By John Dizard

Since the national elections this month, the owners of most US equities have behaved like bank customer-hostages always do in robbery movies.

They're cowering on the floor, quietly sobbing or just frozen in terror, not sure whether they'll be shot or just have their money taxed to death.

There are a few calm exceptions, to be sure. The investors in Alliant Techsystems (ATK) have continued to have their simple faith in the future demand for expendable military munitions rewarded with a stable stock price, despite the supposed imminence of the fiscal cliff and the company's less-than-stellar recent revenue and profit results.

At just below $60, ATK is below its peak around election day but still a couple of per cent up over the past month.

In contrast, other manufacturers of military systems with longer lead times to new orders have languished.

I'm not in the business of predicting whether, or when, large-scale conflicts supplied by American manufacturers will start, but perhaps someone else is.

In contrast to the world of dollar-based money, US political actors are in a frenzy of apparent activity and bombast, the latter including renewed ill-informed euro-bashing.

During the election campaigns, this was mainly a Republican activity, but their warnings that

America was going to turn into "Greece" or "France" didn't seem to work. With the political battle shifting from competition for votes to the budget negotiations, the cartoon images of Europe are now being drawn more frequently by American liberals and progressives.

The reality of European economic and policy divergences are obscured by arguments that agglomerate "Europe" and "austerity". There's a lot that Americans could learn from considering recent European policies and their effects, but it seems the feuding policy tribes are more interested in making misleading rhetorical points.

For example, we have enough data over a significant period of time to have confidence that the economies of the Baltic states (Estonia, Latvia and Lithuania) are experiencing sustainable recoveries from their very steep post-2008 crash declines. Latvia has now been the fastest-growing EU economy for the third consecutive quarter. Estonia's falling unemployment rate is now below 10 per cent and it has a record labour force participation rate, while Lithuania's gross domestic product growth re-accelerated to 4.4 per cent in the third quarter.

These recoveries have all taken place despite their governments' much-reviled "austerity", which in this case means post-crisis expenditure cuts and tax increases that were disproportionately on consumption rather than income. The Baltic states also abjured the devaluations and government defaults that were urged on them by economists who preferred Argentina's post-2001 policy mix. Consequently, they have regained access to international capital markets and direct foreign investment. There is a counter-argument to the post-"austerity" Baltic recovery story.

As Paul Krugman of Princeton puts it: "The best the defenders of orthodoxy can point to is a couple of small Baltic nations which have seen partial recoveries from Depression-level slumps, but are still far poorer than they were before the crisis."

Other sceptics point to the dominant role that large increases in exports played in the GDP recoveries, which, particularly in the initial stages, was indeed the case.

But "far poorer"? No, not really. In both Estonia and Latvia, per capita consumption has recovered to 2005 levels. While below the 2007 bubble-financed peak, that is still substantially better than consumption at the beginning of the decade, let alone the levels of the mid-Nineties.

As Kristjan Tamla, an economist with Swedbank in Tallinn, Estonia, says, "It's misleading to measure the [sharp] declines in consumption from the peak of a big boom."

The US has kept consumption levels up thanks to current account and primary budget deficits that, unlike the Baltic states, it was in a position to finance with its own reserve currency. As debt-to-GDP approaches 100 per cent, though, this levitation act can only continue if the rest of the world is prepared to indefinitely buy depreciating dollars and bonds with negative returns. Investors – savers, really – may be greater fools for a while, but not for the indefinite future. Unless, that is, Argentina magically turns out to be a model for us all.

From the investor's point of view, the Baltic states have been working out fairly well since the crash. The Tallinn stock exchange index, for example, is up about 60 per cent over the past three years and credit default swap prices on the three countries have contracted sharply.

There are still serious policy dilemmas in the Baltic states, in particular the continuing population declines from low birth rates and emigration.

Growth rates even in the near future will be constrained by the low number of new labour force entrants.

Even though Scandinavian industry continues to invest in plants that tie the Baltics into a relatively dynamic northern industrial system, that will be limited by the lack of skills among the remaining unemployed. A continued fiscal tilt towards pensioners rather than new families probably won't revive the demographic prospects.

Still, the post-election American political fight over taxation and spending policy has been poorly served by both Republicans and Democrats using misleading, or let's face it, dishonest accounts of Europe's recent experience.

Original article on the Financial Times webpage .