Optimism is the Only Realism
By HD Vest Advisory Specialist Aaron Nielsen

"Optimism is the only realism. It's the only worldview which squares with the facts, and with the historical record."
— Nick Murray, Simple Wealth, Inevitable Wealth

Many people believe pessimists are more realistic than optimists. Although completely false, it makes sense why some people think this way. In fact, we are biologically programmed to focus on the negative and dangerous aspects of life in the interests of our self-preservation, often irrationally expanding those perceptions to monumental proportions.¹ This is precisely how alarmists, fear mongers, and doom and gloom soothsayers get the attention they crave; they capitalize on our greater attention to all things pessimistic. Yet, there is a great irony out there of equally monumental stature – that the world is, and always has been, getting better.

After reading the following facts, the only rational reaction should be of the optimistic variety. Optimism that humanity will persevere, innovate, and triumph over the challenges presented to it, just as it always has.

The World Has Improved

1. **The Natural Order:** At one time, nature’s top predators were a threat to us. Now, we are very much a threat to them.²
2. **Inventiveness:** In 1903, humans flew for the first time. Six decades later, we walked on the moon.³
3. **Processing Power:** The first electric computer was the ENIAC, and it weighed 30 tons.⁴ Today, the iPhone weighs 4 ½ ounces and is millions of times more powerful.⁵
4. **Longevity:** In the early 20th century the average global life expectancy was 31, today it is approximately 67.⁶
5. **Violence:** In the 13th century, over 11% of the world’s population was killed by the conquests of Genghis Khan. In the 20th century, less than 6% have perished due to conflict in all the wars during that period combined. This declining trend in overall violence has existed for a thousand years.⁷
6. **Economic Growth:** In the 1960s, global GDP was around 1.3 trillion. Today, global GDP has exploded to over 70 trillion, marking an unprecedented increase in global wealth.⁸
7. **Education & Literacy:** In the early 20th century, world literacy was approximately 21%. Today it is around 83%.⁹
8. **Poverty:** In 1981, 44% of the world was living on less than $1.90 per day. Today, accounting for inflation, that number has dropped to 10%.¹⁰
9. **Communications:** Prior to the invention of the telephone in 1876, the only way to speak to someone was if you were within earshot. Today, anyone can talk to anyone anywhere, at any time, no matter how far away they are.¹¹
10. **Food:** Since 1950, world population growth has been 174%. In that time, world grain production has increased by 249% (*more* than enough to sustain us – not even taking into account other sources of food growth).¹²

11. **Fair Governance:** Not too long ago, most of the power in the world was concentrated in the hands of the few (autocrats, aristocracies, oligarchies, etc.). Today, most of the world’s power rests with democratic nations where the people are the ultimate authority.¹³

12. **Happiness & Quality of Life:** Many nations have begun to statistically measure the happiness of their citizens so they can recognize areas for improvement. This will inevitably lead to a more deeply gratifying and happy world.¹⁴

13. **Disease:** In the year 1900, the crude death rate from infectious diseases in the United States was 800 per 100,000 people in a year. By 1996, that number had fallen well over 90% to under 50 (largely due to the discovery of antibiotics, development of vaccinations, & various pharmaceutical innovations).¹⁵

14. **Power to the People:** In recent history, there have been many powerful examples of people fighting back against tyranny. Two examples in particular are the Arab Spring and the defeat of the oppressive “Stop Online Piracy Act” bill in Congress.¹⁶,¹⁷ Armed with these examples and more, it then stands to reason that one’s faith in people to rise up against tyranny is not naive or ill-founded, but rather *realistic.*

15. **Pollution:** First-world countries are learning how to stop pollution: In the USA, airborne toxins such as nitrogen oxides, carbon monoxide, lead, and sulfur dioxide have decreased drastically since the passing of the Clean Air Act in 1970.¹⁸

### The World Will Continue to Improve

As these facts illustrate, human innovation is a force to be reckoned with, to be *relied upon.* The trends presented above are not mere anomalies, they are the *norm.* No matter what your friends and neighbors say, no matter what you hear from the media, no matter how you may feel, the reality is the world is improving.

So instead of asking *if* the world will continue on in this manner, perhaps the more rational question is how might we *participate* in this prosperity? We would argue the intelligent thing to do would be to actively seek out centers of this great innovation. In our Capitalist society, those centers would of course be the great companies of the world, who pour untold resources into creating innovative ideas, products and technologies that are ultimately spread throughout the planet.

For example, consider our increasing life expectancy: As we continue to age, we will spend proportionately more on medicines and treatments for chronic conditions that would have previously killed us. While this means a happier and longer retirement, it also means increased earnings for healthcare companies. And what do these companies *do* with much of what they earn? They reinvest those earnings into developing new and better medical technologies that increase our lifespans *even further* (which simultaneously cheapens older treatments, increasing access for remote populations, and driving up the global average lifespan). This is largely the reason our global life expectancy is what it is today.
However, by no means is this productive cycle limited to the healthcare industry – all industries work in similar fashion: The communications industry is another great example where the need to communicate has given rise to a plethora of fantastic technologies (the phone, the internet, and wireless communications to name a few). Many of these wonders have connected us in ways we never could have imagined mere decades ago. Yet, we are not done. Companies continue to surprise us every year with newer and more competitive innovations. The advent of gizmos such as the smartphone rocked the markets (and created new markets), motivating companies to top prior achievements to make a profit. This cycle continues, increasing the sophistication and power of these communications technologies over time, ultimately empowering and bringing us closer together as a species.

This mountain of evidence seems to point to the singular conclusion that it is far more rational and realistic to be an optimist than a pessimist in the modern world and the markets; virtually every facet of the human condition has been changed for the better by our overwhelming power to innovate under pressure. And although no one can truly predict what the future holds, history remains a reliable educator who teaches us that our future is more likely a bright one, filled with marvels we cannot imagine, yet are well within our grasp today.

How then should we position ourselves to take advantage of this knowledge? The answer lies in diversification and faithfully staying the course; in trusting that things will continue to get better just as they have for thousands of years, carrying our investments with them. Like an ocean tide rising, the world will experience the volatile motion of the waves, but ultimately it will continue to rise; although one area may falter or even fail, the overall picture will be a positive one. Thus, we must diversify our exposure to the future to maximize the amount of upside we can capture.

I’d like to conclude by sharing with you the following maxim:

**No matter the temporary volatility, no matter the prognostication to the contrary, history shows us that the trend of human progress will be ultimately positive.**

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6 “Life Expectancy - Variation over time” Wikipedia [https://en.wikipedia.org/wiki/Life_expectancy#Variation_over_time](https://en.wikipedia.org/wiki/Life_expectancy#Variation_over_time)
9 “Literacy - Literacy rates around the world from the 15th century to present” Our World in Data, Max Roser [http://ourworldindata.org/data/education-knowledge/literacy/](http://ourworldindata.org/data/education-knowledge/literacy/)
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