

# StraightTalk

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## When Is Good News...Good News?

Fourth quarter economic growth last year was expected to be near zero – and it came in at 2.9%. January employment was projected to be 188,000 jobs added – the number came in above 517,000 new jobs. February housing starts increased 9.8% for the month, beating expectations by 140,000. And last month’s bank collapses were predicted to crater the banking sector and drive the market lower, but as I write this, the S&P 500 is up 3% from the day that news broke. All of these are unabashedly good news, yet they are being treated as bad news. The financial news media points to these as exhibits A, B, C and D for why the Federal Reserve will continue to hike interest rates, thus driving the stock market lower this year and causing a recession. So, my question is...when is good news just good news?

If you are reading this, then your portfolio is “forever money.” In plain English, none of you has as your lifetime financial goal to spend your assets down to zero on your last breath. Your assets, and the portfolio they are invested in, are designed to last you a lifetime and beyond. That beyond can be inter-generational wealth bestowed upon the family you leave behind, or a meaningful legacy with charitable causes and institutions you care deeply about – or both. Accordingly, those dollars are invested for a much longer timeline than your life expectancy. We inherently know that long-term positive trends and long-term good news are far more important than short-term crises or bad news headlines. Yet those short-term bad news headlines drive the narrative in the echo chamber of today’s myopic media. Moreover, on the few occasions when there is no short-term bad news to be splashed across screens and airwaves, good news is simply slanted, or interpreted as being bad for some reason.

A classic example of this is the recent media coverage of A.I. These initials stand for Artificial

Intelligence, which is simply the result of continued technological advances in computer’s processing speeds and computational abilities. You may know that in the year 1970, when the NASA rocket scientists were working desperately to rescue the wounded Apollo 13 spacecraft – they had less total computing power than does the cell phone in your pocket today. Shrinking size and ever-increasing speed and capabilities have always been the hallmark of technology’s march forward, and A.I. simply represents the next step in this march.

A recent version of this technology, a software application named ChatGPT, has been garnering headlines recently. This app is quite versatile, and can perform such diverse tasks as writing and debugging computer programs, composing music, knowing the entire U.S. tax code to calculate your tax liability, writing student essays, and answering test questions, including passing the bar exam. These last functions have caused quite a stir in the academic community – with concerns about student’s honesty and doing their own schoolwork. This has led to numerous negative and foreboding news reports about the inherent dangers of A.I.

With a nod to “The Terminator” movies, these articles are largely focused on the risks of ever smarter computers and software programs, and the perils of artificial intelligence. This makes for good news copy, and disturbs the public enough to keep them reading or watching, but runs contrary to how an investor should think. The upside opportunities from this technological innovation are astounding.

If you stop to think about it, much of the progress of humankind over the last four decades has been different from the progress in the four centuries prior. When it still took months to sail across an ocean on the wind, and it took backbreaking human and animal labor to farm a field – the incremental

improvements came from mechanical innovation. The steam engine and the cotton drove huge increases in farming productivity, and switching from iron to steel was the catalyst for massive railroad and ocean transportation of goods.

Today's progress is the result of intellectual advances – concepts thought up by human beings and brought to life by man and machine. Tiny communication devices in our pockets, decoding the human DNA strand, and the ability to track anyone (or anything) anywhere in the world are just three examples of thought-driven progress. The age-old concern whenever technology advances and a computer does what a person once did is...won't we forget those skills, and end up out of work?

The answer is that when we are freed from drudgery and the mind is allowed to think, great things can happen. According to PBS, in the 1800s roughly 90 percent of the U.S. population lived and worked on farms. Today farming is practiced by only one percent of the population. Did nine out of ten people just give up farming, and become completely unproductive? Of course not – they learned new skills and occupations, and advanced our society as a result. Moreover, it is clear that today America produces much more from farming much less land, with far fewer laborers than we did then.

Imagine what can be created in the coming years if humanity can employ the aid of computers *to think with us*? What could our best and brightest engineers, scientists, and doctors accomplish if they are able to work alongside computers that think nonstop for 24 hours a day, 365 days a year? The future is almost limitless! The calculator saved all of us from multiplication tables and long division, but it did not stop math scholars from thinking. The freedom from performing those mundane calculations led to breakthroughs like splitting genomes, nuclear fusion, and marvels like the Hubble and Webb telescopes looking deep into space. The reality is when technology erases work, it often creates more specialized opportunity, and this specialized opportunity propels all of us forward.

The drawback to this progress is that it is unveiled slowly over time, whereas negative geopolitical events happen quickly, with far more news coverage.

Consider the following two lists of dates, and their impact on all of humanity:

- 1) 1914, 1917, 1933, 11/22/1963, 8/8/1974
- 2) 12/17/1903, 10/1/1908, 12/23/1947, 1/28/1953, 6/29/2007

The first set pertains to political events; the start of World War I, the Russian Revolution, Hitler's coming to power in Germany, JFK's assassination, and Richard Nixon's resignation. The second group of dates relates to major intellectual breakthroughs; the Wright brother's first flight, the start of production of the Model T Ford, the invention of the transistor, Crick and Watson's discovery of the structure of DNA, and the day the first iPhone was sold in America.

The first group was amply covered by news sources everywhere at the time, and continue to be well known today. It's likely that you knew the dates without any research, and it is irrefutable that those events shaped the world we live in. However, the second group arguably had a far greater and lasting positive effect on humanity and the continued improvement in our daily lives – however, those dates aren't well known to most of us. The compounding of improvement from such innovations like man taking flight, the assembly line and the rise of automobiles, the transistor leading to radio, television and the internet, and the decoding of human DNA cannot be overstated. And aside from the problem of social media on the world's teenager's phones – the productivity and life enhancing benefits of having all of humankind's accumulated knowledge on a pocket sized device are too numerous to list.

In short, the future is not to be feared – rather it should be viewed with excitement. The only constant in the universe is change, and tech breakthroughs in our lives are almost always beneficial. Even though they are reported through the lens of negativity and fear for a foreboding future, keep in mind that good news is just that – good news.