

**The Citadel**  
**INVESTORS WORKSHOP**

***Demographics and Political Economic Trends***  
***“The Big Events”***

*A Presentation by:*

***D. Sykes Wilford***  
***March 2013***

# “The Big Events”

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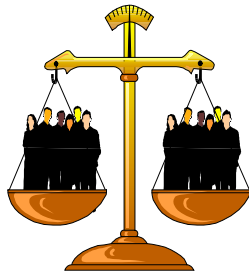
- Gold Standard



- Bretton Woods



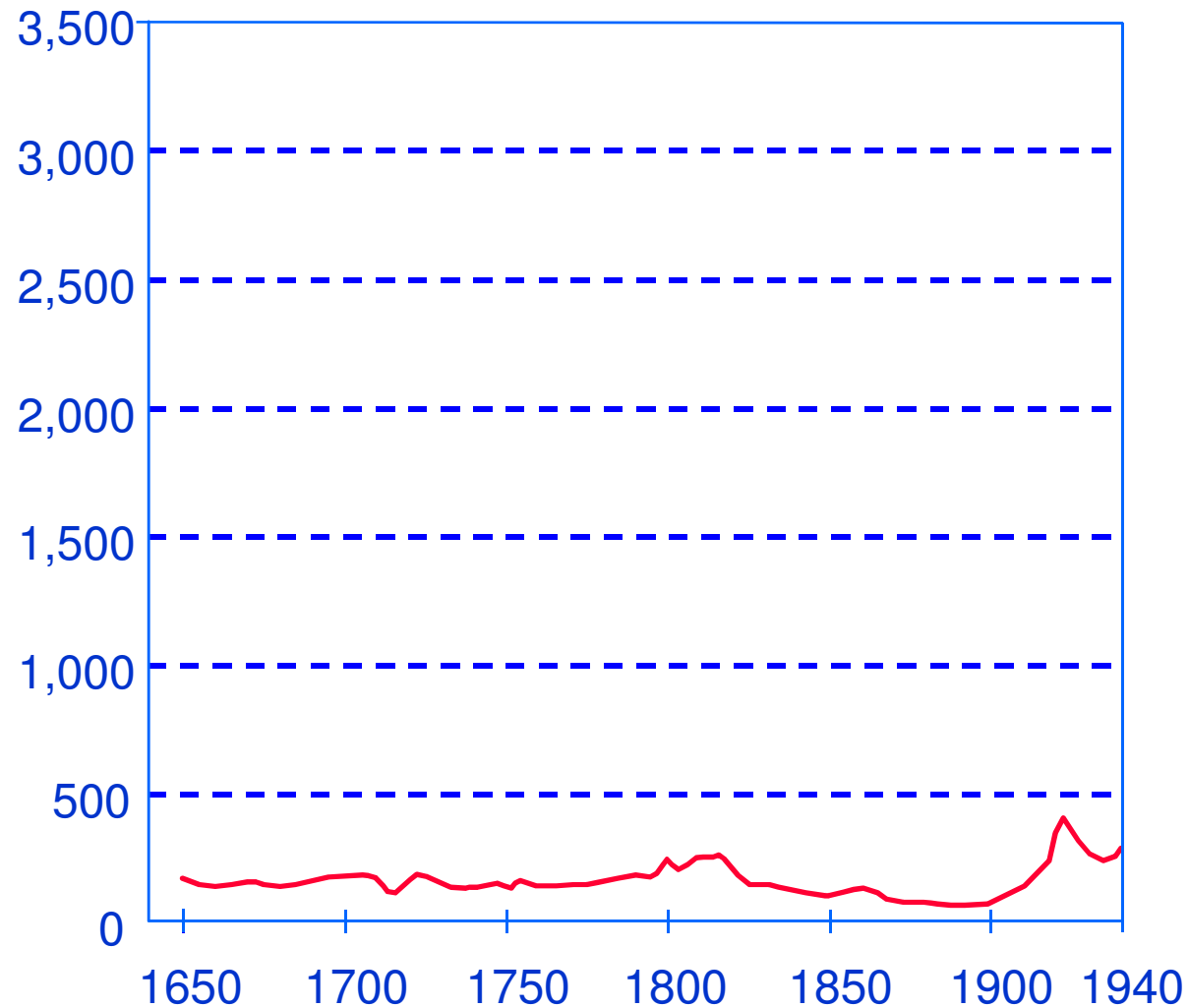
- Central Bank Independence



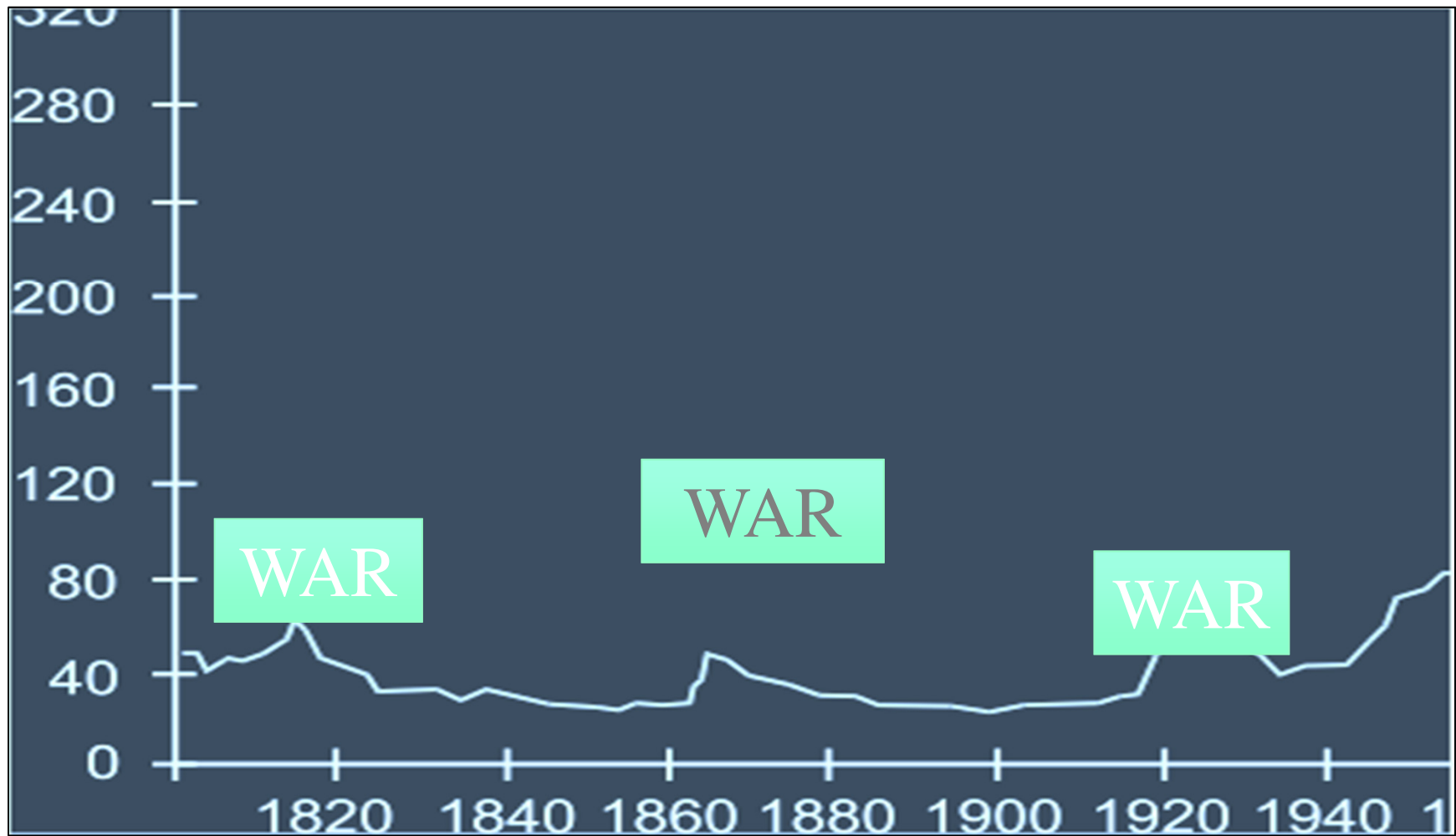
- Demographic Balances and Politics

# Retail Price Index – UK

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# U S A Price Index: Shorter History



# With the Rise of the USA

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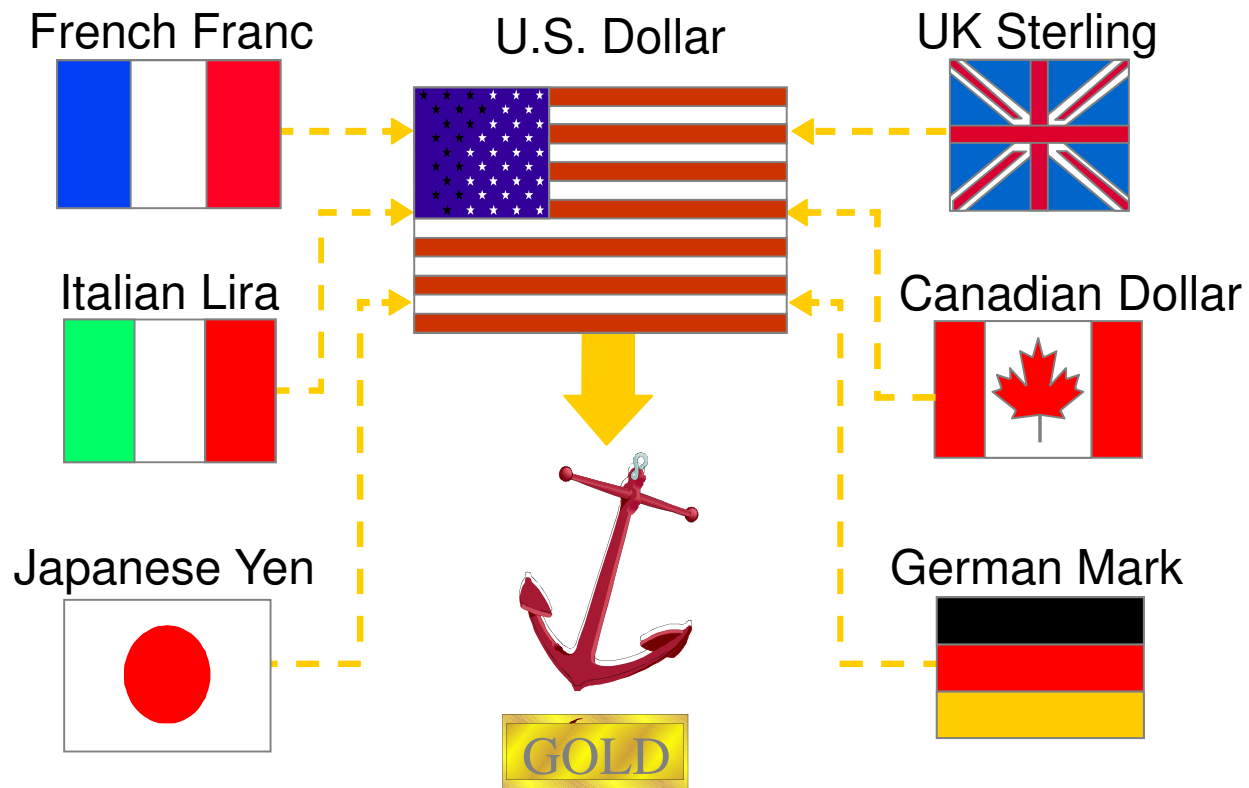
- A New System would arise with the rise of the United States as the Economic and Military Superpower
- Already evident in 1943/1944 the U S was driving the Financial Decisions
- Interwar Period of Depression and Hyperinflation (Germany) had to be avoided in the POST WAR PERIOD
- The Result would be what we call the Bretton Woods Agreement

# Not a Bad Place to Talk



# Bretton Woods

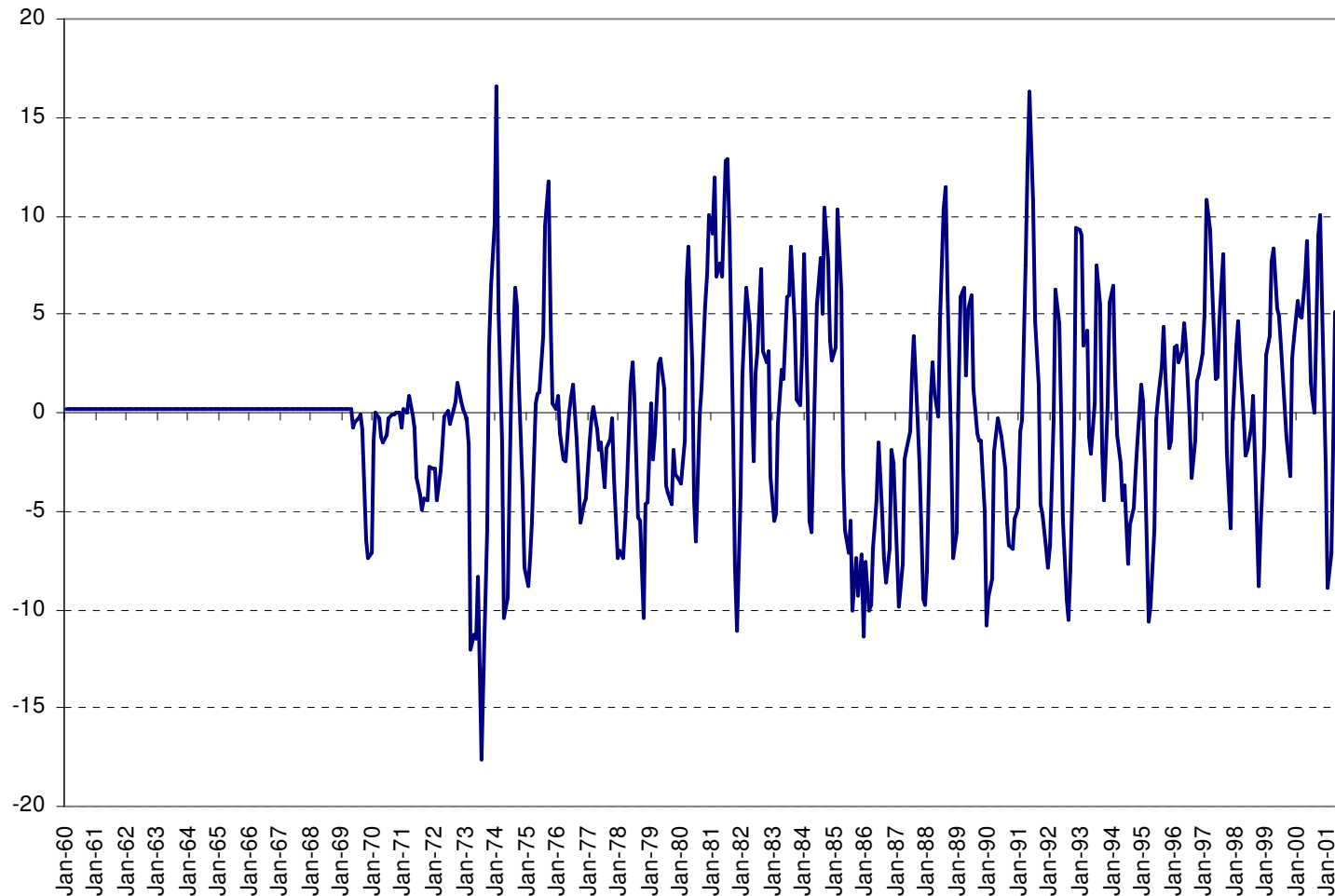
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# Exchange Rate Volatility

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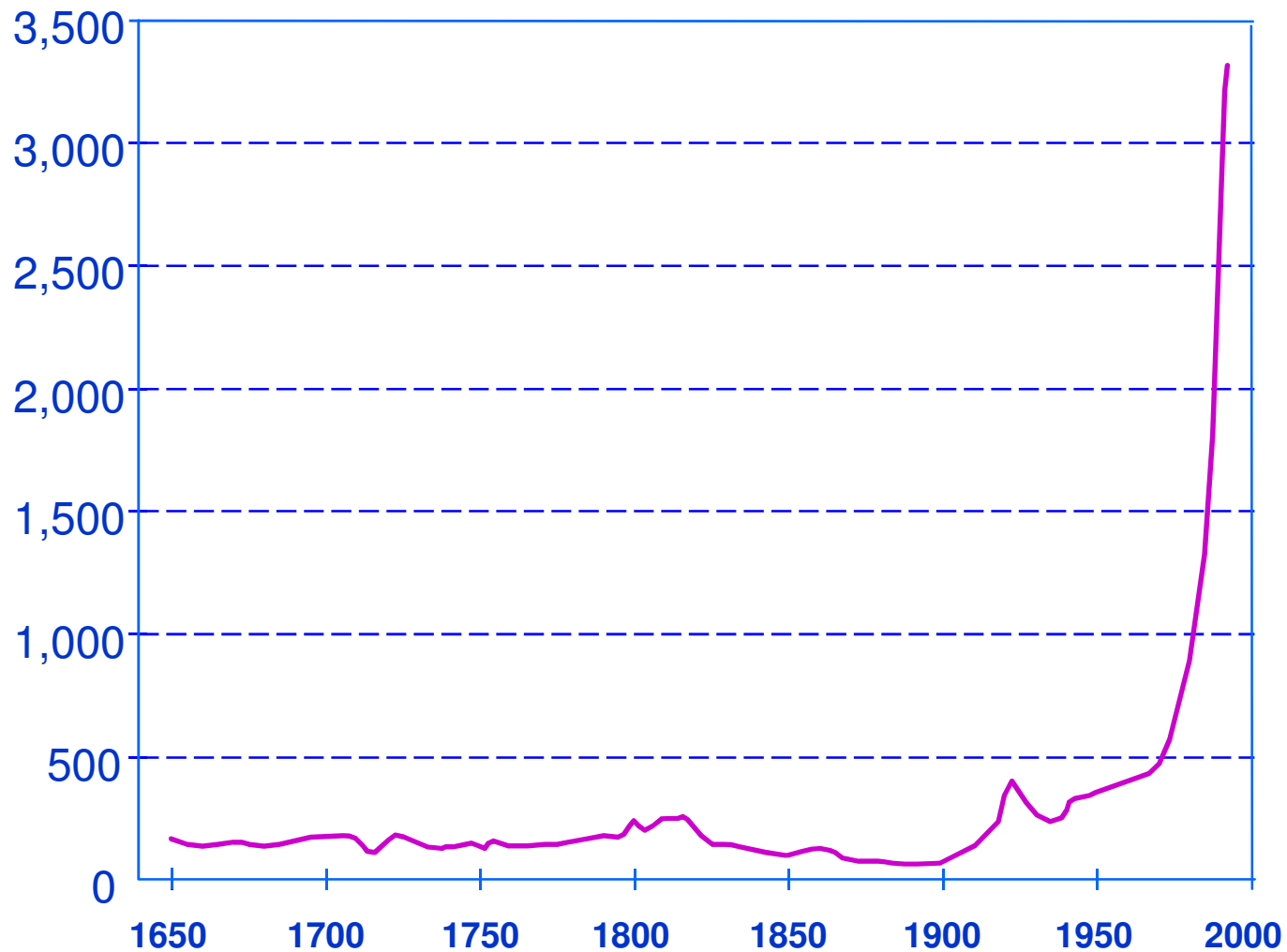
**\$/DM - percent change from previous quarter**





# Retail Price Index – UK

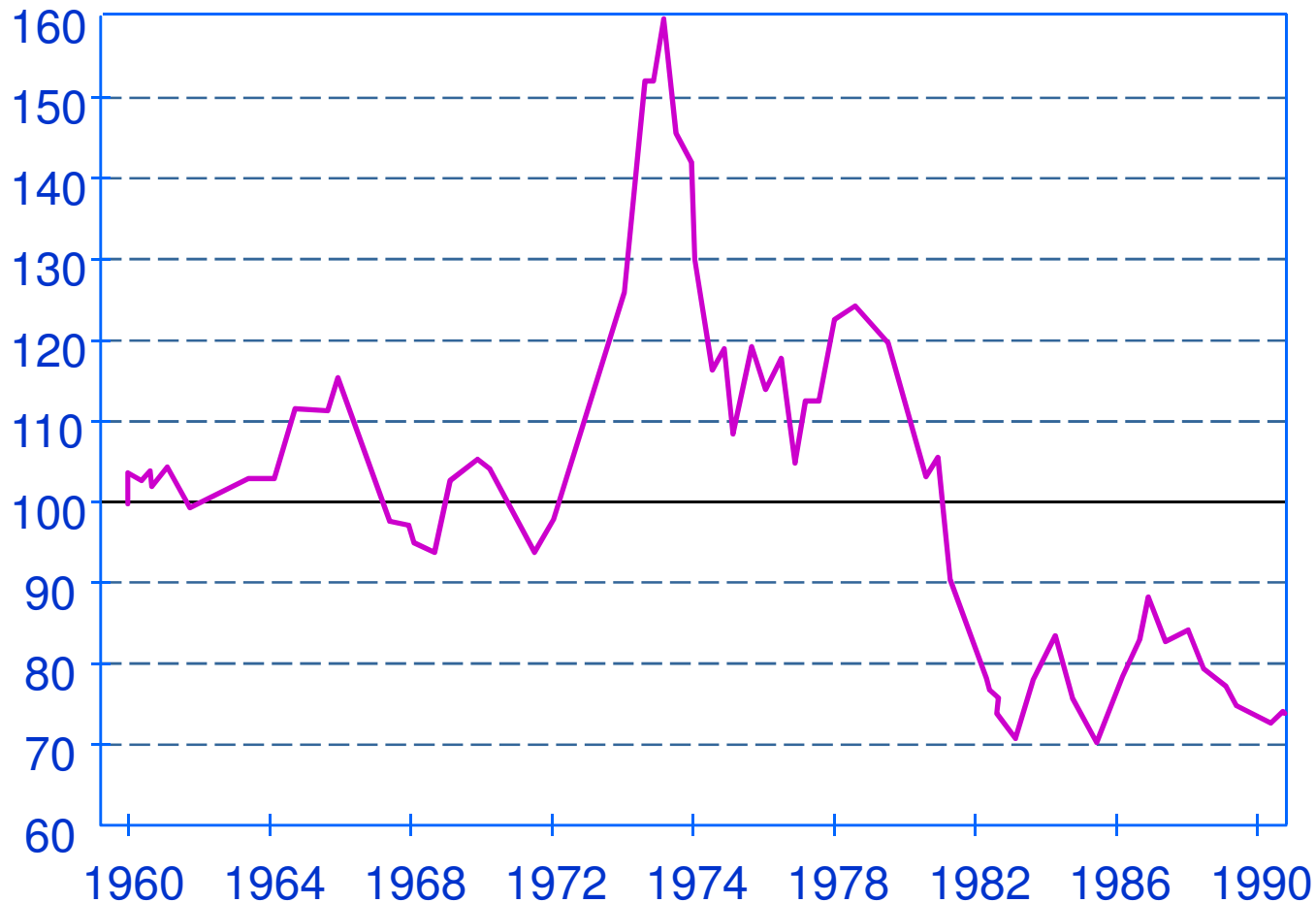
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# Relative Price of Commodities

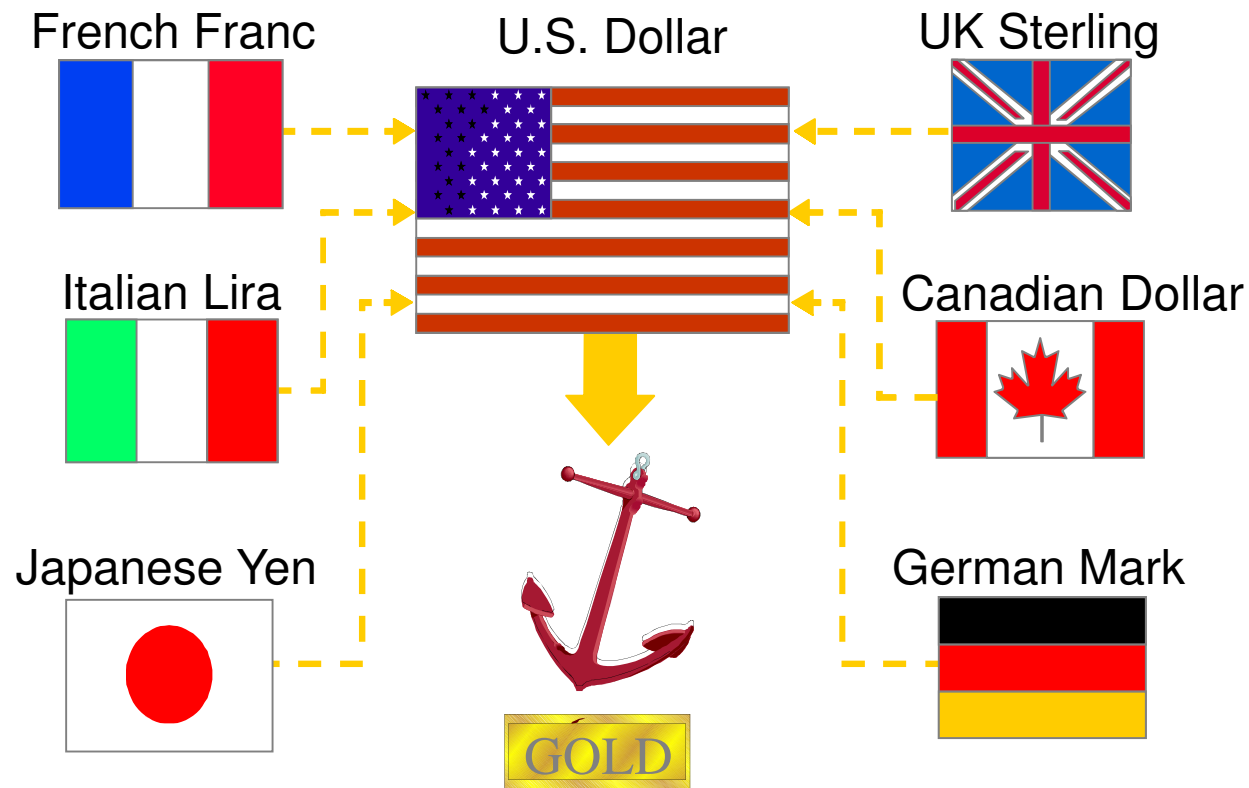
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*Commodity PI / Producer PI (1972 = 100)*



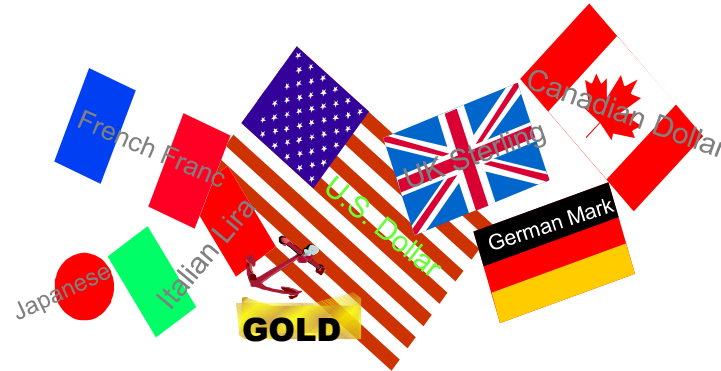
# Bretton Woods

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# The Collapse of Bretton Woods

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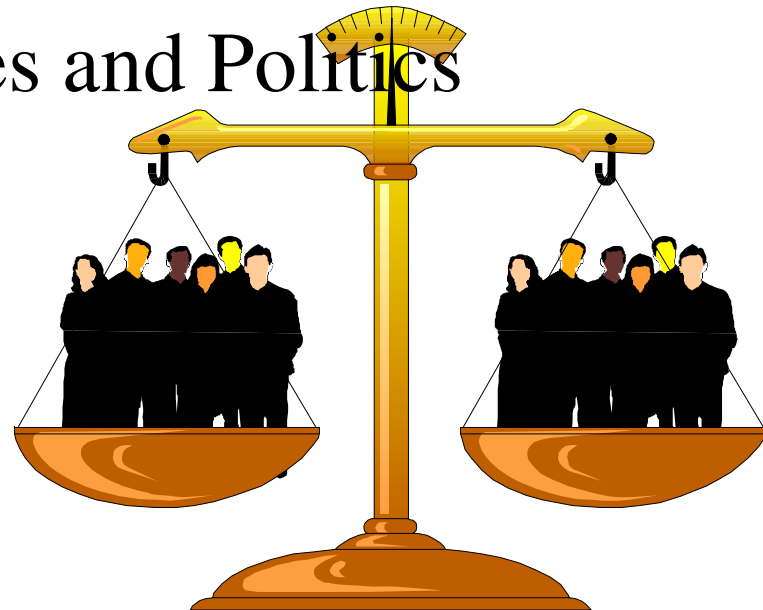


- ∂ *Central Banks are independent from each other*
- *Governments act in their own interest*
- ÷ *No one country is a dictator of fiscal and monetary policy*

# “The Big Events”

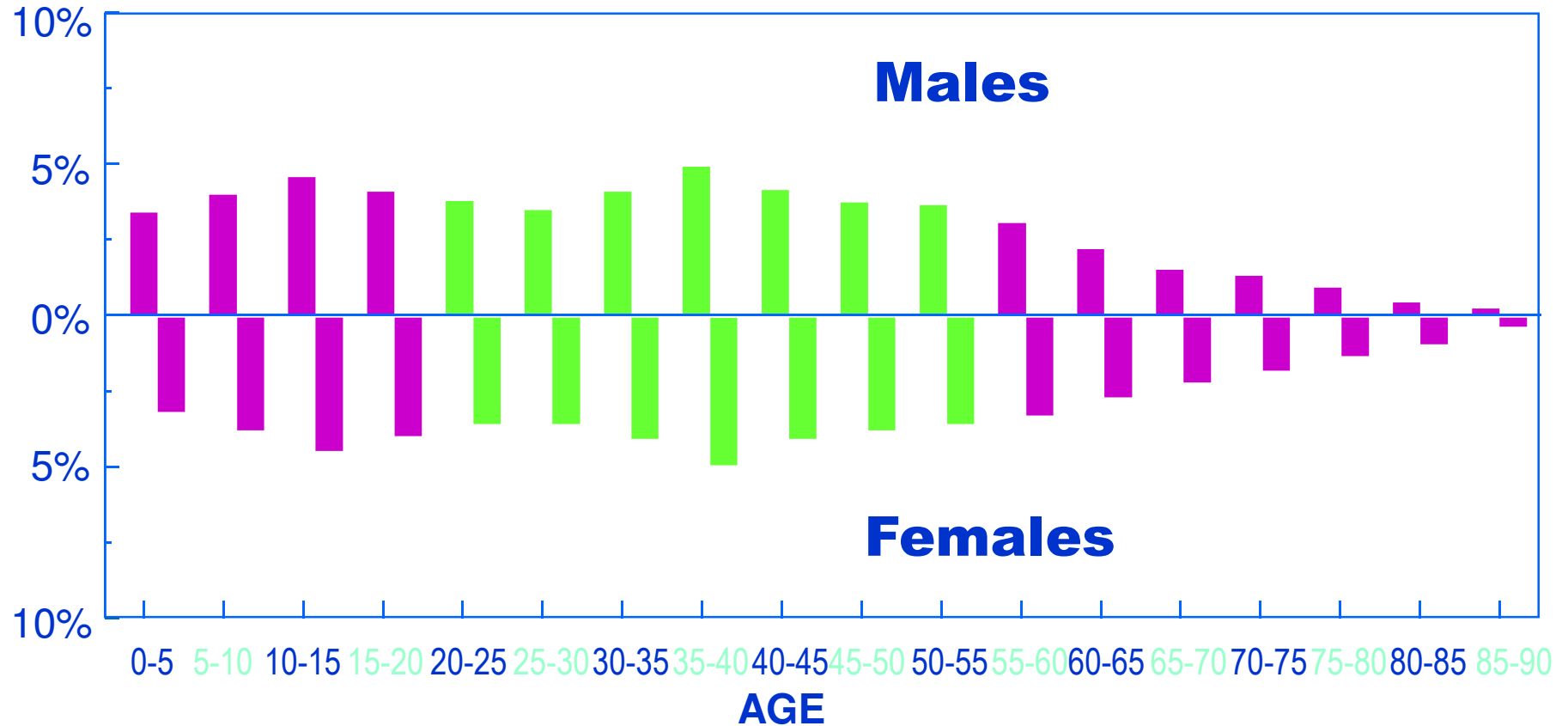
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- Demographic Balances and Politics
  - Baby Boomers
  - Europe and Japan are getting old



# Japan's Population – 1985

## *Percent Per Age Group*

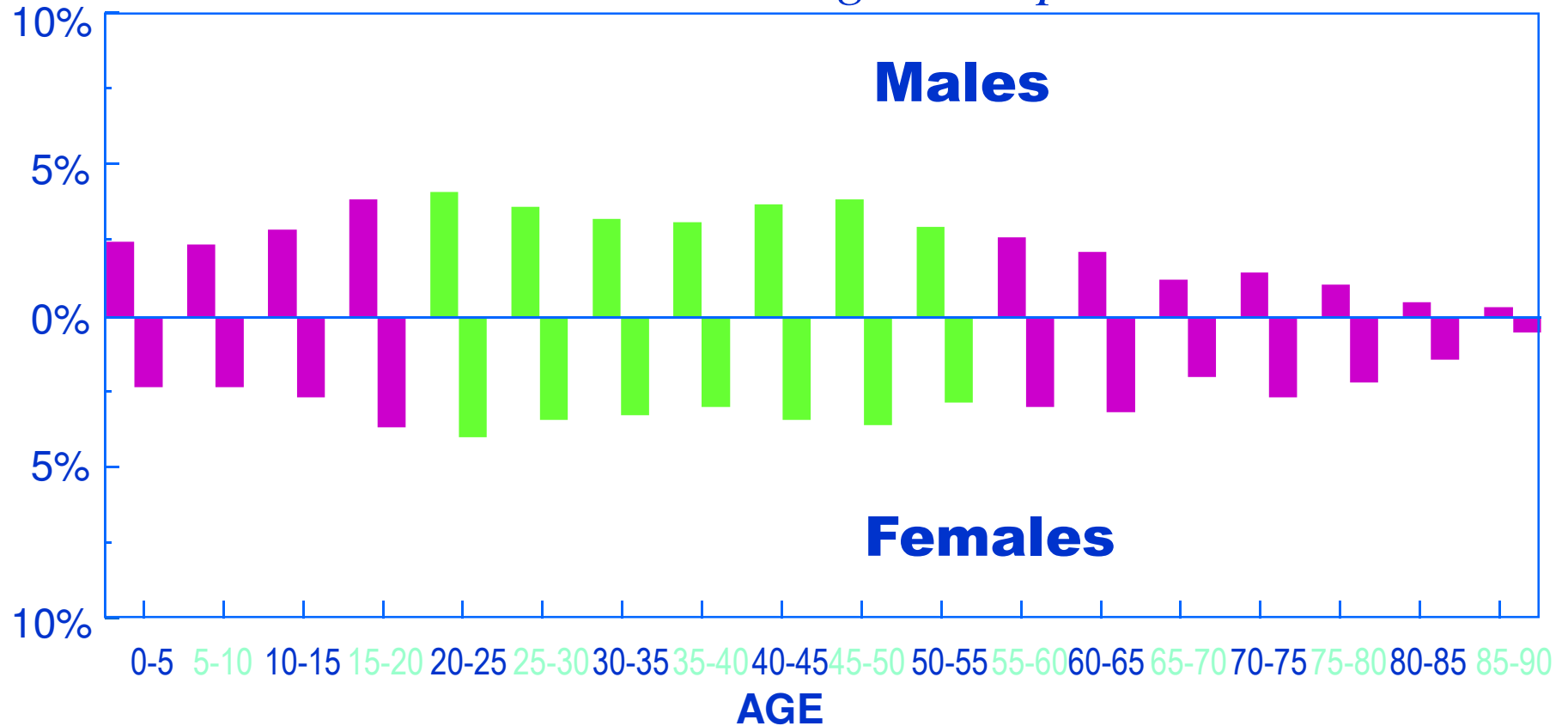


■ Productive Years (Saving)

■ Non-Productive Years (Consuming)

# West Germany's Population – 1985

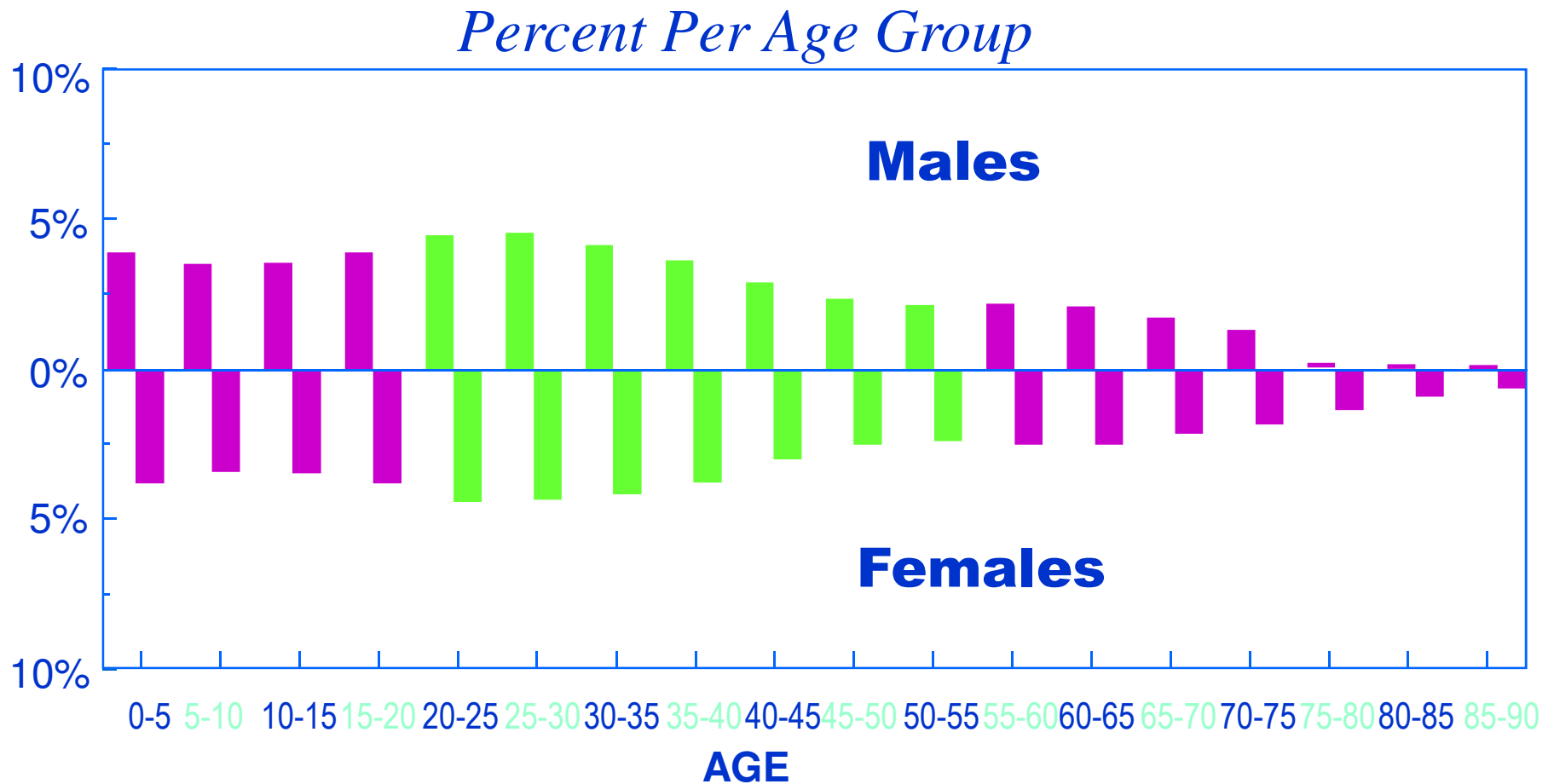
## *Percent Per Age Group*



■ Productive Years (Saving)

■ Non-Productive Years (Consuming)

# United States' Population – 1985



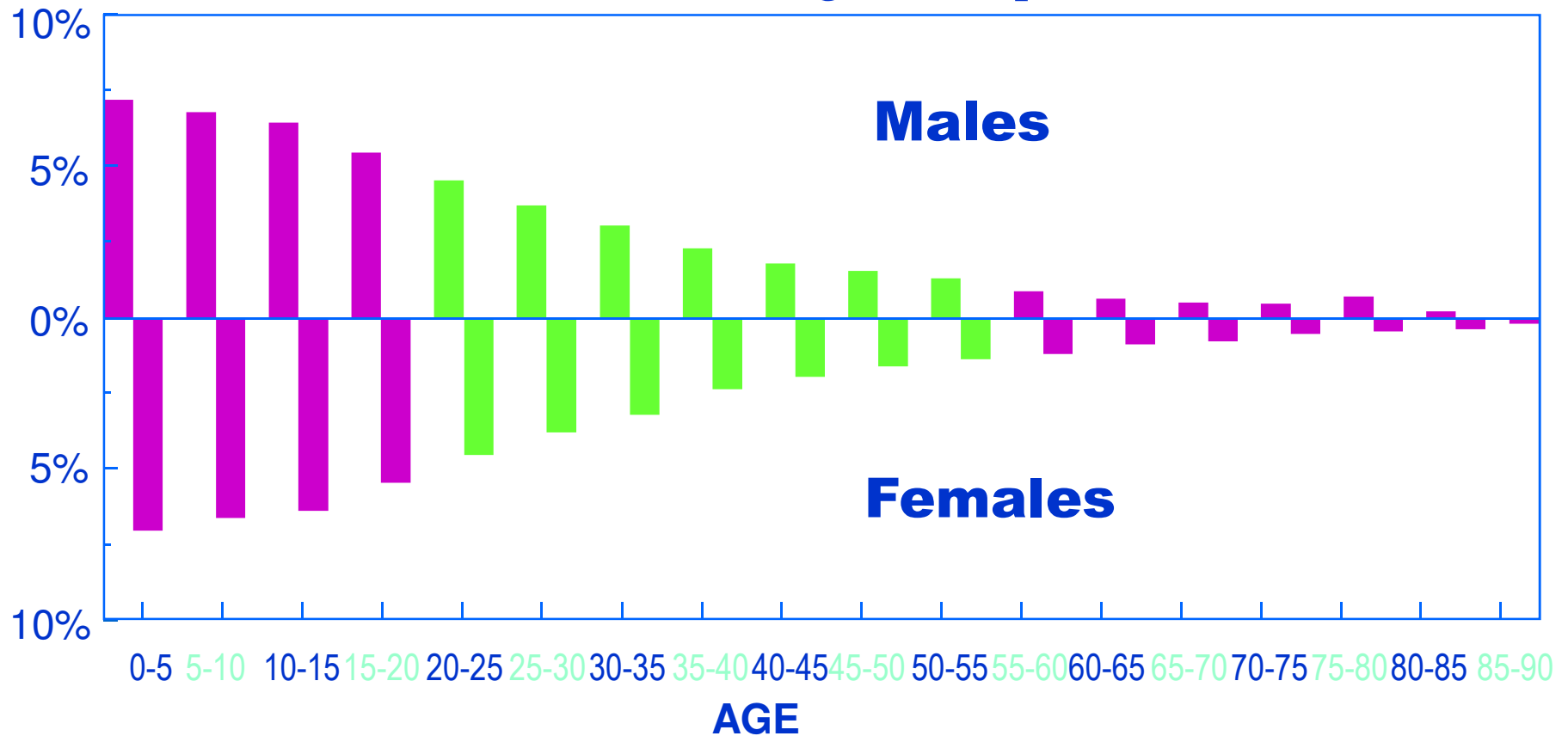
■ Productive Years (Saving)

■ Non-Productive Years (Consuming)



# Mexico's Population – 1985

*Percent Per Age Group*



■ Productive Years (Saving)

■ Non-Productive Years (Consuming)

# Demographics and Policy

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## *USA – 1985*

- Expanding Labor Force
- Labor Expensive
- Rust Belt
- Detroit Dying
- Banks Credit Rating set to weaken
- Unemployment high
- Production moving offshore
- Deficit growing

## *Europe and Japan – 1985*

- Stable Labor Force
- Cheap Labor
- Weak Currencies
- Exports Surging
- Growth OK
- New Investments

# The 90's and 2000's

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## *Trading Places can be Risky*

- Labor Costs
- Jobs
- Deficits

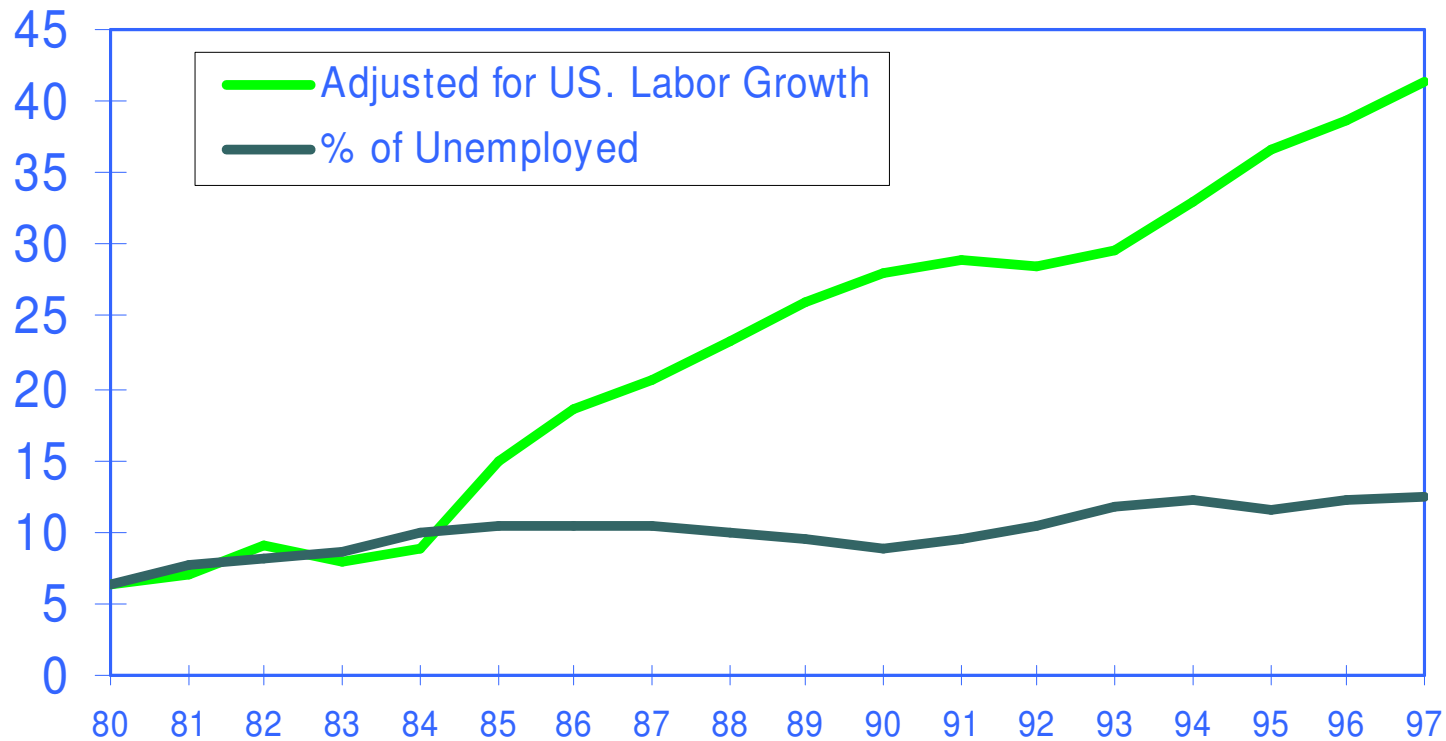
## “DISEQUILIBRIUMS”

# French Unemployment –1996

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How bad it would be if France had had labor  
force growth similar to that of the USA

(%)



# Where are we Today?

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- Demographics Drive Politics
- Along with Democracy comes **Political Economics**
- Public Choice tells us Politicians Seek Rewards --- Votes
- Demographics drive the Long Term

Longer Term Issues: **Bad** Demographics in  
the Advanced Countries: **OLD PEOPLE VOTE**

- The USA is getting older -- **Votes**
- Europe is already old and **Votes**
- Japan is retired and **Votes**
- Middle Class Asia is following Europe and Japan and also **Votes**
- **With Democracy comes Voting**

Risks: Longer Term Issues: **Bad**

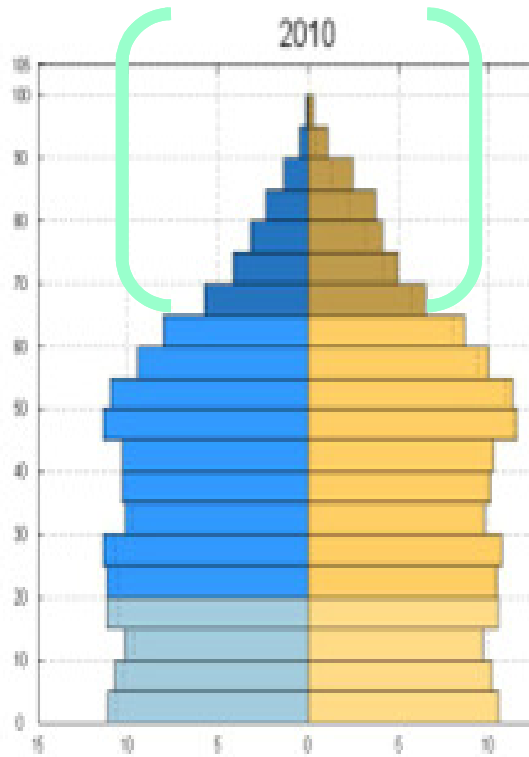
Demographics in the Advanced Countries:

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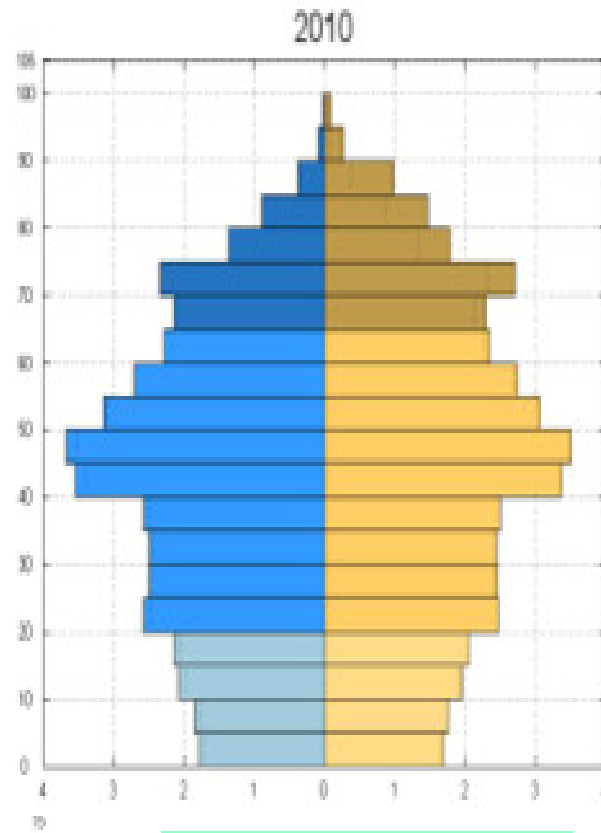
## OLD PEOPLE VOTE

- The USA is getting older -- Votes
- Europe is already old and Vote
- **Japan is retired and Vote**
- Middle Class Asia is following Europe and Japan and also Vote
- Vote Vote Vote
- Old Folks are expensive, **vote**, and do not care about growth as much – **Elections and Policies are determined on the Margin** by **VOTERS** who are **OLD**
- Older voters already have jobs, may be retired, hate inflation, want their benefits, and like the status quo
  - **except in Russia where they die before getting old**
  - **and in China where they are not allowed to vote**

# Advanced Economies

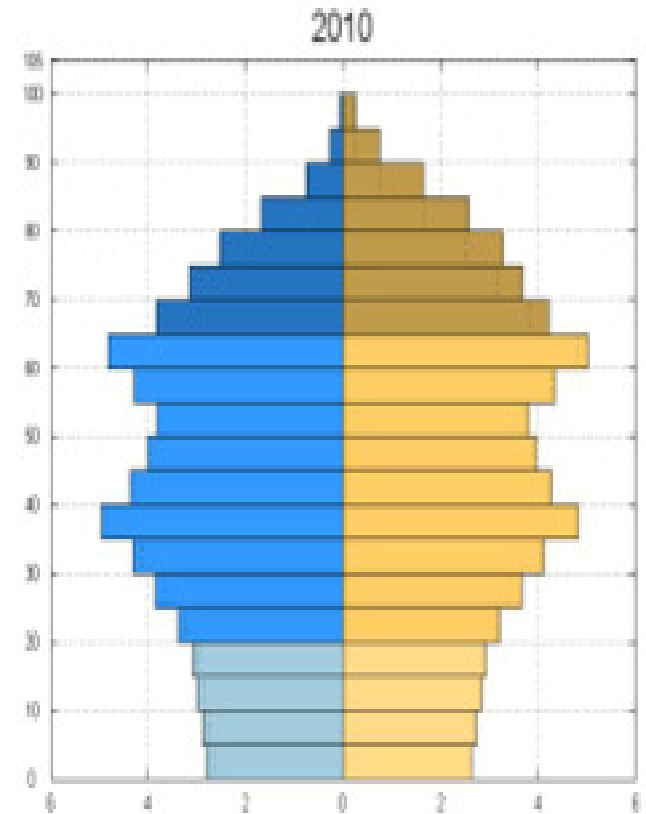


USA: OLD  
9/25/2016



Germany:  
OLDER

D Sykes Wiltford: SPS Holdings



Japan:  
RETIRED



# Longer Term Issues

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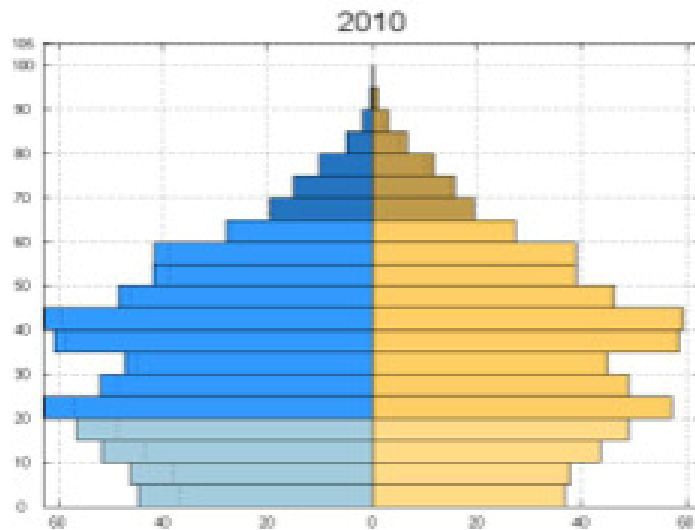
## Demographics in the Emerging Economies

- Demographics in Emerging Economies are Mixed
  - Good that there are young people
  - Bad that there are young people without jobs
- Emerging Economies with a young population
  - Iran, North African Arab Countries, Much of Africa
  - Brazil, Venezuela, and most of Latin America
  - Mexico, Pakistan, India, and so forth
- Not all of these economies are dynamic enough to absorb the growth in population
- Some are doing so, such as Mexico (in spite of the media) and Columbia

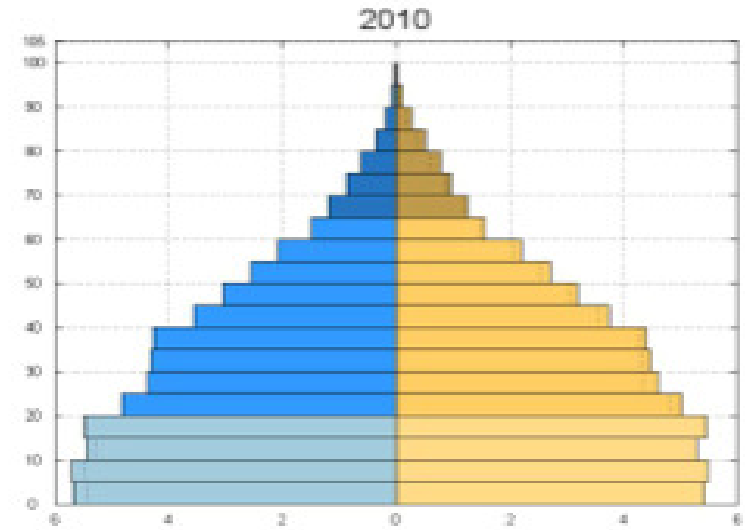
# GROWTH STORIES AND DEMOGRAPHIC DIFFERENCES

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## CHINA



## MEXICO



FAST GROWTH:  
FOR NOW  
China Getting Old

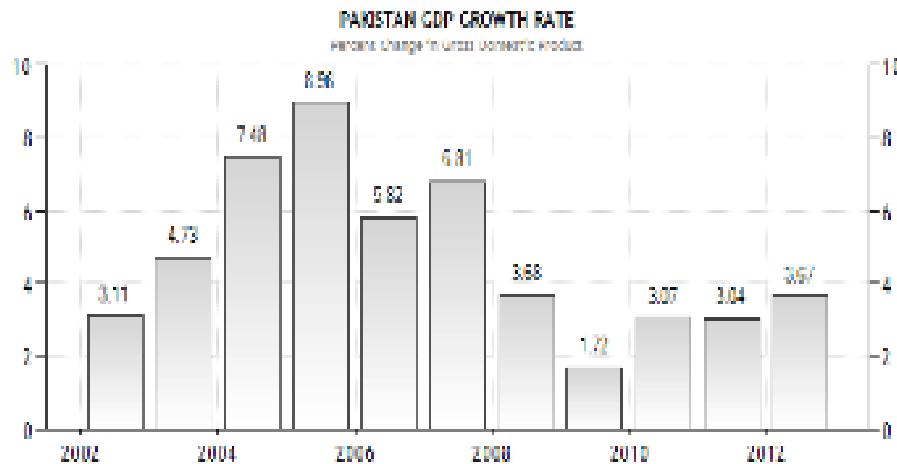
IS GROWTH  
SUSTAINABLE?

9/25/2016

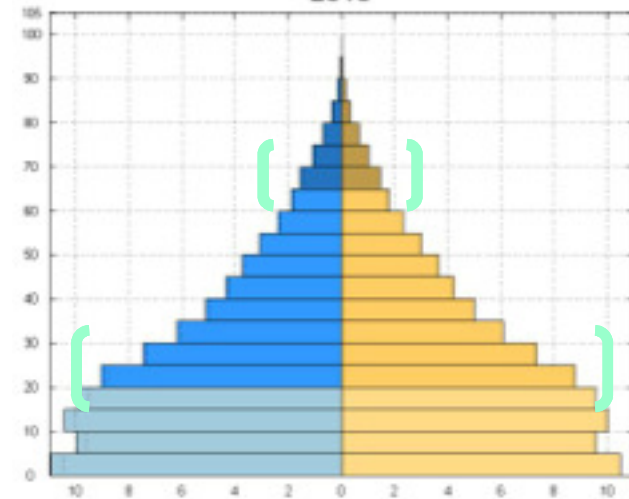
FAST! D Sykes Wilford: SPS Holdings

# These Countries Need Growth to Absorb the Young Population

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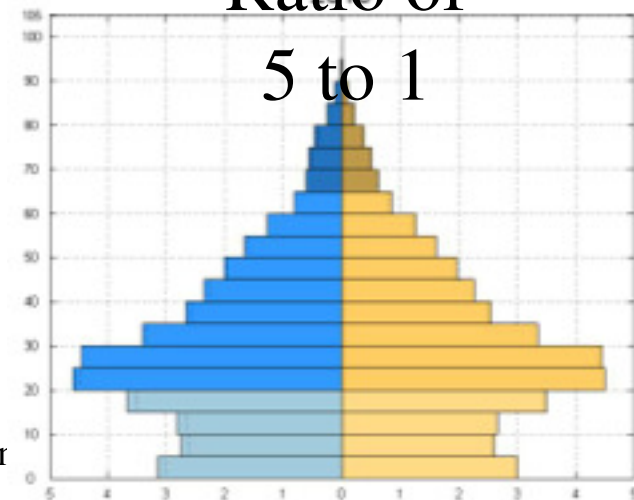


Pakistan



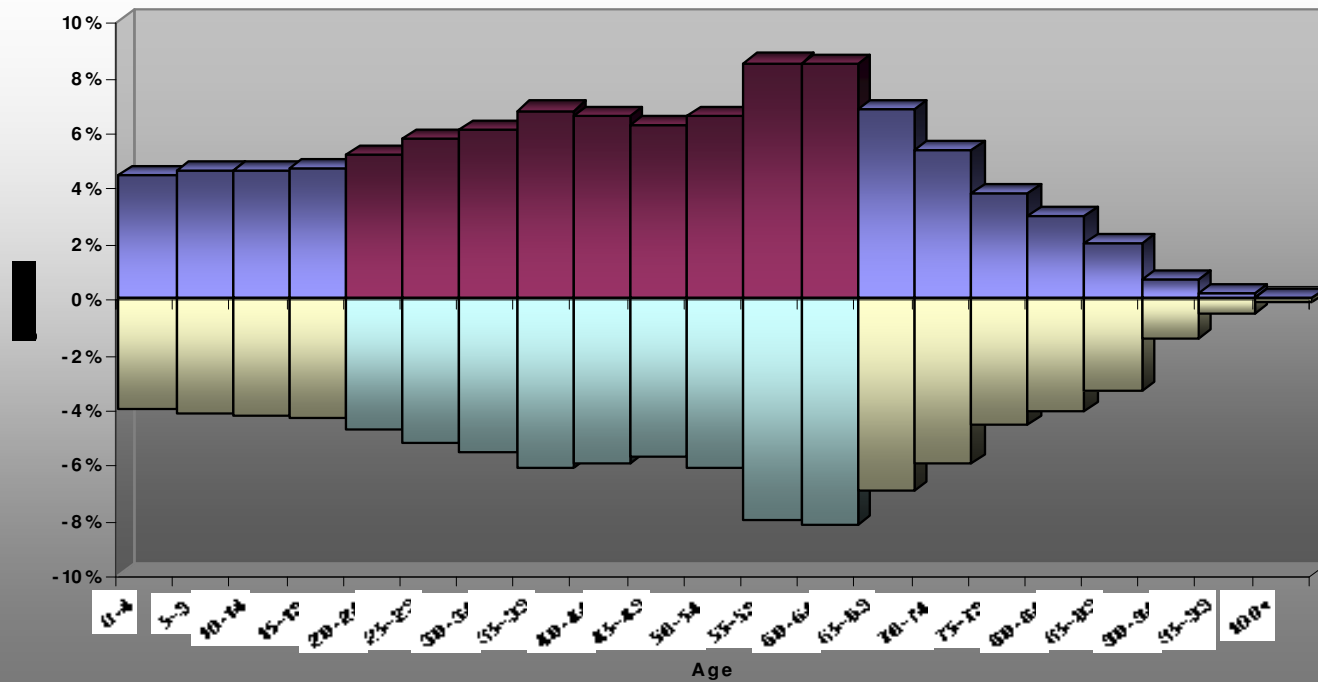
IRAN: Who  
Really Knows?

Ratio of  
5 to 1



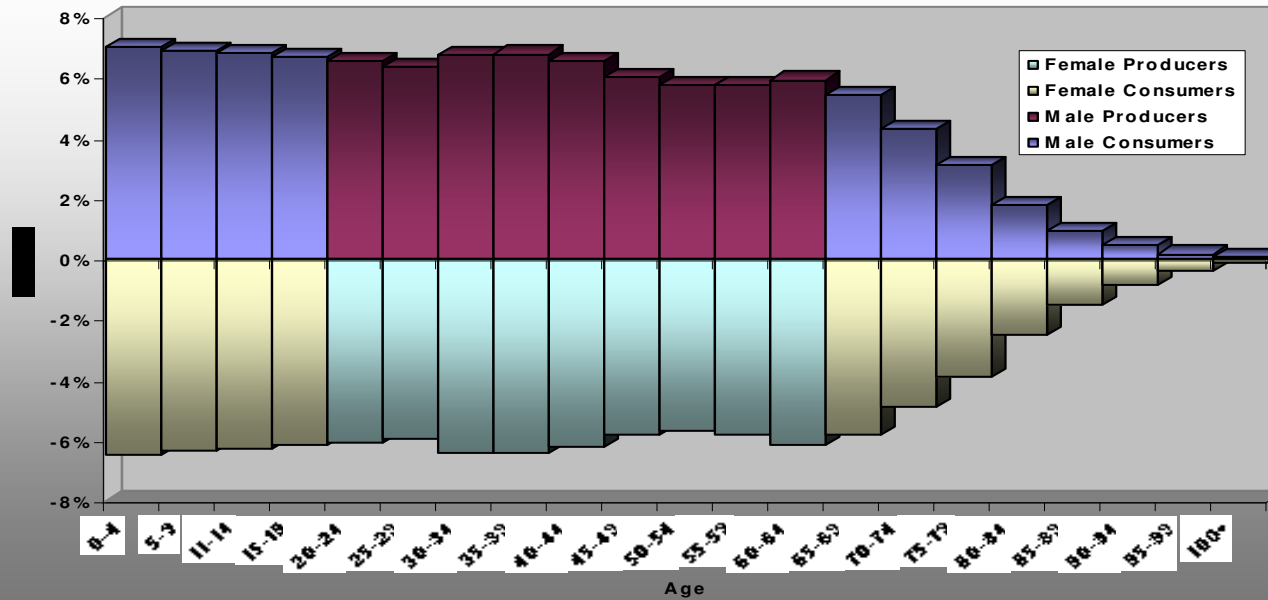
# Germany Demographics: 2025

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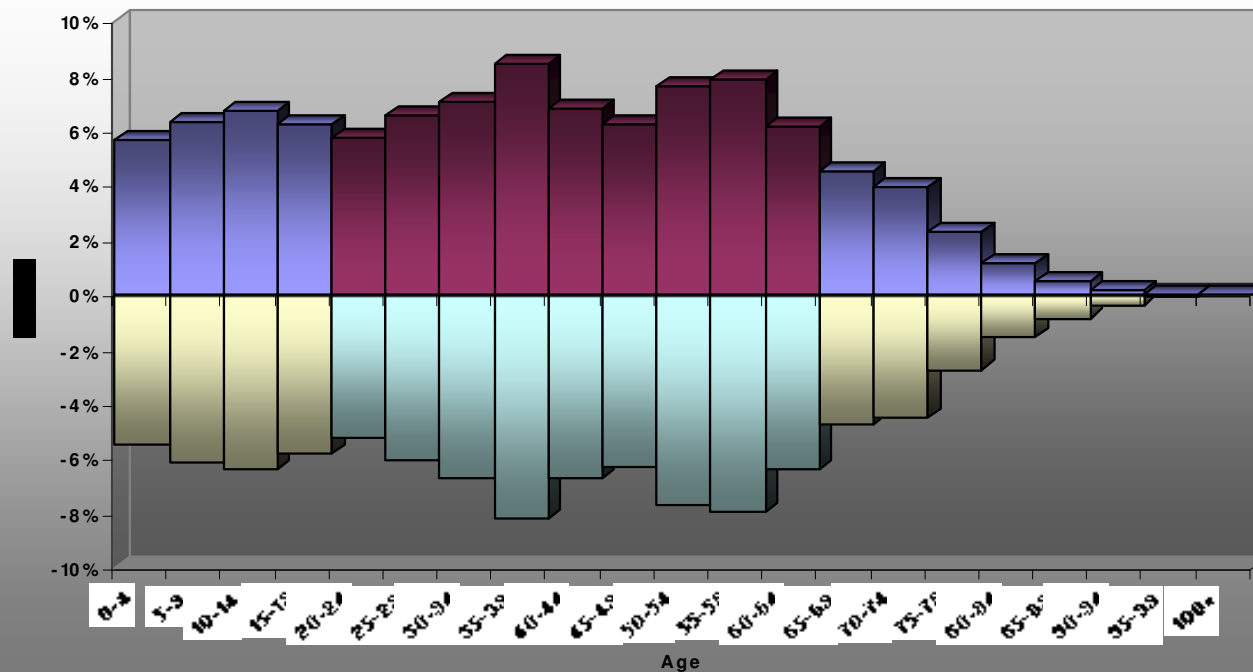
# US Demographics: 2025

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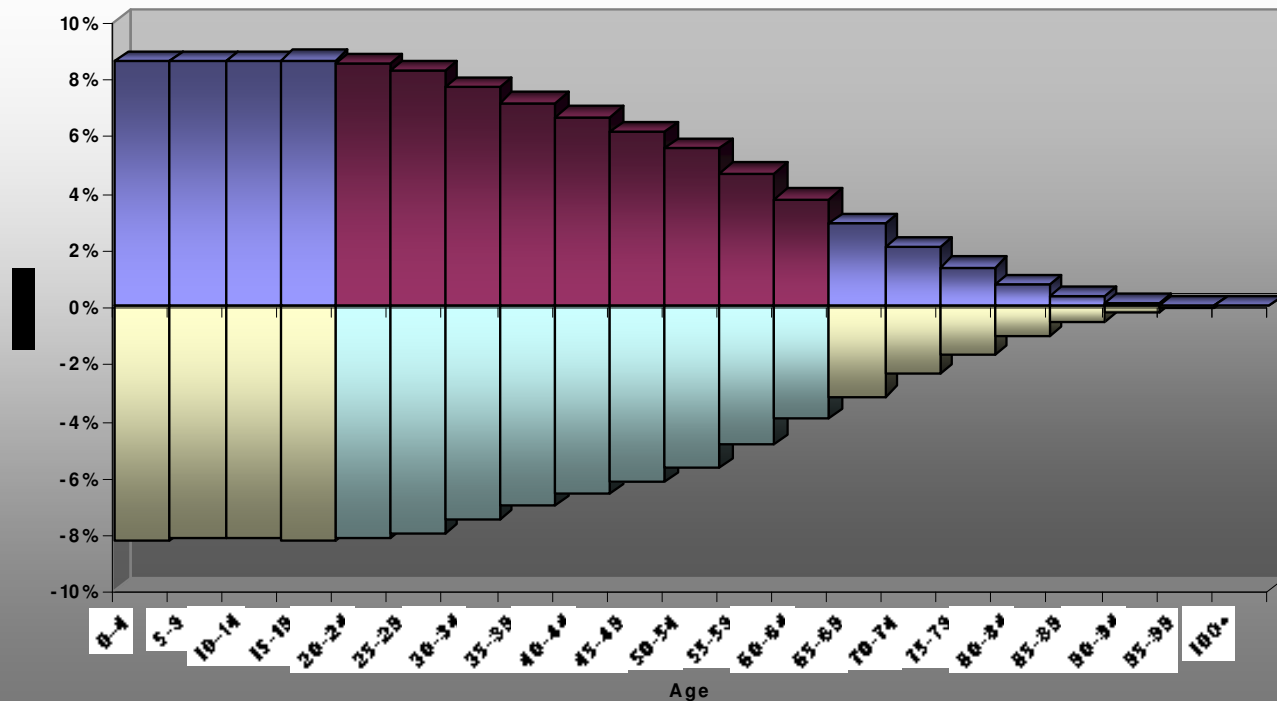
# China Demographics:2025

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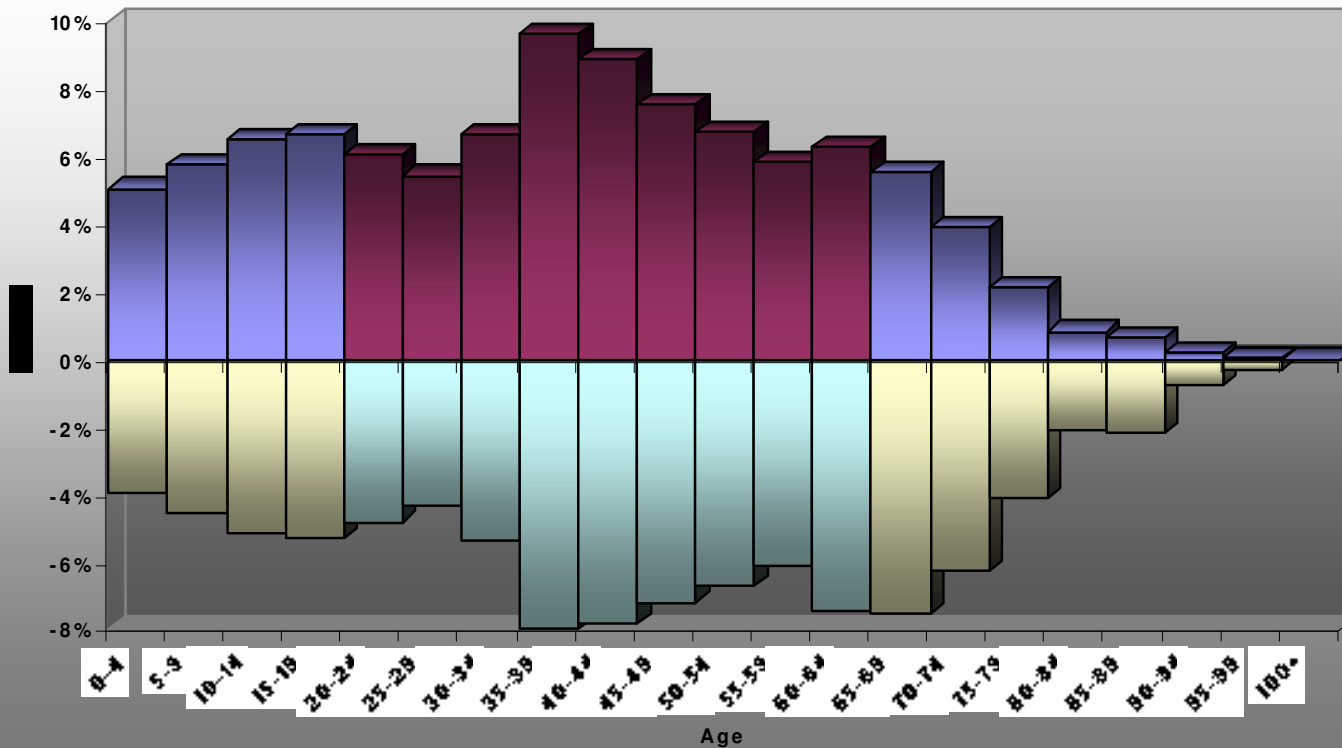
# India Demographics: 2025

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# Russian Demographics: 2025

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# Do Advanced Countries Financial Policies Make Sense?

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- Zero Interest Rate Policies
  - Japan
  - USA
  - Europe
  - UK
- Rates could fall in China (but they are tightening **WHY?**)
- Room for rates to fall in Emerging Countries with demographic growth – **Implications?**
- Do Huge Budget deficits make sense for the OLD countries? Do the Politics of Deficits make sense!!!!!!!!!!

# Implications:

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- Old Countries cannot grow their way out of the deficits; **Old people Vote and are Old**
- Younger Countries face Jobs **shortages**
- **China Miracle is running out, being kept on life support till demographics turn**
- Asia is in the same Boat as China, but closer to Japan which is dying (some exceptions)
- The USA is demographically in better shape

# Do we Need a New Financial Policy Dictator?

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