

# The Horsch *Business Report*



## Helping you grow your career and your company

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LARRY HORSCH

### INTRODUCTION

We have delayed our normal publishing timetable for the November / December Report for a bit of time to include the November election results, particularly for the presidency of the United States.

While the official November 3rd vote has essentially elected Joe Biden as President, there are still legal issues being raised by President Trump with no real evidence uncovered to date. These matters could take several weeks to clarify since President Trump is unlikely to admit defeat easily. Such is the political world we live in today.

In the meantime, President-elect Biden is organizing his effort to control the COVID-19 virus and the economic impact of the virus.

We continue to encourage you to make any of your friends aware of the Report on our website listed below if it might be useful for them.

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### THE ECONOMY

#### Overview

The U.S. economy is limping along under the burden of the COVID-19 virus and the recession that it influenced, which was already on its way after a 10-year expansion of the U.S. business cycle.

Current indications from Pfizer and other drug makers make it likely that one or more vaccines may be available in late December 2020, which will begin the recovery cycle from the virus.

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If 30% or more of our citizens decide to not be vaccinated, the virus' effect would linger with the following implications:

- The airline industry will have to develop a way of effectively and quickly testing customers before boarding aircraft to bring travelers back in meaningful numbers.
- Working at home will be an extended option for many companies as a means of not creating crowds at work.
- Zoom and other videoconferencing systems will expand, replacing regular meetings and other professional and personal traditional gatherings.
- Some restrictions on distancing and the use of masks will remain in place as the virus lingers. Some have said that masks are as important as the likely vaccines.
- The restaurant industry will continue to shrink as outside dining disappears in colder climates and smaller restaurants don't have resources to sustain themselves.<sup>1</sup>
- We will obviously grow quite weary of this virus before the situation is over.

### **Trade**

Hopefully with the Biden administration, the U.S. will regain a presence in the World Trade Organization to handle disputes and reduce the U.S. tendency to unilaterally increase tariffs on foreign imports. It is difficult to imagine an economically healthy world without free trade, even if it is carried out in a modified version.

### **Income Taxes**

Over the years, trade groups and lobbyists in the U.S. have pressed Congress into allowing myriad exceptions, exemptions, and credits, affecting the normal IRS rules making the stated tax rates only a starting point in arriving at the actual taxes paid. We now need a "fix" since some corporations pay little or nothing rather than the implied amount in the stated tax rate.<sup>2</sup>

To cut through all of this and not spend 10 years

debating the issues, we need to have a minimum tax rate to be paid regardless of exemptions, exceptions, and credits, etc. If the normal corporate tax rate is 25%, the minimum tax rate to be paid should be about 15%. A similar concept should apply to personal income taxes.

Tax experts can deal with the details. We need to focus on the validity of this concept. At the core of a successful tax system is the belief by taxpayers that the system is fair, and the above concepts would assist in that matter.

## **WASHINGTON SCENE**

### **Overview**

More than anything else, President Trump lost the election by confusing the role of a disruptor in Washington with his mishandling of the COVID-19 virus. While the first issue is more complex, the second issue affected almost everyone in their daily life. Most voters were upset with his lack of action, whether they got the disease or suffered the effects of continued no travel, distance learning, and isolation.

While President-elect Biden's plans are fairly well known on tax issues affecting the wealthy, rejoining the Paris Climate Accord on climate warming, and reinvigorating our role in NATO, the Republican Party is faced with a substantial rebuilding program to move it closer to the middle of politics or it will become a diminished party. It will be interesting to see who evolves as the Republican leader of this process.

Hopefully, President-elect Biden will be able to reach across the political aisle as he has over the years to modify the current tribal warfare in American politics, which we have written about in previous Reports. His effectiveness would be assisted if his party controlled the Senate, which is still in doubt.

President Trump returns to private industry

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with parts of his hospitality business in disarray because of the pandemic and significant debts coming due in the next few years. He will have his work cut out for him back in business, but he will still play some role in the Republican Party.

### **Do Something for America**

Our personal challenge is to examine what we can do to reenergize a divided nation. A current example is listed below:

*A few weeks ago, a rural North Dakota farmer was harvesting his 1,000 acres of crops when his harvesting machine caught fire and he suffered a major heart attack. After rushing him to the hospital, 60 other farmers in the area appeared with the people and equipment to harvest his 1,000 acres in one day, giving up the time to harvest their own crops. They knew what they had to do. In the meanwhile, the farmer who had the heart attack is recovering and he knows his work for the year is over with the grain in safe storage.*

## **MANAGEMENT**

### **Employee Productivity**

The beauty of increased employee productivity is that it enables the employer to pay part of it to employees and keep part of it as a profit booster.

The earlier version of this concept had the employees working harder to achieve more productivity. The modern version of this adds the concept of working smarter. Today, industrial psychologists and others are always reviewing new concepts that may cause the employee to become more motivated to perform better in their job. There are three main themes here that have a positive impact on employee productivity:

- Employees care about their job and employer when they feel their employer cares about them by treating them fairly, particularly in job promotion and compensation.

- Employees believe in the competency and vision of their leaders.
- Employees have real responsibilities and are given the opportunity to address issues without receiving detailed instructions from on high.

Top-down military-like organizations often have difficulties with the issue of instructions from on high in believing that the front office has the answers, and it is the job of the rest to get on with it. After all, if the CEO is paid 250 times the average worker, why wouldn't the CEO believe that they have all the answers?

The more gifted companies with greater insight into increasing employee motivation understand that teamwork is the key to success, which values the employees' contributions.

### **The China Issue**

The rebuilding of supply chains in the Asian area will be a major task for many U.S. corporations, whether they like it or not, as we have reported previously. As China flexes its economic muscle, it looks like it is on a collision path with the U.S. and it will be difficult to depend on as a major supplier. Having stamped out rebellion in Hong Kong, China will probably be aiming to control Taiwan next. In the process it is causing its neighbors, including Japan, to worry about China's ongoing interventions.

### **Cyber Crime**

It is a shocking condition that many companies find themselves being looted by criminals and foreign government agents extracting large sums of money in exchange for giving back control to the company of its computer systems after a cyberattack. If these people can penetrate the best-kept information controlled by our federal government, how can we expect individual companies and others not to be highly vulnerable?

The original Internet system was invented to allow research organizations to share

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information. It was not well conceived to prevent theft by cyberattack. Today, realistic experts in this area really focus on what should be done after a cyberattack because they have only modest confidence in preventing it. Not only are large amounts of money lost, but also technical and valuable secrets are stolen.<sup>3</sup>

The above situation is such a sad tale that one would wonder if someone shouldn't invest in a new Internet system that is foolproof as it relates to cyberattack stealing.

We are told that the upper echelon of the Russian government does not use email for normal communications because they realize the vulnerability of the system as experts in cyberattacks. They use pen, paper, and typewriters, returning to a process considered ancient history in business and administration today.

## INVESTING

### Overview

The stock market pricing continues to reflect an abundance of optimism on the economy recovering near-term. While we may have another round of assistance for individuals and small businesses from the federal government, until we get the virus under reasonable control, the economy may be a bit anemic. The real beginning of an economic recovery could occur by mid-2021.

Strong growth will occur for well-managed companies in Internet sales, healthcare services, and gene therapy, which will change the way medicine is practiced in a material way.

On the flip side, weakness will occur in many retail chains, drug companies selling non-unique drugs to Medicare, who will be bargaining directly on prices, and some high-tech companies that are likely to be affected by antitrust issues.

If the economy remains anemic until the second half of 2021, many current forecasts of

short-term company profits will prove to be too optimistic. So, since the economy paces the stock market, and the virus paces the economy, much is riding on control of this aggressive virus.

## PARTING SHOT

While some companies worry about the workload experienced by their employees, many do not. In a competitive world, there is a tendency to expect more from their workforce, not paying enough attention to maximum stress levels.

For most of our readers, if your knees buckle under the workload, bad things may happen to you and your family.

TAKE CARE OF YOURSELF!

Respectfully submitted,



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<sup>1</sup> Current estimates are that 30 to 50% of restaurants in the U.S. have or will close permanently due to the pandemic.

<sup>2</sup> Currently in the Standard & Poor's list of 500 companies in the U.S., 91 have recently paid no federal income tax.

<sup>3</sup> A company in which we are involved recently paid a substantial ransom to regain control of its computer system after a cyberattack. The threat is very real.