Would You Invest in America?

Brief Summary

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The central question. The paper asks investors to distinguish a country's current condition from its trajectory. The 1965 comparison of Singapore with Ceylon and Botswana with Zambia shows why apparently strong starting positions can weaken while apparently weak ones can improve. The relevant question is not simply where a country stands, but where its institutional framework may be heading.

America in 2026. The United States begins from exceptional strength: a large and productive economy, technological leadership, deep capital markets, the dominant international currency and an institutional framework built over more than two centuries. The paper does not argue that these strengths have disappeared. It asks whether changes in institutional constraints, state capability, political access, fiscal governance, inequality, polarisation and trust are sufficiently persistent to alter incentives and investment behaviour.

How would we know? No single political event or governance indicator establishes institutional deterioration. The paper proposes four tests: persistence, impartiality, state capability and behaviour. Evidence should be triangulated across formal institutional change, actual implementation and the behaviour of firms and investors. Evidence of correction and resilience matters as much as evidence of erosion.

The Treasury market as a test. Large fiscal deficits do not themselves prove institutional weakness. The question is whether the political system can make and sustain difficult fiscal choices when required. Changes in the composition and pricing of Treasury demand are therefore Outcomes to observe, not verdicts. Higher yields can have many causes; the Rutter asks whether evidence begins to form a persistent pattern.

From country risk to investment judgement. Even if country risk rises, the conclusion is not automatically "do not invest." Exposure differs by sector, company, project and instrument. A three-month Treasury bill, a five-year corporate loan and a thirty-year infrastructure investment face very different sensitivities to institutional change. Risk may be addressed through price, duration, structure, protection or reduced exposure; some residual risks may justify not investing.

The Investor's Rutter. The Rutter organises country analysis around Endowments, Enablers, Context and Outcomes. It separates relatively slow-moving foundations and deeper institutional currents from more immediate policy winds and political weather. Its purpose is not to predict the future, but to organise, test and revise judgement as evidence changes.

The conclusion. Country analysis is the starting point, not the investment decision. The sequence is: read the country; identify the trajectory; trace its effects through the sector and company or project; examine the instrument; make the investment judgement; and continue testing that judgement as new evidence arrives. The practical question is therefore not simply whether to invest in America, but in what, for how long, at what price and on what terms.

Core message: *The investor does not need to know the future. The investor needs a better way to judge it before it arrives.*