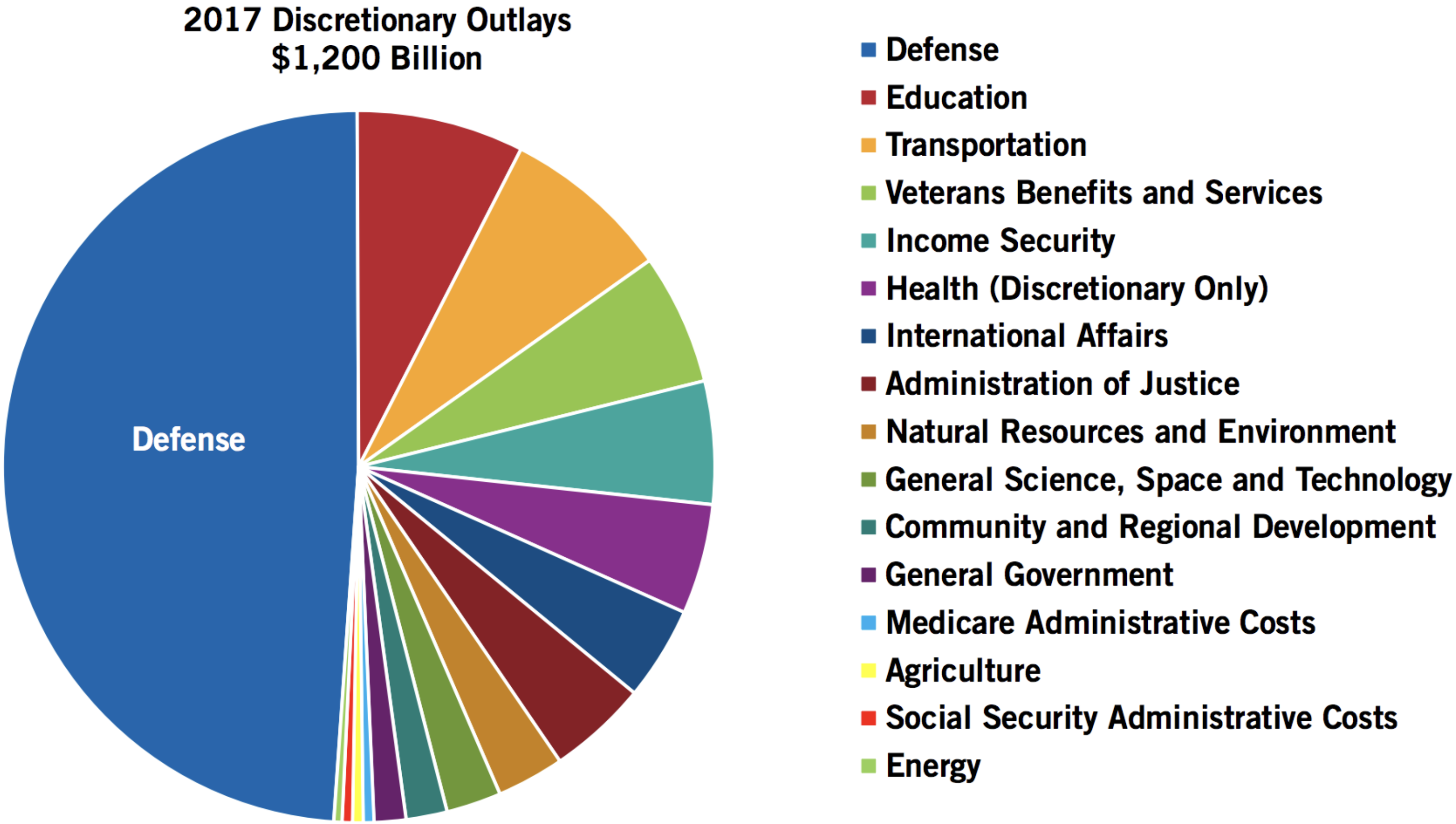


# Politics of Taxation: Use Corporate Taxes to Influence Market Cap



SOURCE: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2019*, February 2018. Compiled by PGPF.  
NOTE: Other includes customs duties and miscellaneous sources. Numbers may not sum to 100% due to rounding.

# Politically Managed Defense Dominates Discretionary Spending



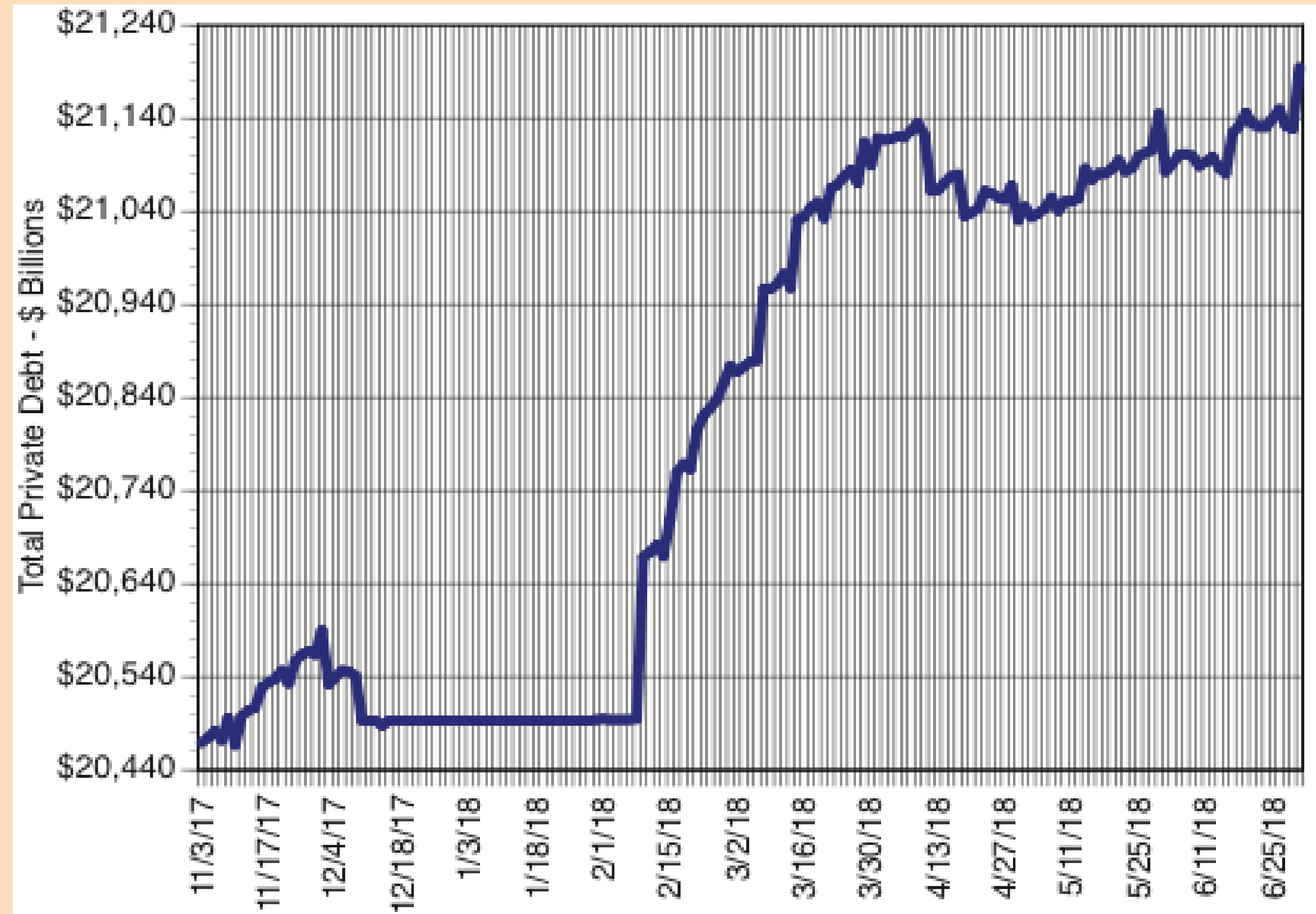
SOURCE: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2019*, February 2018. Compiled by PGPF.  
NOTE: Data excludes allowances and functions with negative outlays. Health (discretionary only) includes National Institutes of Health, the Centers for Disease Control and Prevention, veterans healthcare, and administrative costs for Medicaid.

# Present Administration Adopts Policy to Keep Increasing Debt

## Revised Taxes Add \$7.5 Trillion to Debt Deficit in 7 Months Adds \$0.73 Trillion to Debt

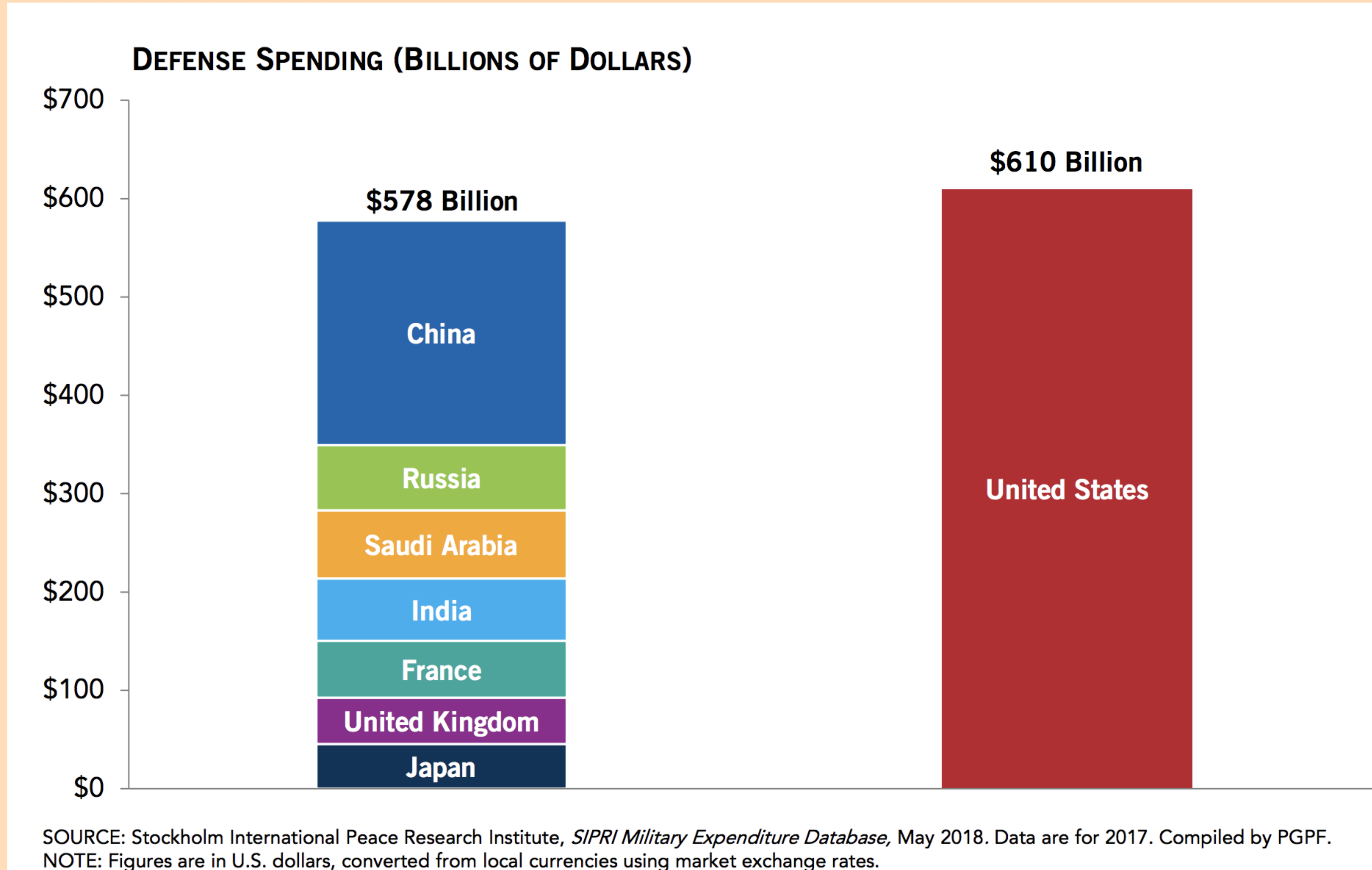
New Taxation Policy	Debt Impact - \$ Trillions
Change rate structure to 10%, 25%, 35%	1.5
Repeal individual AMT	0.4
Double the standard deduction	1.5
Repeal estate tax	0.2
Reduce corporate tax rate to 15%	2.2
Reduce pass-through business tax rate to 15%	1.5
Repeal the net investment income surtax	0.2
<b>Total Cost - Projected through 2027</b>	<b>7.5</b>

<http://www.crfb.org/>

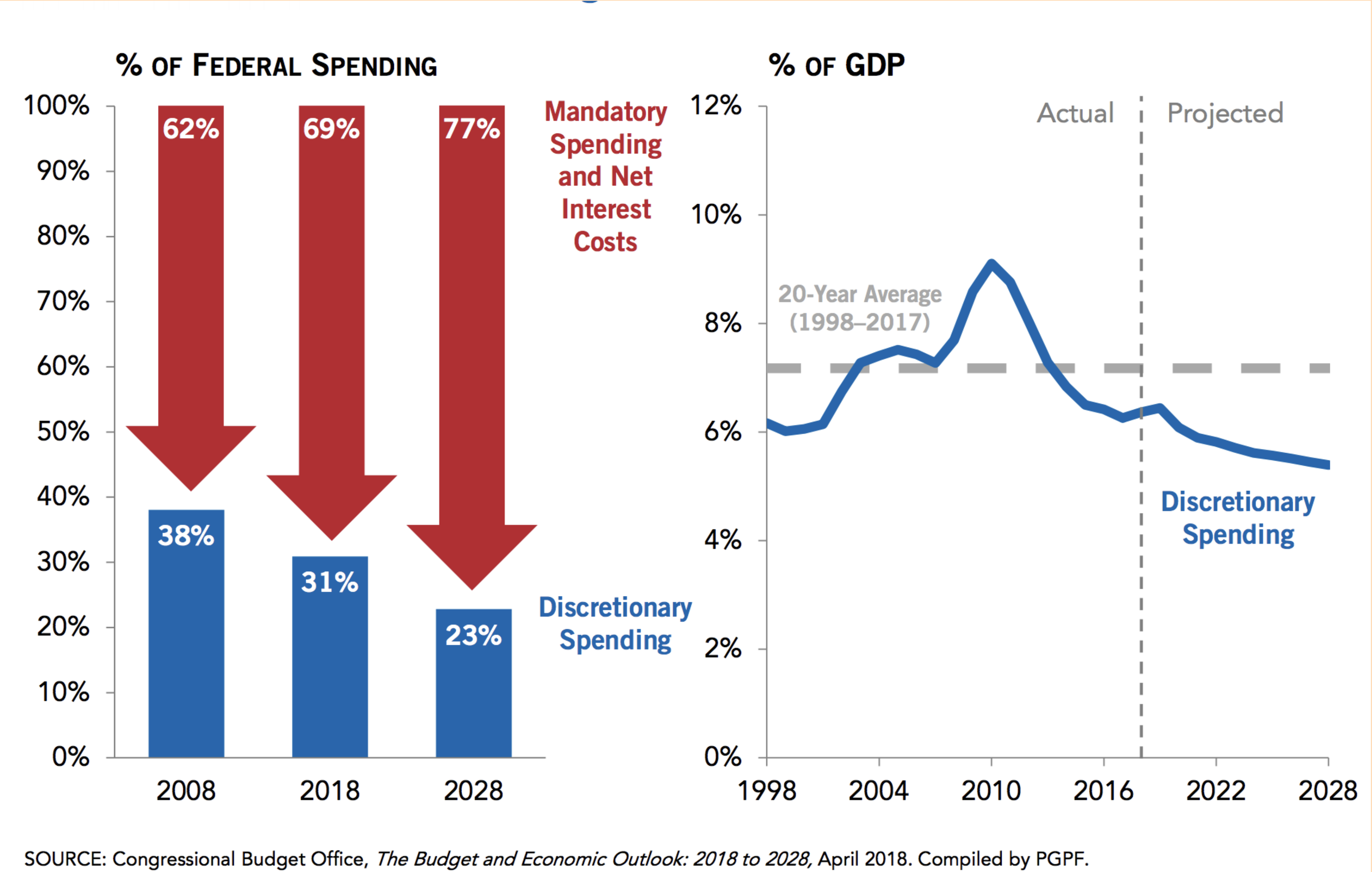


<https://www.treasurydirect.gov/NP/debt/current>

# Inefficient US Defense Spending Dominates Global Defense Costs

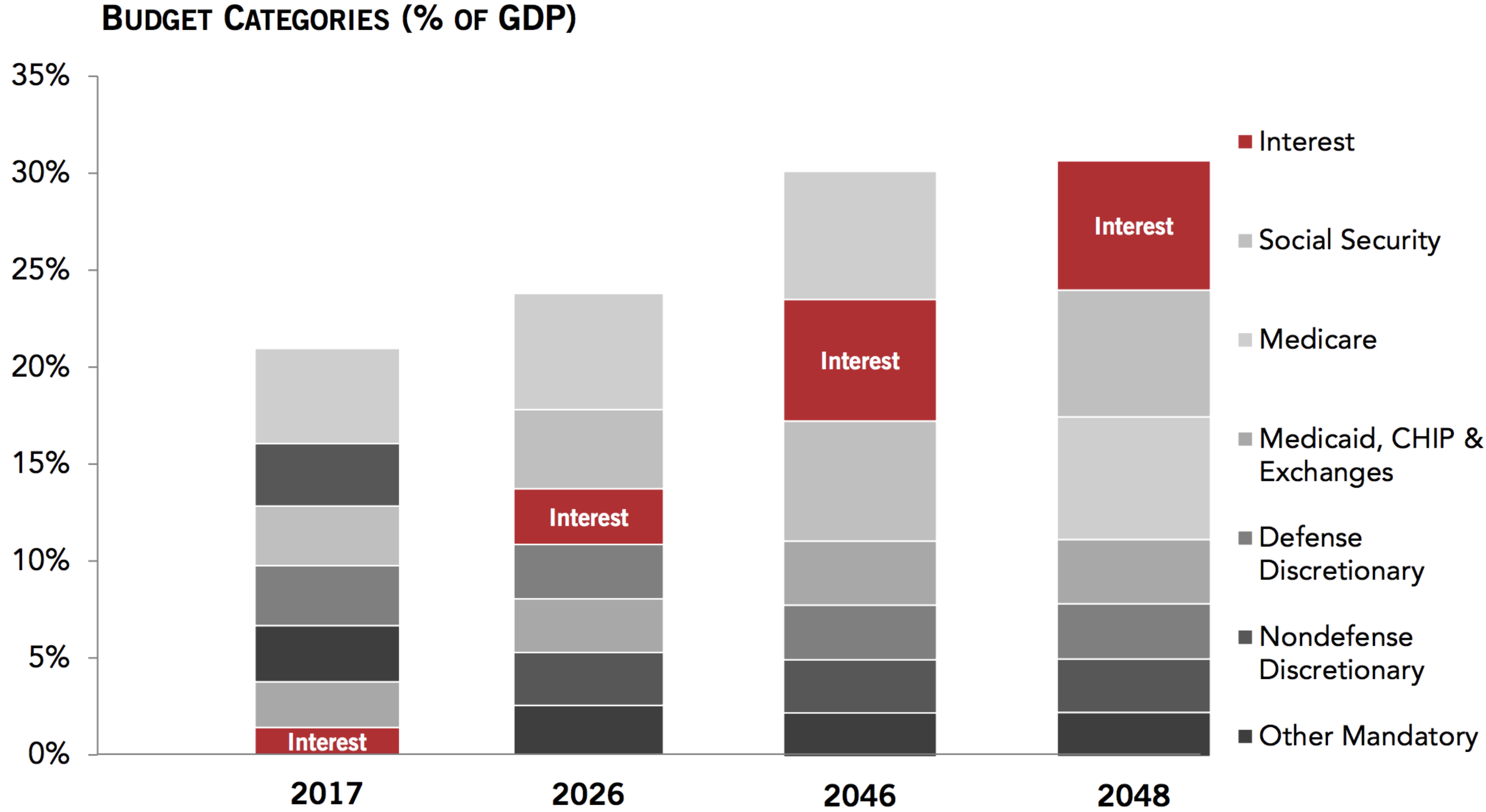


# As Mandatory Spending Rises, Discretionary Spending Declines



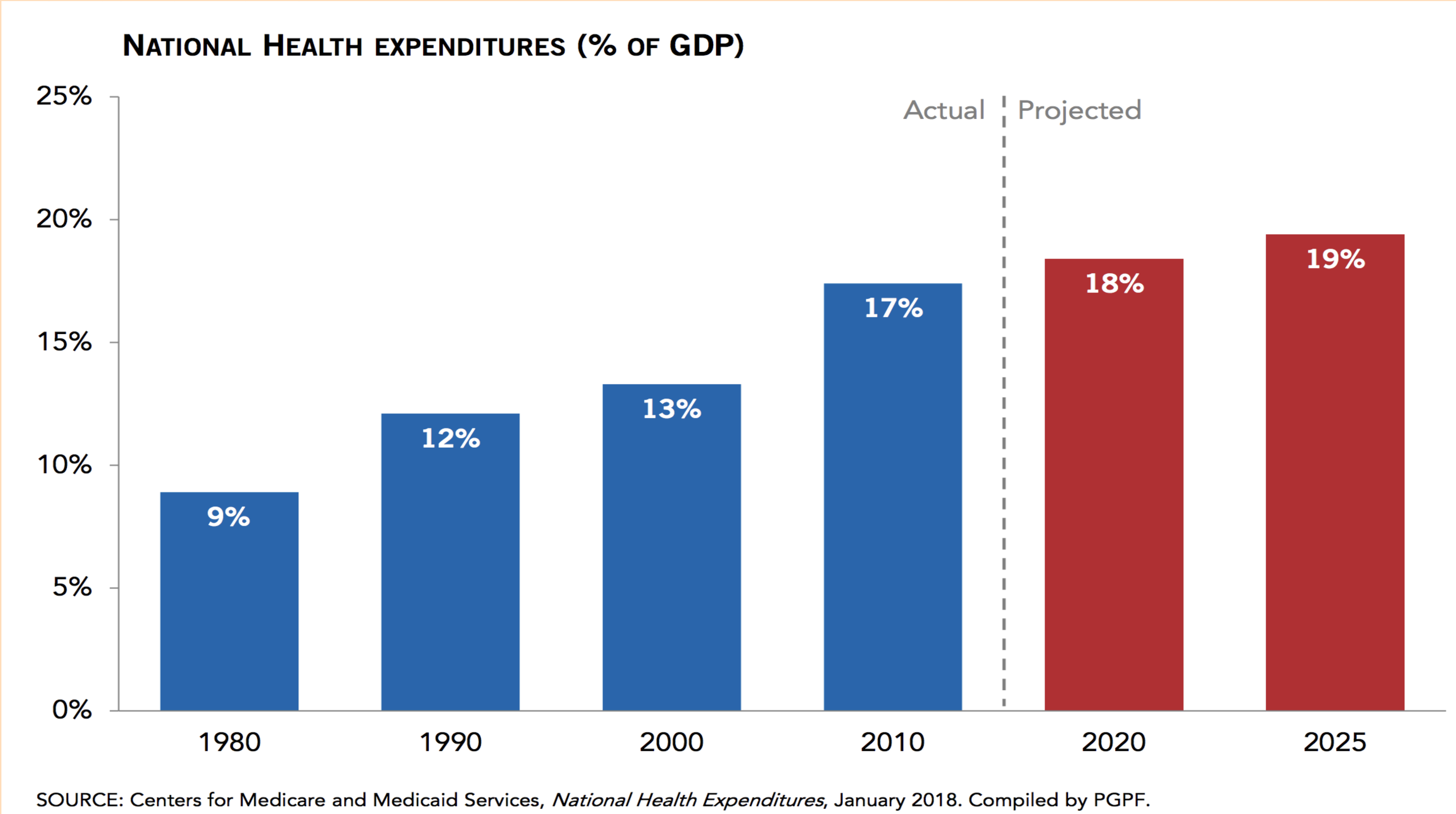


# Projected Interest Costs Will Overwhelm Budget

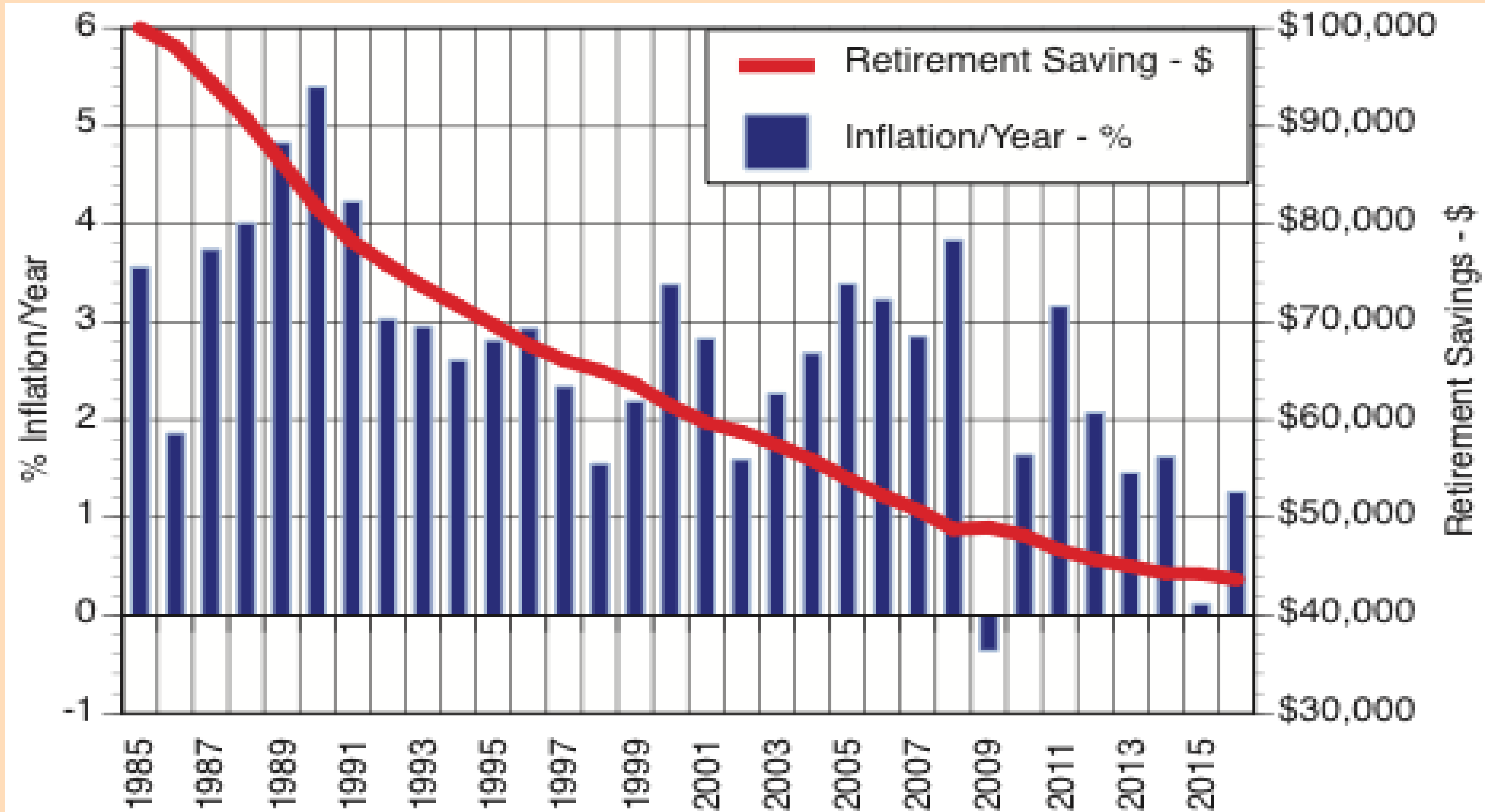


SOURCE: Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2017 to 2027*, June 2017; and PGPF calculations based on CBO data. Compiled by PGPF.  
NOTE: Medicare spending is net of premiums and payments from the states.

# Health Expenditures Take Increasing Share of GDP

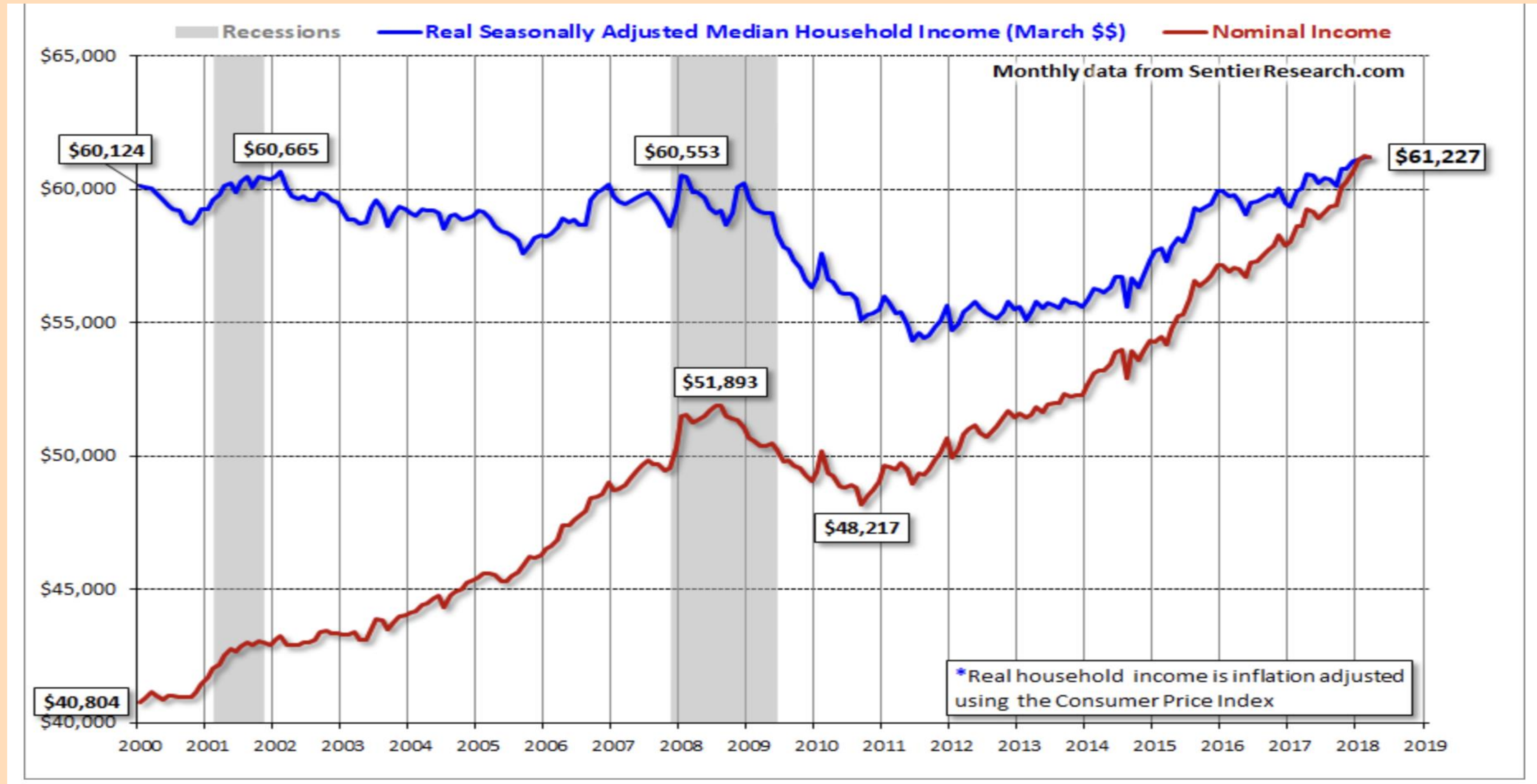


# Inflation Since 1985 Takes 57% From Retirement Savings



Federal Reserve Bank of St. Louis

# Real Median Household Income Has Not Changed



## Findings

- US economy increasingly depends on debt.
- Debt used for trading, not for investment.