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summaries

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THOUGHTS FROM A SELF-PERCEIVED OPTIMIST

Optimism is not naivety; it does not ignore systemic issues, nor does it deny difficult times. One can maintain a positive outlook without being delusional.

For the record, no one, ever, has labeled me an optimist, but I firmly consider myself one. I choose to have an optimistic mindset because I believe that "realistic optimism" brings strategic value. Optimists can be resilient in the face of complete turmoil, anchored by the conviction of knowing that "this too shall pass." I am not suggesting that pessimism is inherently negative, provided it is applied in a targeted manner; however, my experience has shown that constant, broad pessimism inevitably leads to fear and inaction.

The University of Michigan Consumer Sentiment Index recently hit its lowest level since the survey began collecting data in the 1970s–lower even than during the Great Financial Crisis. Americans, perhaps, are unhappy with how America is portrayed internationally, glum about the economy and cost of living, and/or increasingly skeptical of AI. This is all happening at a time when the American stock markets are reaching all-time highs, and the economy, while not perfect, is in much better shape than it was in 2008 and 2009. Sentiment and overall happiness seem to be disconnected from the country's actual achievements.

Despite the negative sentiment, I choose to remain optimistic about the future of America and the world at large. Here are some reasons why you may choose to adopt a similar perspective.

The source of my optimism comes from the fact that I believe in the Endogenous Growth Theory, which holds that economic growth is driven from within an economy by investing in knowledge, human capital, and institutions. In simple terms, the Endogenous Growth Theory suggests that there will always be a new idea that comes along to advance humankind, both economically and in our quality of life. As ideas spread across firms and industries, they become the catalyst of even more innovation – a phenomenon known as the Spillover Effect. Growth funds more investment, which generates more knowledge, which then "spills over", driving even more growth. The cycle repeats.

Inventions like the printing press, the internal combustion engine, and the internet are all quintessential examples of the Endogenous Growth Theory and the Spillover Effect. These were innovations that accelerated the process of innovation itself. Artificial intelligence will certainly be regarded in the same vein, as it turbocharges the rate at which new ideas can be generated and shared. Here are some real-world examples of The Endogenous Growth Theory and the Spillover Effect at work.

A single farmer today produces enough food, on average, to feed 160 people for a whole year. We can compare that to data from 1920 when that same farmer could only yield enough crops to feed roughly 10 people for a year. Total farm output has nearly quadrupled since the early twentieth century, according to the USDA. The growth in output comes

not from an increase in the number of farmers (we have around 6 million fewer farmers today than in 1920), but instead from how much more productive each farmer is. While some productivity gains came from farmers themselves; most of the innovation came from chemists, engineers, and data scientists that adapted their work for agriculture. Spillover.

A key pillar of the Endogenous Growth Theory is that human capital is more valuable when it is preserved and extended. Let's travel back an additional one hundred years to the 1820's. This is 50 years before humans linked germs to disease. Historians estimate that in America in the 1820's (just 200 years ago) 1 in 3 children did not survive early childhood. Data from the CDC shows that, in 2024, the child mortality rate had improved to 1 in 3,906. This improvement in child mortality is the most significant factor as to why the average American life expectancy reached the highest ever mark, 79 years, the very same year. Did we make this leap because we learned to wash our hands? Yes, but it also helped that we created antibiotics and vaccines. It's hard to fathom the advances in the medical field that will occur over the next 200 years.

Humanity's ability to harness energy has evolved dramatically over the millennia. Early humans were hunter/gatherers that would scavenge together in small groups. The ability to control fire (an early innovation) granted our ancestors a few luxuries. Controlled fire gave warmth, protection, and light. Eventually, we learned to use fire to cook our food; making it safer to consume and provided greater amounts of caloric energy – this is believed by some to be the reason for our brain's improved cognitive development. At present, we use fire, in one way or another, to power our ability to travel anywhere (the moon included) in a measure of hours, not years like our ancestors. Fire also provides us the ability to power devices that give us access to an infinite volume of information (including this Sigma Summary) - instantly. Humans were able to take fire, a tool once used for survival, and through the sharing of knowledge, harnessed it to reach the moon.

Optimism isn't about ignoring our challenges; it is about acknowledging our capacity to overcome them. Knowledge and ideas compound over time. Humans have a consistent track record of innovating our way through complex problems. Choosing to be an optimist is placing belief in our collective ability to keep progressing.

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