Gemba Investing and Global Growth

Idea In Short

A well-known global investment strategist built a distinctive research method around direct, on-the-ground travel to emerging markets, arguing that local residents are consistently the first to sense economic trouble before official data catches up. His broader observations about slowing global growth, rising income inequality and asset price divergence offer a genuinely useful lens for understanding the current global economy, and his research method offers an equally useful lesson for any analyst.

A Distinctive Research Method Worth Studying

A well-known global investment strategist built a reputation on a research method as distinctive as his economic conclusions: traveling extensively to emerging markets, spending roughly a week out of every month meeting directly with local businesses and residents rather than relying purely on reports from a desk.1 His central insight is that local residents consistently sense economic trouble before official data catches up, having reportedly observed capital quietly leaving a country ahead of several major currency crises.

A Genuinely New Economic Normal

His broader economic thesis describes a genuinely new normal: slower and weaker growth than prior decades, driven partly by slowing population growth across many economies. Comparing recent growth rates against historical averages, and counting how many countries maintained rapid growth before and after a major global financial crisis, reveals a stark decline in the number of economies still growing rapidly.

A Track Record of Calling It Early

This pattern was not a sudden realization. An earlier, widely discussed book challenged the popular assumption that a handful of large emerging economies were guaranteed to sustain rapid growth indefinitely, arguing the hype had run well ahead of the underlying fundamentals. A later book laid out roughly ten specific metrics for evaluating any country's genuine growth potential, moving well beyond headline gross domestic product figures alone.

Cheap Money Rarely Stays Contained

Following a major financial crisis, governments understandably used loose monetary policy, printing money and lowering reserve requirements, to restore liquidity and confidence to a shaken global financial system. The complication is that years later, those emergency measures often remain largely in place, and money released into a financial system rarely stays exactly where policymakers intended, flowing instead toward asset markets in ways that are considerably harder to control or predict.2

When Every Asset Class Rises Together

A genuinely unusual pattern following this period involved multiple asset classes, equities, bonds and property, all appreciating simultaneously, an outcome that primarily benefited people who already owned substantial assets rather than the broader population. With wages remaining comparatively stagnant across many economies, that divergence between asset owners and everyone else has fed directly into rising political discontent and anti-establishment sentiment in numerous countries.

A Contrarian Signal Worth Remembering

One memorable piece of practical advice involves media coverage itself as a contrarian indicator: when a country receives especially prominent, celebratory coverage on a major magazine cover, that attention has historically coincided suspiciously often with the country's economic performance nearing its peak rather than continuing to accelerate. Recognizing that kind of pattern requires paying attention to sentiment cycles, not just underlying fundamentals.

Lessons for Anyone Doing Serious Analysis

Several practical lessons apply well beyond professional investing specifically. Staying genuinely informed about macroeconomic drivers, population trends especially, sharpens judgment across nearly any strategic analysis. Reading and following places well beyond one's own home country builds a broader, less parochial perspective. Tapping into the research produced by investment banks and asset managers, who invest heavily in original economic research, offers genuinely useful raw material for building an independent point of view.

Substance Over Safe Generalities

Perhaps the most transferable lesson involves the courage to state a clear, well-researched point of view rather than retreating into vague, safe generalities that say very little. Genuinely original analysis, grounded in real firsthand research rather than recycled conventional wisdom, stands out specifically because so much commentary settles for safe, forgettable platitudes instead.

Where This Method Has Limits

None of this means firsthand impressions should override rigorous data entirely. Direct observation is a genuinely valuable complement to structured analysis, not a replacement for it, since anecdotal impressions gathered from a single trip can mislead just as easily as they can illuminate, particularly if the traveler only meets a narrow, unrepresentative slice of a country's population and economy.3 The strongest analysis pairs firsthand observation with disciplined, skeptical data review rather than choosing one approach over the other.

Go Where the Action Actually Is

The underlying discipline, traveling directly to where economic activity happens rather than relying entirely on secondhand reports, generalizes to nearly any analytical field. Direct observation, talking to the people actually living a trend rather than only reading about it from a distance, consistently produces sharper, earlier insight than desk-based research alone ever could.

- 1Emerging Markets
- 2Monetary Policy
- 3Confirmation Bias

Summary

Slower global growth, widening income inequality and asset prices rising faster than wages describe a genuinely new economic normal worth understanding. The research method behind these observations matters as much as the observations themselves: go to where the action actually happens, since locals often sense economic shifts well before official data catches up.