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By Gregory Bedrosian

World's Greatest Emerging Market

My mentor, a very successful international investor, recently challenged me to name the world's greatest emerging market. Knowing of my on-the-ground experience and career-long interest in emerging markets, he paused with a smile as I considered the logical answers – China, India, Brazil and Russia. Or perhaps he had in mind a “frontier market” of Sub-Saharan Africa or South-East Asia. But his answer surprised me -- the USA.

Was this a sarcastic commentary on the fragile state of the US economy after three years of the deepest economic dislocation since the Great Depression? After all, as we enter 2011, the US unemployment rate remains stubbornly above 9% and well over 8 million jobs have been lost during the crisis period. What a contrast with the millions of jobs created in China and India during that same period. Indeed, last year the Indian and Chinese economies grew at an astounding 8% and 10% respectively, playing the hare to America's tortoise. Every day, analysts and pundits churn out statistics that illustrate the growth dynamics of emerging markets in stark contrast to a staid, even fragile, US marketplace.

My mentor's view is different. Everywhere he looks he sees more creative, dynamic and large scale business opportunities being created in America than anywhere else in the world. From this perspective, America is and should remain the best place for investors, entrepreneurs and would-be entrepreneurs. Amid the gloom of conventional wisdom, it's easy to overlook dramatic business successes launched in the US. Facebook, the social media giant which connects over 500 million people worldwide, was founded in 2004 and was recently valued at \$50 billion by a Goldman Sachs-led investment consortium. Apple (NASDAQ: AAPL), which revolutionized how we listen to music and communicate on the go, has added over \$150 billion of market value over the past two years.

The crown jewels of the American economy are products of powerful fundamentals we take for granted but that conspire again and again to make the USA the world's greatest “emerging” market.

People. America has the world's deepest and broadest group of proven entrepreneurs as well as incredible business bench strength that consistently produces new generations of entrepreneurial success. How many times have we heard of countries that lead us in education -- particularly in science and engineering? Yet each year, thousands of elite students from around the world come to the US to join America's top scholars at our world-class colleges and universities. Our system of higher education is unquestionably a booming sector in a global growth industry that is producing future leaders for our economy as well as those of the world. But education is not an economic panacea -- another key to success is the enduring spirit of risk taking. A generation after Microsoft founder Bill gates dropped out of Harvard to launch his ground-breaking business, Facebook founder Mark Zuckerberg did the same. And let's not forget other billionaire drop-outs such as Steve Jobs, Larry Ellison and Michael Dell. American entrepreneurialism is a testament to smarts, whether book-smarts or street-smarts or both. It also takes wisdom. Nearly a century ago, a Harvard Business School professor said, “Wisdom can't be told.” But there is a strong case to be made that wisdom can be absorbed. American business leaders are spawned in a rich culture of personal inspiration, success stories, case studies and mentors – a vital entrepreneurial ecosystem that can't be manufactured in a hurry.

Capital. Businesses need capital to grow and develop, and the US has the world's largest and deepest venture, private equity and public capital markets. Last year, over \$12 billion was invested in more than 3,000 promising start-ups via venture capital firms in the US, dwarfing venture activity in the all the BRIC countries combined. Also, with the market value of publicly traded equities worth trillions of dollars, the US capital markets consistently provide the greatest degree of breadth and liquidity for all market participants.

Opportunity. Businesses launched in the US enjoy an unmatched scale of opportunity. Local businesses can graduate to the large and robust US marketplace. National companies gain world-class heft at home that helps them compete globally, including in those highly-touted markets that are growing at over 5% per year. Indeed, for companies like Facebook and Apple, while their core business is clearly American, their future is bright with growth in markets like China, India, Russia and Brazil.

Finally, the American economy has proven remarkably adaptable, having led the emergence of the industrialized world, the era of the modern multinational corporation, the information age and today's digital economy. Each of these transitions presented challenges to US economic leadership and in each American business and capital were able to transform themselves and emerge at the leading edge of a new paradigm.

As we consider the current economic landscape we should bear in mind the long history of American "decline." The socialist economies were going to leave us behind with regimented industrial policies. Hyper-efficient Japanese corporations were going rule the world. Now we are told that new Chinese or Indian powerhouses are poised to eclipse America as the dominant economy. But before we write the latest obituary to American leadership we should bear in mind that the US economy is still emerging.

As in the past, the challenges are real. But we need to have faith in the adaptive power of the American economy and make sure that our business leaders and policy-makers are focused on frameworks that continue to enhance America's entrepreneurial ecosystem.

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