

The Horsch *Business Report*



Helping you grow your career, company, and economic wellbeing



LARRY HORSCH

INTRODUCTION

The last two months have been very eventful from a news standpoint highlighted by:

- The COVID-19 variants gradually losing their impact on the U.S. public and the economy
- Consumer inflation continuing at a 40-year high
- The stock market being repriced after a long speculative run with rising interest rates and the Russian / Ukrainian issue

If you have business friends who might enjoy the Report, please refer them to the website listed below.

THE ECONOMY

Overview

The U.S. economy continues to recover from the COVID-19 variants' negative effects over the last two years with inflation now getting more attention.

The slowness in unblocking shipments at U.S. ports that has interrupted the flow of goods could be over by midyear. The rising cost of labor will continue with labor-related strikes causing inflation to have a momentum of its own.

The Consumer Confidence Index continues to be at a low level because of consumer goods inflation and COVID-19 variants' recent impact. Industrial goods inflation is also high due to shipping issues, cited earlier, and some companies doubling their orders to "hog" inventories to protect themselves.

The infrastructure bill that became law in 2021 will boost spending for bridges, roads, and ports, etc., over the next decade to support the economy while the raising of interest rates will function as a headwind in the intermediate term.

While the Build Back Better bill with its massive spending has been defeated, it will reappear in a slimmed-down version and be approved by Senator Joe Manchin of West Virginia.

WASHINGTON SCENE

Democracies are Fragile

As the Republican National Committee recently censored Liz Cheney and Adam Kinzinger for joining the House Committee investigating the January 6, 2021, insurrection, it said the insurrection involved “legitimate political discourse.” This comment by the Republican National Committee points to the fact that there are really two Republican parties. One is controlled by former President Trump with a war chest to punish nonbelievers, and the other is a small band of traditional Republicans, most of whom are still afraid of former President Trump and are hesitant to speak out against him.

This really pits a far-right Republican party against a Democratic party that has drifted to the far left temporarily. Neither are in a mood to compromise, and history suggests that a democracy cannot function without compromises taking place. Somehow more middle-of-the road politicians need to be elected by both parties to bridge the gap.

Balanced Reporting

The Fairness Doctrine of the U.S. Federal Communications Commission (FCC) was introduced in 1949 and required holders of broadcasting licenses to present differing points of view on controversial issues. The FCC abolished the Fairness Doctrine in 1987. The

demise of the FCC rule has been considered by many to be a contributing factor for the serious level of polarization in the U.S. today.

Congress has made numerous efforts to restore the Fairness Doctrine, but conservatives and libertarians have fought it by citing the free speech portion of the U.S. Constitution.

Today, an effort to reimpose the Fairness Doctrine would have to include the various social-media platforms, which are spewing out crazy conspiratorial theories and outright falsehoods.

Democracies depend on an informed public. Broadcasters and social media platforms need to be held to a national standard. While free speech is always an issue, even first-year law students know that you can't legally shout “fire” in a crowded theater as a hoax. Is saving a democracy even a bigger exception to the free speech issue? We are beginning to “skate on thin ice” on this issue as a country, and it requires our immediate attention.

ELSEWHERE

Politics versus the Olympics

We believe the Olympics have a theme that supersedes national politics, and that the U.S. and others should not have eliminated their government representatives from attending.

A host nation spends a lot of money putting on an Olympic event, and it brings more focus on the various countries of the world in a few days than the United Nations does most of the time.

Another Black Eye for the Minneapolis Area?

Recently, a third Black young man was shot and killed by a white police officer in the Minneapolis area. This event will bring more complexity to a jury trial than the George Floyd murder or the death of Duante Wright at the hands of police.

A few weeks ago, Amir Locke, age 22, was sleeping at 7AM in a downtown Minneapolis apartment of a relative on a couch with a comforter over him. In nine seconds after a no-knock warrant was executed, he was shot three times and died. While Amir had a gun in his hand while sleeping, the gun became apparent to police as he started to rise, with the comforter moving and revealing the gun. The Black community immediately protested in downtown Minneapolis, and the mayor temporarily suspended no-knock warrants.

Consider the additional following facts:

- The victim had a legal permit to carry the gun, presumably because he felt at risk as a delivery driver in Minneapolis.
- The victim was not the person the police were seeking to arrest as a murder suspect, but they didn't know that at the time of the shooting.
- It appears that the gun was not pointed at the police, but it was in the victim's hand as he was sleeping. It was later learned that the gun was fully loaded with body armor-piercing bullets.
- The police officer was a nine-year veteran of the Minneapolis Police Force.

If you were a juror, would you find the police officer guilty of second- or third-degree murder, or a serious level of manslaughter based on these facts?

Someone Stole Putin's Playbook

The following information was written on February 24, after the Russians invaded Ukraine from multiple positions.

American and British intelligence have recently intercepted secret Russian messages outlining a "false flag" event to be staged in Ukraine where Russians are being attacked by Ukrainians and the Russian Army needs to rescue them. This is a page taken out of Adolph Hitler's playbook to justify invading his neighbors before WWII.

The trouble for Putin is that he can hardly use this gimmick once it has been unmasked. So, he's left with 150,000 heavily armed soldiers waiting to invade with no believable script for doing so. On the other hand, he has to "save face" and not simply send the troops hundreds of miles back to their barracks in Russia and suggest that it was just a military exercise. Someone has to offer him a big carrot not to invade, and, so far, the U.S., E.U., and NATO are standing strong in the negotiations, giving little or no ground.

A small group of Ukrainian citizens learning to shoot a gun as part of a militia along with the Ukrainian Army is no match for the well-trained and heavily armed Russian forces.

The following information was written on February 24 after the Russians invaded Ukraine.

While we thought Putin had been unmasked on his "false flag" ideas, we underestimated the creativity of a person who has no moral standards. He simply can invent anything to address the situation regardless of how blatantly false the story has become.

As Putin invaded Ukraine from multiple positions, we are facing a Russian leader with no respect for country boundaries, international law, or human life, and is ignoring the various sanctions placed on his country by the U.S., U.K., and E.U. While the U.S. has just ended a 20-year war with Afghanistan last year and is weary of fighting, Putin must be stopped now, or he will continue on his path of resurrecting the old Soviet Union by force and subterfuge.

MANAGEMENT

Overview

The challenge for many business managers today is facing an office workforce that has had a taste of working from home during the COVID-19 period and found that most of them like the new arrangement that

eliminated commuting, parking, and additional wardrobe expenses.

Many managers have grown up in a system of total control with office workers nearby for quick meetings and other conversations. The challenge is to lighten up on the control issue while not losing the assurance that the work is being completed on time. There will be a transition period for some managers, but the clearcut advantage will go to the companies that are flexible on this matter in a tight labor market.

INVESTING

Overview

The stock market is finally coming to realize that the interest rate increases ahead will damage equity evaluations. As this happens, the wild speculation by amateur investors will subside as they take losses on silly speculations. Even the high-flying growth stocks like Meta, parent of Facebook, declined 28% in one day recently when it no longer appeared that growth would continue at its historic rate.

The Federal Reserve is being quite cautious in raising interest rates even in a high-inflationary time period. It reminds us of a 325-pound man on a diet to lose 100 pounds. After losing 20 pounds on the diet, he becomes concerned about becoming too thin. Such is the Federal Reserve position between controlling inflation and minimizing unemployment.

Other factors still with us include:

- The bright spot is that COVID-19 disease issues are subsiding, allowing the public and the economy to function better, as cited earlier.

- The risky area is the Russian military presence on the Ukrainian border, and the gradual partnership being formed between Russia and China as a threat to all democracies, particularly the U.S.

The process of repricing equities in the U.S. market reminds us of the phrase, “regression to the mean” (a favorite phrase of Barton Biggs, former equity market strategist at Morgan Stanley). As this happens better performing fully managed mutual funds will begin to attract money from ETF shareholders that find themselves like passengers on an airplane in a storm without a pilot. ETFs work well only in up markets for most investors.

PARTING SHOT

While the U.S. has its share of problems with police issues, lawlessness, racism, and the current extreme positions of both political parties, one can't realize the full reality of these issues until one visits other countries, particularly the less-developed countries where democracies are in decline, with corruption, crime, and widespread poverty, and the citizens fleeing their countries for a better future elsewhere, particularly to the U.S.

While the U.S. needs to work on its problems, it also need to put them in perspective with the world around us.

Respectfully submitted,



Larry Horsch
Founder and Editor
Minneapolis, MN
February 28, 2022 ©