

DMA Minutes for January 14, 2015

Attendees: 127    Guests: 7    Total: 134

Arranged by Tom Lom, last week's speaker was Stephen Roach whose opinions on global economy have been known to shape foreign policy in Beijing and Washington. In his recent book, "Unbalanced: the Codependency of America and China" he cogently presents the pitfalls and opportunities of both countries. His curriculum vitae includes 30 years at Morgan Stanley, the Brookings Institute and is currently a senior fellow at Yale University's Jackson Institute of Global Affairs. (As he said, he prefers teaching passionate students vs. pandering to stodgy idiot investors.)

Mr. Roach displayed a keen sense of humor during his presentation in which he portrayed China as a producer of commodities while the U.S. is a consumer. China's population is 4 times that of ours and it has enjoyed a 10% GDP for the past 30 years and the exporting to the U.S. is key to this success. (He believes this growth will abate to about 7% in the foreseeable future.) He pointed out that there exist many tensions between these two powerhouses: hacking, human rights, cyber attacks, and financial, all of which make our economies too interrelated.

In 1978, both economies were facing grave problems requiring new solutions and Mr. Roach believes that the Chinese solutions have benefited China more than the U.S. solutions have benefited us. He made it abundantly clear that he is not a huge fan of Ben Bernanke, so-called savior of our economy, by printing money and keeping interest rates low. China is trying to alter its economic growth model by changing to a production model instead one of consumerism. He fears that the key to future growth is savings and that the U.S. is not doing this. Compounding this, is our weakened economy, problems with the middle class and the inevitability of the Fed to raise interest rates. Also, he predicts that there will be no "grand bargain" between the two political parties and the Fed's incrementalism is a stumbling block.

It was not a glowing economic portrait which Mr. Roach painted for his audience; in fact, it was "scary" from the standpoint that he felt China was addressing its problems with a proposed balanced growth model. This approach could possibly cause serious consequences for the U.S. if we do not become less reliant on the theory of co-dependency with China. China is also, according to Mr. Roach, enjoying some political leadership while we here at home are sorely lacking.

A most insightful, sobering talk and one which should give us all pause for thought and reassessment.

This Date in History:

1954 – USS Nautilus was the first nuclear powered submarine launched in Thames, Ct.

Birthdays:

Itzak Fuks, an Israeli El Al captain, crashed his plane in Amsterdam. You wonder why I cite this insignificant fact? I liked the name and wanted to share it with you. If still alive, Mr. Fuks would be 82 today!