

A Tale of Five Decades 1970 - 2023

One of the greatest advantages the individual investor can possess—and the one least available from the 24-hour financial “news” cycle—is long-term perspective. As President Harry Truman said, “The only thing new in the world is the history you do not know.”

In many important respects, the history of the last five decades is one of tremendous progress in the well-being of the world’s population, the performance of our financial markets, and the affluence of the average American household. Herewith, some selected highlights.

Construction tops out and the first tenants move into One World Trade Center (the “North Tower”) in New York City. At that moment, it is the tallest building in the world; it will cease to exist 31 years later. The first Earth Day is observed. The United States and its South Vietnamese allies invade Cambodia; National Guard troops fire on an anti-war demonstration at Kent State University in Ohio, killing four students and wounding nine. Paul McCartney announces that he is leaving the Beatles. Jimi Hendrix and Janis Joplin both die at age 27. An explosion aboard the *Apollo 13* spacecraft on its way to the moon imperils the lives of three astronauts; four days later, they return safely to Earth.



- ◆ S&P 500 year-end close: 92.15
- ◆ S&P 500 earnings: \$5.51
- ◆ S&P 500 dividend: \$3.14
- ◆ Global population: 3.7 billion, **fully half of whom live in extreme poverty, as defined**
- ◆ U.S. population: 205 million
- ◆ U.S. real GDP per capita: \$25,700

In the “Miracle on Ice,” the U.S. Olympic hockey team defeats the Soviet Union 4–3; they will go on to win the gold medal. An attempt by the Hunt brothers to corner the market in silver implodes. Mount St. Helens erupts. The Pac-Man video game debuts, and CNN begins broadcasting. In Poland, the trade union Solidarity is established; it is the beginning of the end of the Soviet Union. Iraq invades Iran, starting a war that will end in stalemate eight years later. In a landslide, Ronald Reagan is elected the 40th president of the United States. John Lennon is shot to death outside his home in New York City.



- ◆ S&P 500 year-end close: 135.76
- ◆ S&P 500 earnings: \$14.91
- ◆ S&P 500 dividend: \$6.16
- ◆ Global population: 4.4 billion
- ◆ U.S. population: 227 million
- ◆ U.S. real GDP per capita: \$32,000

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You can't build a rational long-term plan without access to long-term historical perspective about returns, volatility, and how they are connected. As humans, we are wired in such a way that it is exceedingly difficult to make the right decisions for the long term. We provide that long-term perspective on an ongoing basis, particularly when it's needed most, such as in bear markets.



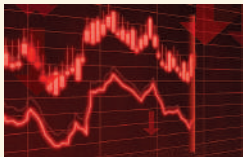
1990



Nelson Mandela is released from prison after 27 years. The government of Margaret Thatcher—longest serving U.K. prime minister of the 20th century—falls. The Hubble Space Telescope is launched. East and West Germany merge; Checkpoint Charlie is dismantled in Berlin. Iraq invades Kuwait, which will lead to the first Gulf War early in 1991. Mikhail Gorbachev is awarded the Nobel Peace Prize. Tim Berners-Lee publishes a formal proposal for the World Wide Web. Channel Tunnel sections started from the U.K. and France meet beneath the seabed of the English Channel. Jim Henson, creator of the Muppets, dies.

- ◆ S&P 500 year-end close: 330.22
- ◆ S&P 500 earnings: \$22.65
- ◆ S&P 500 dividend: \$12.09
- ◆ Global population: 5.3 billion
- ◆ U.S. population: 250 million
- ◆ U.S. real GDP per capita: \$39,800

2000



In the first hours of the new year, it becomes clear that the world hasn't ended: the Y2K "crisis" has passed. On January 10, AOL announces the acquisition of old media giant Time Warner, signaling the end of the dot.com bubble. The NASDAQ Composite Index tops out on March 10th; it will subsequently decline nearly 80%. The S&P 500's peak follows on March 24th at 1,552.87, a level it will not reach again for seven and a half years. Vladimir Putin is inaugurated as president of Russia, a position he continues to hold. George W. Bush narrowly defeats Vice President Al Gore for the presidency, in an election that is ultimately resolved in a Supreme Court decision.

- ◆ S&P 500 year-end close: 1,320.28
- ◆ S&P 500 earnings: \$56.13
- ◆ S&P 500 dividend: \$16.27
- ◆ Global population: 6.1 billion
- ◆ U.S. population: 282 million
- ◆ U.S. real GDP per capita: \$50,200

2010



A catastrophic earthquake in Haiti kills over 300,000 people and destroys the capital, Port-au-Prince; President Obama recruits former presidents George H. W. Bush and Bill Clinton to lead the American relief effort. The "flash crash" briefly erases a trillion dollars of market value on the New York Stock Exchange; it is over in 36 minutes. The last U.S. combat troops are withdrawn from Iraq. An oil well being drilled offshore in the Gulf of Mexico by the Deepwater Horizon blows out, causing the rig to explode in a fireball visible 40 miles away, and leading to the largest marine oil spill in history. The first Chevrolet Bolt plug-in hybrid electric vehicle rolls off the assembly line.

- ◆ S&P 500 year-end close: 1,257.64
- ◆ S&P 500 earnings: \$83.77
- ◆ S&P 500 dividend: \$22.65
- ◆ Global population: 7.0 billion
- ◆ U.S. population: 309 million
- ◆ U.S. real GDP per capita: \$54,600

2020/2023



A novel coronavirus sets off a global public health crisis on a scale unseen since the 1918 flu event. Lockdowns aimed at stemming the spread of the virus also cause a savage and all but instantaneous recession; unemployment soars. The S&P 500 declines 34% in 33 days, its fastest such decline ever. Massive monetary and fiscal intervention reverses the decline, such that the S&P 500 regains its previous peak within six months. The development of vaccines takes place in record time; they are going into broad distribution as the year turns. All three major stock indexes end the year at record levels.

	2020	2023 ¹		2020	2023
◆ S&P 500:	3,756.07	4,769.83	◆ Global population (billion):	7.8	8.0
◆ Earnings:	\$140.46	\$219.30	◆ U.S. population (million):	332	335
◆ Dividend:	\$58.28	\$70.30	◆ U.S. real GDP per capita:	\$62,400	\$67,000

¹Except for the S&P 500 (which is the Dec. 31, 2023 closing price), all other 2023 values are estimates.



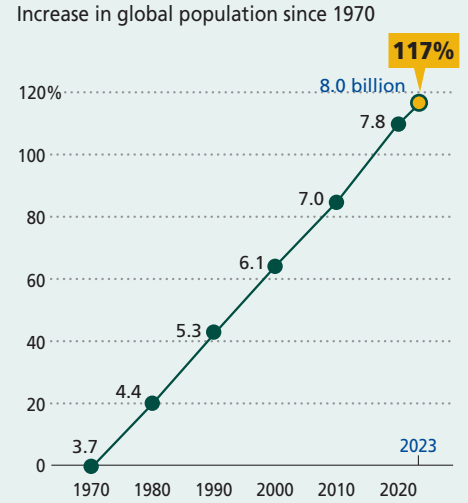
S&P 500 Price

Excluding dividends, the S&P 500 price has increased 52x since 1970, or at a compounded growth rate of just under 8%



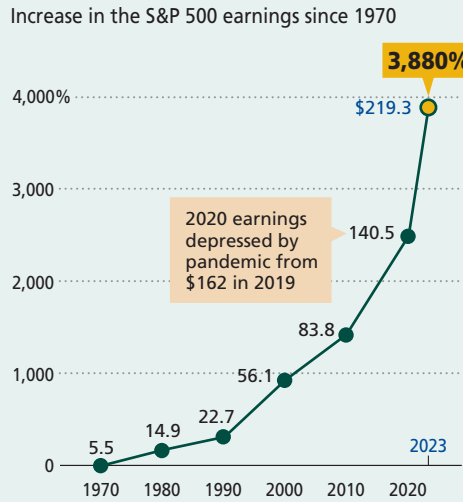
Global Population

Up 117%, but number living in extreme poverty reduced from 1 person in 2 to 1 person in 10



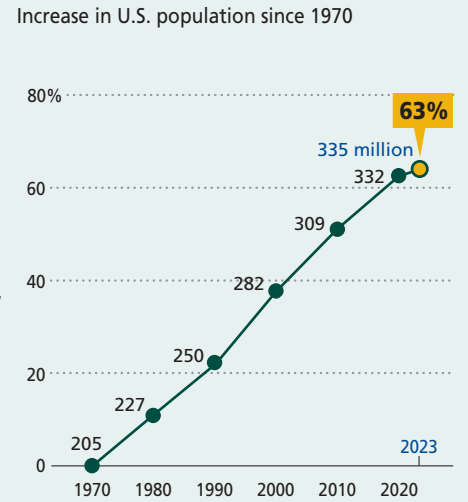
S&P 500 Earnings

Earnings have increased by 40x or at a compounded growth rate of just over 7%



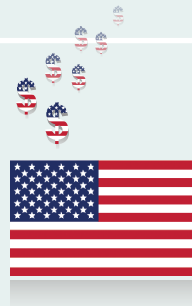
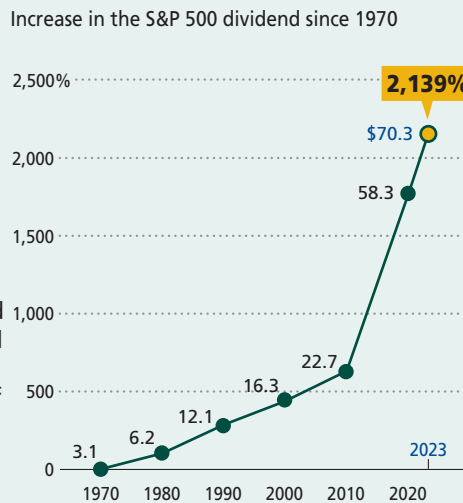
U.S. Population

Now 335 million people, the population has increased by half over this time period



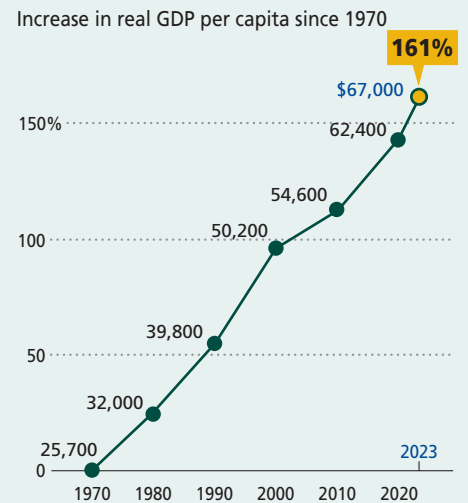
S&P 500 Dividend

Dividends have increased 22x, or at a compounded growth rate of 6%—about double the rate of inflation over the same time period



U.S. Real GDP per Capita

Real, or inflation-adjusted, GDP per person has increased 161% in the last half century



This, then, is the tale of five decades (1970 - 2020).¹

- ◆ Global population more than doubled, yet extreme poverty was slashed from one human being in two to one in 10; it continues to decline. Half the world's population are now middle class consumers—the lifeblood of a free and growing global economy.
- ◆ U.S. population is up more than 60%, and gaining a new person (through net births and migration) on an average of every 47 seconds. And still with almost unimaginable room to grow: population density per square mile is 87, compared with more than 300 in France, 600 in Germany, 700 in the UK, and 850 in Japan.
- ◆ In 1970 the U.S. was running out of oil, and increasingly dependent on imports from OPEC. In 2020 we were once again the world's largest oil producer, with an abundance of cheap natural gas that is drawing global manufacturing back to our country. And as relatively clean-burning natural gas replaces coal in our electric utilities, U.S. greenhouse gas emissions continue to decline.
- ◆ Real—that is, *inflation-adjusted*—GDP per person rose 135% in this half century. What mature, fully developed economy has ever done that?
- ◆ The S&P 500 rose 40 times, propelled by an earnings increase (to pre-pandemic levels) of 30 times, and a dividend boost of 15 times. (This despite the three deepest bear markets since the 1929–32 event.) **Yet the Consumer Price Index rose barely seven times.** Given that about half of all Americans own stocks in some form, is it too much to think that this may have been the largest accretion of real wealth *by the most people* in the history of the world?
- ◆ But perhaps the most dramatic example of the world's progress in these five decades is also among the simplest. To wit: the smartphone in a middle school child's backpack this morning holds more computing power than did *Apollo 13's* onboard computer that night in 1970 when the ship exploded. Should the student wish to research any given topic, her device can access all the available information in the world—for free. And if some of that information happens to be in a foreign language, the smartphone will translate it for her.

This capability was not just unavailable in 1970. ***It was inconceivable.***

Sources: World and U.S. population growth: U.S. Census Bureau, United Nations. U.S. real GDP per capita: Bureau of Economic Analysis, U.S. Census Bureau. Percentage of world population in extreme poverty: World Bank "Poverty Headcount Ratio." S&P 500: "S&P Earnings History," NYU Stern School of Business. U.S. total household net worth: J.P. Morgan Asset Management, "Guide to the Markets." Percentage of world population in the middle class: Brookings Institution, "A Global Tipping Point," 2018. Consumer Price Index: Bureau of Labor Statistics. Population densities: Wikipedia. Percentage of Americans owning stock: Gallup poll taken annually 2010–2020. U.S. greenhouse gas emissions: U.S. Energy Information Agency.

¹*Attribution: In January 2016, Keating Wealth Management first shared a four-decade perspective covering the period 1975 – 2015, and the original statistics were sourced from the December 2015 edition of Nick Murray Interactive. Permission to use the original data and the associated commentary from Mr. Murray's article was then granted by the author to subscribers of his newsletter. In January of each year thereafter, we published updates to the original 2015 data. In February 2021, Mr. Murray published a new five-decade perspective covering the period 1970 – 2020 in a "Client's Corner" article. As with the original piece, all data and commentary are sourced from the 2021 update.*



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