

The Outlook: October 25, 2024

“Hang the scoundrels, every one of them.”

Before the Revolutionary War, when America was still an obedient colony in the British Empire (sometimes obedient, anyway), a hardworking Virginia planter named George Washington struggled year in and year out to make ends meet. Like any of us, when we’re constantly worried about paying our bills, Mr. Washington got irritated about the size of some of those bills, from time to time. Reflecting on the farm tools and household items he bought from England, he said, “They sell us their shoddiest goods at their highest prices. And why should they not? Their law says we have no choice.”

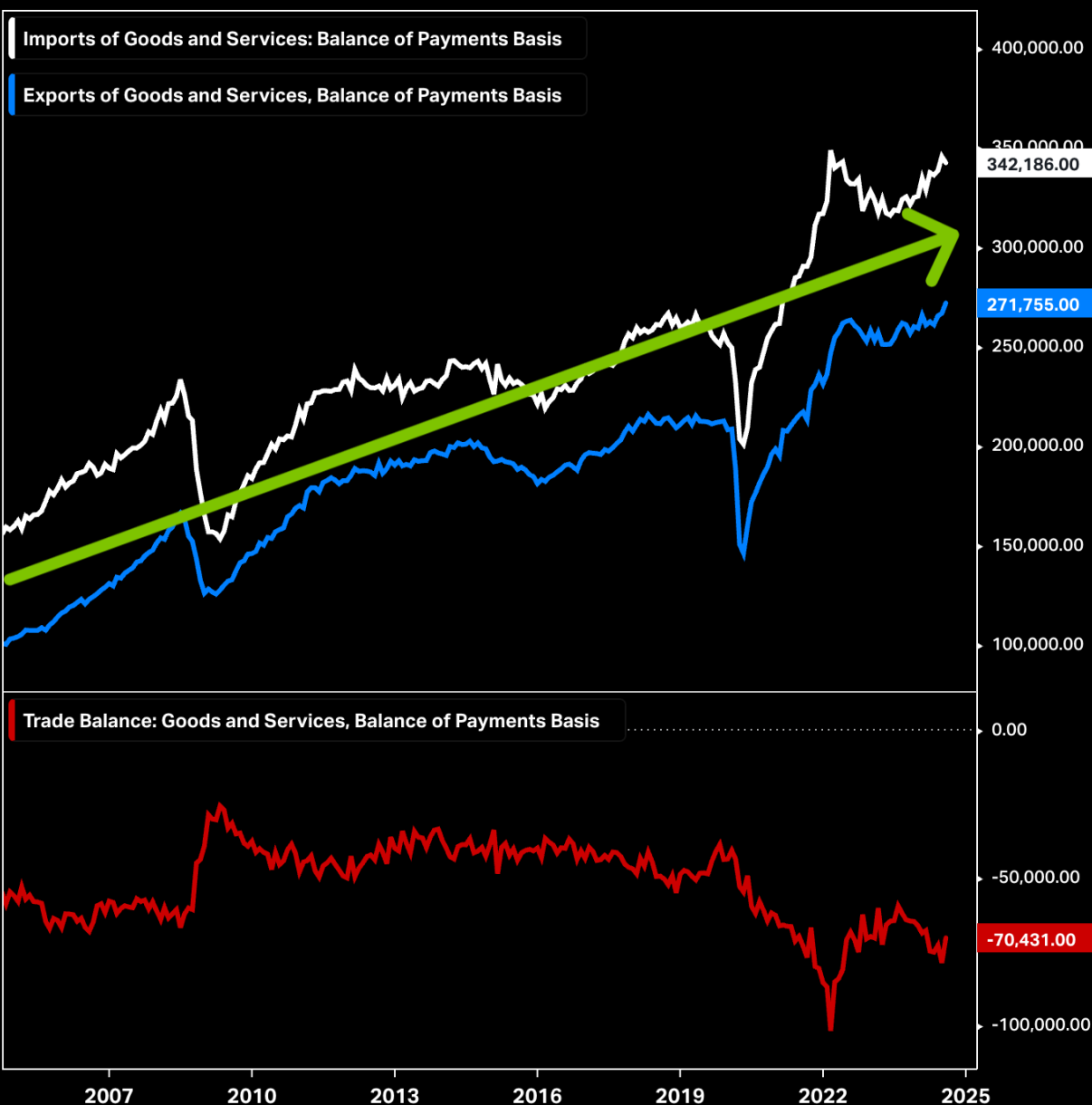
He was referring to what modern economists call “mercantilism:” a five-syllable word which means nothing to anybody until translated this way: “You colonists will buy only from us, at our prices. Our Navy will make sure you obey that law. You can like it or lump it.”

Yes. We begin to understand why Mr. Washington—and a great many other Americans—had gradually been getting more upset about high-handed British rule, over the decades. And we can also begin to understand why some of the leading patriots in America—and some of the leading cities, like Boston—had built their livings in the smuggling business. “Smuggling” means “engaging in illegal buying and selling with foreigners.” To which shipowners like Mr. John Hancock—and the hundreds of thousands of colonists who benefited, one way or another, from Mr. Hancock’s smuggling—said, “Oh yeah? If you want us to buy from England instead of smuggling from France, Bermuda or Cuba, why don’t you compete with them? Sell us better goods at lower prices, and that’ll be the end of our smuggling.”

Let’s glance at a picture.



U.S. International Trade in Goods & Services



The green arrow on top is the direction of 20 years of U.S. trade volumes: up, despite the sharp, short-term wriggles. If there had been such a chart from 1756 – 1776, say, at Outlook we strongly suspect it would tell the same story . . . with the total volumes vastly exceeding the “legal” trade with England by itself. In response to England’s “like it or lump it,” Mr. Hancock and company said, “Neither. We’re going to give people what they want, British law or not. London, Parliament and King George can like it or lump it.” To which King George, who liked having the last word, said “Hang the scoundrels, every one of them.” And we begin to see why the road to Lexington and Concord was pretty inevitable, from there.

That rising green arrow of U.S. trade has been just as inevitable . . . despite the many tariffs, trade wars, threats and general political hostilities over those 20 years. People free to pursue their self-interests will do so . . . and will benefit everyone else as they do. Around those same mid-1700's, Mr. Adam Smith took a thousand pages or so, in his "Wealth of Nations," to make the same point. He hated British "mercantilism" because it tried to stop people from pursuing their self-interest and making everyone better off, as a whole.

That rising green arrow is one of our tailwinds. Whether they're American, European, Chinese or whatever, people want to trade with each other because they individually see opportunities to make money . . . to better themselves. That's a mighty powerful force to stop. Governments and politicians try endlessly to stop it, over the decades and centuries . . . and they mostly fail. At Outlook we think this green-arrow tailwind will keep rising . . . and helping all our companies keep making more money.

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