



Basis Points – September 3, 2020

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Above the Fold

An American Debt Milestone

It's been more than 80 years since World War 2 began and 75 years since the U.S. entered the bloody conflict that took so many lives and reshaped the global order. During the strife, America's government and military mobilized in an unprecedented way, which took an incredible amount of [money](#) — more than \$4 trillion in today's dollars. Much of that funding had to be borrowed, and although the Federal Reserve was created in 1913, its function and tactics were quite different back then. The bulk of the war was financed through raising taxes dramatically and via war bonds, mostly sold to the public. The surge in debt exceeded the size of the economy in 1946 when it

ballooned to 106% of gross domestic product (GDP) after years of military operations spending. In the decade following the war, and the subsequent economic boom, debt-to-GDP ratios were reduced back to levels around 54%.

The war we are facing today is against a physically smaller enemy, but one that has triggered an enormous fiscal response. At the same time, government officials are working to keep taxes low and our economy afloat, which means less revenue flowing into federal coffers. This combination means that for the first time since World War 2, the Congressional Budget Office projects federal debt held by the public to reach or exceed 100% of U.S. GDP. And while that sounds scary, many experts say that without the stimulus, the potential damage to the economy would be worse than this GDP imbalance, which hopefully should stabilize as we work our way out of the pandemic. It's also important to note that borrowing costs are dramatically lower now and that net interest costs on government debt have declined 12% during the first 10 months of the fiscal year.

Three Things

1. *Two-Year High on the Statue of Liberty's Skin* – Lady Liberty is constructed from copper that's just 3/32 inches thick (about the thickness of two pennies), but the material used to craft the monument is gaining in value as of late. The popular industrial metal hit its highest levels in two years as the U.S. dollar weakened and China manufacturing showed a rebound.
2. *Prime Lands FAA Drone Approval* – According to the Federal Aviation Administration (FAA), Amazon Prime Air is officially a "Part 135 Air Carrier," which means it can now begin commercial drone deliveries in the United States. The designation doesn't automatically allow full drone deployment, but is a major stepping stone in its drone delivery service.
3. *Airlines Make MAJOR Changes to Change Fees* – As carriers struggle to get people flying again, three major airlines, American, Delta and United, said they would permanently eliminate those pesky and expensive flight change charges and even cancellation fees. The industry shift could make air travel much more enticing now that we don't have to worry about forking over hundreds of dollars if our travel plans get altered.

Did You Know?

Talk About Retooling!

Americans can accomplish some amazing feats when we work together. Earlier this year, we saw a tremendous response from many companies who retooled their factories to produce ventilators and other items necessary to combat the pandemic. World War 2 triggered an even more dramatic transformation. In 1941, more than 3 million cars were manufactured in the United States, but as the country entered the conflict, automakers reconfigured their factories for war-related goods. With such a focus on winning, America produced just 139 cars during the remainder of the war!

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