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Nobody Wants to Get Rich Slowly

Back in 2004, the US foreign relations committee published a report titled "The Latin-Americanization of China", where it pointed out such risk like the widening gap between urban and rural populations. There were other statistics quoted around that time that indicated average Chinese rural per capita income of 317 RMB, with the rural to urban income ratio worsening from 1.8:1 in 1980s to 3:1 by 2003. According to the seasoned analyst Eric Heginbotham, China's excess population and labor force is a long-term structural issue. He believed there's no way any industrialization can absorb such a massive rural peasant population. The 1980s were the lost-decade for Latin America as various nations took on huge debt, increased government spending, and relied on oil export and foreign capital for funding. As oil price dropped and foreign capital left, this caused volatile exchange rate and high inflation during the La Decada Perdida.

There was an analogy told by LinkedIn Co-Founder Reid Hoffman about business startup: it's like jumping off a cliff and assembling a plane while falling towards the rocks. While dramatic, there's definitely a high degree of uncertainty to building a startup – whether it's creating a business, growing an industry, or transforming a country. Back in 2004, there were a lot of question marks when China was embracing industrialization and urbanization. China's path of world's factory, real-estate-dependent fiscal policy, and highly regulated capital flow is quite different from Latin American's resource export, foreign debt dependency, and unrestricted capital flow. China was able to navigate the transition relatively successfully, though now we're hearing doubts again: will China become the new Japan and face its new lost decades as labor force shrinks. While Japan's free-flow capital account and floating exchange rate helped to prick its asset bubble, China has a different situation and can be more resilient in times of crisis. Furthermore, China has been actively participating on the internet-revolution and the new-energy revolution, which provide more robust engines for growth.

As for the population issue, it may very well be addressed by increasing talents rather than increasing population. The higher educational levels plus the increased application of AI may improve the average productivity and at least partially mitigate the decreasing labor population trend. As the new waves of

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technological development and scientific discovery come, many of the problem we expect to have may simply fade into the background. After all, who still remembered the concerns about China's urbanization?

In Taleb's book "Black Swan," he said: "History and societies do not crawl. They make jumps. They go from fracture to fracture, with a few vibrations in between. Yet we (and historians) like to believe in the predictable, small incremental progression." We are used to look at problems in a static and linear way, thus may view some problems as insurmountable. But because history and societies evolve through non-linear jumps, they will usher in dramatic changes beyond our wildest imaginations. In other words, do not apply the linear gradualist model to the non-linear leapfrogging reality.

Coming back to the topic of investment: we must be cognizant and respectful of the uncertainty surrounding technological development. We may even adapt an optimistic mindset on the long-term development trend. **Investing need this kind of optimism: when there's still a lot of uncertainty, find those with the highest degree of certainty and bravely engage.** By the time everything is clear, the opportunities are already gone. When everyone sees the opportunity, it's called an overcrowded position.

Investors must tolerate a high degree of uncertainty, especially when you are doing bottom-up stock selection. **It's like doing a sniper-shot from a mile away: you can't guarantee hitting the target every time, you can only do your best to increase the chance of hitting the target.** If you can tolerate such uncertainty, then you can survive over the long-term in this market. The first step of winning for the long-term is to stay at the table, and not exiting on first sign of discomfort.

Unfortunately, people's greed often get the best of them: economies may grow linearly, but they believe they can get rich overnight! No matter how strong a bull market we may have, at the starting phase, it will often go through a long period of consolidation. Alas, nobody wants to get rich slowly.

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