



## A Common Stock Christmas Carol

Charles Dickens' seminal work, *A Christmas Carol in Prose, Being a Ghost-Story of Christmas*, commonly referred to as *A Christmas Carol*, was published in London 173-years ago. It was an instant success. Since its publishing in 1843, it has never failed to be out of print.

According to unofficial authority of all things Internet, Wikipedia:

“The book was written at a time when the British were examining and exploring Christmas traditions from the past as well as new customs such as Christmas cards and Christmas trees. Carol singing took a new lease of life during this time. Dickens' sources for the tale appear to be many and varied, but are, principally, the humiliating experiences of his childhood, his sympathy for the poor, and various Christmas stories and fairy tales.”



I recently re-read the classic story, and was dumbstruck when the narrator described a nightmare in which Scrooges' reliable British assets are transformed into “**a mere United States' security.**” WHAT? Dickens comparing U.S. debt to a pile of rubbish? My curiosity sent me immediately to Wikipedia, Google, and American Heritage.

The 1840s were the days when America was a capital-starved emerging market. Just as today's rich Americans seek higher yields in Vietnam, Indonesia, Turkey, Brazil, and South Africa, the wealthy class in 1840s Britain sought profitable investments in the young upstart United States of America.

Following the Panic of 1837, U.S. state debt plunged to fifty cents on the dollar. By the time Dickens penned his slight of U.S. securities, Pennsylvania, Mississippi, Indiana, Arkansas, Michigan and the new territory of Florida had already defaulted. By the Panic of 1847, U.S. government bonds were eschewed by British investors.

Enter George Peabody, an American banker who solicited overseas investors for the loans. He had fallen into a deep depression, overwhelmed with shame at the mere thought of running into a British investor.

Yet, life goes on. Peabody partnered with Junius Spencer Morgan 10 years later, whose son (John Pierpont Morgan... sound familiar?) would finance the emergence of the United States as the most powerful economy in the world.

Consider my lifetime: I was born 115 years after *A Christmas Carol* was published, and I've seen the mainstream media announce the “fall” of America countless times, only to publish shortly thereafter reports of her death were greatly exaggerated. After all, everybody loves a good comeback story.....

Since 1958, America went from being a net exporter of oil to submissive dependence on foreign oil. In 1968, U.S. government couldn't *give* away debt in Europe, because our allies were anticipating the demise of the gold standard. (They would have to wait 3 more years for Nixon in 1971.) During the 1970s, U.S. common stocks lost (adjusting for inflation) over 70% of their value. Need I mention the housing crisis of 2007, a.k.a. the subprime mortgage explosion heard 'round the world?

With that kind of resume, you would think America's darkest days are ahead. Yet here we are, the predominant economy in the world. Our greatest companies are thriving, innovation is developing rapidly, and household net worth is at an all-time high. Inflation-adjusted GDP was just short of \$3 trillion the year I was born. It will end this year at almost \$17 trillion!

In my lifetime, the S&P 500 stock index has gone from 48 to 2,200 (ignoring dividends). Meaning, equity values have increased 45 times while the Consumer Price Index rose a mere 8 times. United States common stocks have been the greatest generator of real wealth for the largest number of people in the history of the planet, and continue to be the only asset class that fully captures human ingenuity.

**What's my point? There is no catastrophe of the American economy looking through the long lens of history, only growing pains. It's my job as your behavioral investment counselor to encourage you to always continue working the plan, a service we've proudly offered at Bodnar Financial since 1988.**

**Reports of America's "fall" have been greatly exaggerated. As history proves to us again and again, America's best days are ahead.**

The glorious year of 2016 is coming to a close- a year during which not one, but TWO Bodnar kids entered into the holy sacrament of marriage, a year during which Karen and I celebrated 32 years of the same sacrament, a year during which my grandson learned to talk, and both of my parents and Karen's mother still blessed us with their presence...

Could I possibly end this any other way than as Tiny Tim said?

**"A Merry Christmas to us all! God bless us, every one!"**

Happy Holidays,



John Bodnar, CFP®, CIMA®

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