

How Pennies Can Win the War

Back in January of 1987, Ronald Reagan gave a State of the Union address in which he lamented the brutal war being waged by the Soviet Union on the people of Afghanistan. Behind the scenes though, Reagan was operating what has become popularly known as “Charlie Wilson’s War.”

Reagan and his supporters in Congress, including Charlie Wilson, were sending Stinger missiles to the Afghans fighting against the Soviets. Those missiles cost pennies on the dollar compared to the Soviet MI-24 Hind gunships they were used to target with a lethal 79% successful kill rate.

The mere pennies the U.S. was spending on the war against the Soviets really added up. The massive cost of the war was a major contributing factor to the eventual breakup of the USSR.

The same month Reagan gave his address, I was writing to subscribers to encourage them to realize the value of their hard-earned pennies.

That month I wrote:

I’ve told you about the vital importance of dividends and compound interest. At a 10% return, money doubles in only seven years. One member of the highly successful Rothschild family referred to compound interest as the eighth wonder of the world.

I’ll always remember Bob Rose’s historic note in The Wall Street Journal a while back. Bob wrote, “Early in the last century, an English astronomer, Francis Baily, figured that a British penny invested at an annual compound interest of 5% at the birth of Christ would have yielded enough gold by 1810 to fill 357 million earths.”

When put into terms of earths worth of gold, it is easy to see the value of compounding. All the mined gold in the world today would fit into a 68-foot cube. The idea of 357 million earths volume of gold is incomprehensible, but it makes the point Baily was getting at. A small investment can generate a powerful return.

At the end of his speech, Reagan told the American people "my fellow citizens, America isn't finished. Her best days have just begun." It was true. American went on to win the Cold War, becoming the undisputed most powerful nation on earth. It all started with an investment of what seemed like pennies in Afghanistan.

If you harvest the power of compound interest, your best investing days have just begun as well.