

The Horsch *Business Report*



Helping you grow your career and your company



LARRY HORSCH

INTRODUCTION

We are moving through a dramatic time in world events (Afghanistan, Russia, China, and global warming), a challenge to control the pandemic and the ongoing Washington stalemate in governing. At the moment, the U.S. is appearing incompetent in Afghanistan to the world of our friends, and to the world of those who don't wish us well.

If you have business associates or friends who would find this Report useful, please refer them to the website listed in this Report.

THE ECONOMY

Overview

The U.S. economy is growing reasonably well out of the economic funk caused by the pandemic, which is gradually coming under control.

When one reads economic growth statistics, it's good to remember your fourth-grade math:

- If some economic activity falls from 100 to 50, it has gone down 50%.
- In order for that activity to get back to 100, it has to go up 100%.
- So, when you read sharp increases in economic numbers recovering from low levels of activity, keep this in mind.

The Delta variant virus is causing some delay in employers calling back employees to their central offices, even though the new vaccines seem to be doing well in addressing this variant with booster shots on the way.

The Federal Government deficits are obviously still growing as we get ready for infrastructure spending and possibly further spending on social needs. In this area there seems to be only modest reflection on the growing Federal debt.

With floods and wildfires all over the globe, there is a growing concern about addressing global warming and how this will affect the economies of those involved. In most discussions of new job creation in the alternative energy sector they ignore the loss of jobs in the traditional oil, gas, and coal industry. On the bright side, science will play a big role in solving global warming even if some of the ideas are now only in the early stage of development.

There is continuing confusion in the labor market as a significant number of jobs being offered are not being filled. Some clarity will occur when the Federal supplemental unemployment benefits stop in September and more potential employees will find it more painful to not be employed.

WASHINGTON SCENE

Overview

For the first time in recent years the Republicans and Democrats got together to promote a \$1 trillion infrastructure bill. This is a topic that has been neglected for many years. It is being attached to a \$3.5 trillion social-spending bill in the House with the House Speaker demanding that both be voted on together. With all the effort that has gone into the infrastructure bill by both political parties, it will be a sad day if it doesn't get passed into law.

Having previously calmed the waters with our allies, and brought the virus under reasonable control, President Biden now has to get on with China, Russia, Iran, North Korea, and strengthen our actions on preventing cyber attacks that steal our money and confidential information.

While we worry about World War III in our military planning, we are experiencing a quiet cyber war in our midst.

Virus Control

It is painful to witness Republican governors of states that have low vaccination rates, still fighting vaccinations, masks, and physical distancing with some fog-related logic of protecting individual freedoms. It will take large employers mandating vaccinations to turn the tide and finally control the pandemic.

Trump's Activities

While ex-president Trump has lost his rights to do nightly tweets, he is still telling his story of being cheated out of his re-election in 2020 and raising significant funds to punish Republicans in 2022 who disagree with him.

The Afghanistan Fiasco

President Biden and the American public have been in favor of leaving Afghanistan after 20 years, with over \$2 trillion spent and 2,500 American lives lost. The original purpose to track down Osama bin Laden, the mastermind of the 9/11 attack on the World Trade Towers, was fulfilled for military and political purposes 10 years ago.

Many have said the mountainous terrain, tribal orientation, and corrupt central government may make Afghanistan ungovernable from a central government standpoint. The Taliban and their first cousins will now take on the challenge with very limited financial resources.

While the plan to leave the country is supported by most Americans, the exit execution has been miserable, with the Taliban taking over the country in a few days, capturing billions of dollars of U.S. military equipment and stranding many U.S. citizens and their Afghanistan employees. In the process, we frustrated our NATO allies by not properly including them in the final decision to leave.

While the Afghan government forces may never have had much respect for their corrupt central government, our stopping logistical aid and maintenance of their airpower equipment caused them to simply give up and vanish into the night.

The errors over the years in handling the Afghanistan situation and the fiasco exit really justifies a congressional investigation into how four U.S. presidents (two Republicans and two Democrats) could have handled this so poorly and damaged the U.S. international reputation.

Equity for the Black Community

We read regularly about the issue of fairness in America and how our Black citizens have been negatively affected in matters of housing, healthcare, availability of healthy foods at a reasonable price, and other matters. While historical prejudice has played a role, and is still playing a role, there are other underlying issues that are not discussed enough, primarily the lack of money from good jobs to improve the living standard of Blacks.

Lack of money starts with a large high school dropout rate, which is often related to an unfair beginning in the educational process of not being able to afford preschool education. If a better financed family has a child in preschool education for one and one-half years, the child has a major advantage when he or she start kindergarten.

With the above in mind, it is critical to focus on when the problems begin and to start funding preschool education for those who can't afford it. Whatever the cost, it will be offset by higher graduation rates in high school that lead to better jobs and less incarceration in our prison system that currently costs about \$35,000 a year per person. This is not a silver bullet solution, but it is a good start in addressing the issue.

MANAGEMENT

Where to Work

With management having many of their employees work from home during the pandemic, preparations are now beginning to focus on getting some or all of them back to the office.

In working from home, with the burden of commuting removed, flexibility in one's schedule, and the comforts of home, many employees are unlikely to give up these benefits.

While some tech workers have recently bragged about having two fulltime jobs with two fulltime paychecks from working at home without the two employers learning about it, more devices are being developed to check on the work process of those who work from home. We can only hope that those who are cheating in this fashion will tell us later how it feels to be fired and unemployed.

An interesting insight is being presented by some observers that the break from the office has caused many employees to reflect more deeply on their job and how it affects the rest of their life. In some cases, with burnout occurring, they are leaving their current jobs.

If a control-style boss wants his or her employees to be at the office, he or she will suffer in the competition to attract new employees who are generally looking for more flexibility.

INVESTING

Overview

Substantial speculation continues in equity investments in the U.S. by Robinhood activities, Bitcoin, and SPACs in the mix. The longer this goes on, the bigger the correction will be that will occur at a later date.

Benjamin Graham, the godfather of securities analysis and the early mentor to Warren Buffett, was asked about overpriced securities and how you would know when a correction was coming. He always said, “We will never know when the correction will occur (and with a twinkle in his eyes), but it always happens.” Others have said the return to pricing normality is “the regression to the mean.”

As we indicated before, the SEC has been slow to go after market manipulators and Bitcoin operators, which only keeps the speculative fires burning.

Over the last year, the Federal Reserve has announced several times that they will not raise interest rates until mid-2022 or beyond. This only supports more speculation in U.S. equity markets because with interest rates so low the equity market is, “the only game in town.” Recently they are moving toward buying fewer government bonds and other bonds, which will allow interest rates to gradually rise. The big losers in this low-interest rate period are investors both big and small that have received the pathetically low returns on bonds, bank CDs, and other credit instruments.

PARTING SHOT

The growing focus on the unusual global warming forecasts and the recent examples of flooding and fires around the globe are beginning to paint a picture of a major disaster ahead if we don’t move quickly to reduce damaging pollution. Unfortunately, this problem has to be addressed by national governments that tend to move slowly or not at all. That’s the challenge.

We should move quickly on reducing pollution particularly from autos and utilities and realize that there is a cost to this, but it is offset substantially by disastrous consequences if we don’t move on these matters. Having smoke over the Twin Cities and the darkening sky from Canadian forest fires 500 miles away, we see no need to doubt the severity of the problem facing all of us.

Simply stated, we may need to trade some **quantity** in our economic statics for some **quality** in our personal lives.

Respectfully submitted,



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