Economic Prospect

Takeover Loans and 'Terrible' Health Care

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China lent money to Sri Lanka's government to pay for a modern shipping port. Studies showed that this island nation of 21 million (think Florida) needed no such port, but their president, now long gone, insisted. In 2012, the port attracted 34 ships (NYT 6/25/2018). 34! So, China took the port in payment of the loans.

Bummer. Who cares? Kenya cares because their Mombasa port is next. See a trend? China loans to poor nations, they build projects that look good for their president, but have no good business model, they go broke, China takes over. In Kenya the project was an ill-advised railroad secured by the profitable port.

World Trade of Goods Grew from $58b way back in 1950 by a factor of almost 10 to $5,400b by 2000. Since then the world trade of goods has tripled to $17,000b. Trade is prosperity and the world is vastly more prosperous due to trade according to John Steele Gordon (WSJ 9/22/2018). Low tariffs since 1950 helped!

Tax deductible giving? Only for charitable groups that advance government goals…specifically income equality. That's the view of clever Robert Reich former Clinton Secretary of Labor. Why, he wonders, should deductions go to charities that benefit the well-off? Art museums, elite universities, hospitals and churches reinforce inequality and therefore are not just…as in justice. The government should reign in even the liberally minded Gates and Ford foundations. Why should the super-rich influence or even contradict public policy? In other words, let the government pick the charities for us. He's wrong. (WSJ Nov 27, 2018).

The Stock Market: Rocket and Roller Coaster: Concerned about the market lately? Many people are. Most voices I hear say (correctly) that the economy is fairly strong and growing. Others fear a recession due to a slowing of global economic growth (maybe). The President and others blame the Fed for raising interest rates and hurting the stock market. The Fed has a dual mandate, inflation control and full employment. Should the Fed add a third goal: keeping the stock market happy? I think not.

Here's a clue that can explain the past 10 years of stock market (not economic) growth. *You can't fight the Fed.* When interest rates are low, there is no real investment alternative to the stock market. The Fed reduced interest rates and the market soared. Now the Fed is raising interest rates back to a more 'normal level' and the market, not surprisingly, is diving. The Fed should pay very little attention to the stock market (sorry Mr. President), but the market must pay attention to the Fed.

Another concern about the Fed: is the Fed using poor models of the labor market, wages, growth, and labor force participation rates as wild-man Jim Kramer thinks? This may get interesting.

"THE U.S. HAS TERRIBLE HEALTH CARE COMPARED TO THE WORLD": That headline screams at us almost daily. Of course it's not true. We have terrific health outcomes, but they are uneven and there are pockets of problems that, when some factors are ignored, can sketch a grim picture.

Stanford's Hoover Institute' Scott Atlas explains (WSJ Dec 18, 2018). Here are two examples that are dramatically better than decades ago but we still lag. Life expectancy in the U.S. lags the developed countries as does preventing infant mortality. These are sad, but they are due to high obesity, drug use, exercise as well as sexual and other personal lifestyle choices which are not the fault of U.S. healthcare.

Take obesity which is connected to diabetes. In America the obesity rate is 40%; in France it's 13% and in Japan: 4.2%. These rates have an effect on health outcomes. Varying definitions are also an issue as are severe accidents and murders which, if resulting in sudden death, never get the attention of healthcare. There are many more of such deaths in the U.S. compared to other developed nations. Think Sweden.

As for the stats that actually reflect well on our health care; stats on cancer, high blood pressure, heart disease, and cholesterol; for these *quick access to health care* is a very significant factor. The U.S. (not having national health services) has rapid access to medical care for these diseases. As a result, the U.S. stats in these areas are significantly better. We must be careful when reading health care headlines.