

The Horsch Business *Report*



Helping you grow your career, company, and economic wellbeing



LARRY HORSCH

INTRODUCTION

It is easy to get discouraged when we watch the news on TV with two wars going on, China continuing to threaten its neighbors in the South China Sea, the federal government in disarray, particularly in the House of Representatives, and the low bar for performance established for candidates in the 2024 Presidential election as they throw insults at each other, and policy issues are neglected.

Some of us can remember a similar time when we experienced the chaos of the Cuban missile crisis in the 1960s, the World Trade Center attack September 11, 2001, and the Great Recession in 2008 and 2009. In each case we resolved the issue and moved on.

On the positive side, we are recruiting and properly training more police officers to get crime under control and are continuing to develop new drugs and medical devices to extend life and reduce pain. In addition, the working population is rethinking their domestic/professional balance in life and choosing their favorite place as an office.

As usual, we encourage you to let your friends know about the free *Report*. Refer them to the website listed below.

THE ECONOMY

Overview

The consumer has been somewhat cautious in the Christmas shopping time period. The business community continues to be cautious, while government deficits continue to strengthen the economy. The Federal Reserve has

paused its rate increases, reflecting less inflation. Some type of slowdown in the economies of the U.S. and Europe is likely in 2024.

The federal government is beginning to bear down on false information and destructive influences on social media platforms, particularly on TikTok, and gradually reviewing the implications of artificial intelligence.

The stock markets are looking ahead and continuing to go up, on possibilities of the Federal Reserve's reducing interest rates in 2024.

WASHINGTON SCENE

The 2024 Presidential Election

The Koch network of wealthy conservative donors has moved its support to Nikki Haley, involving both funding and workers on the ground. This is an important boost for Nikki Haley's campaign, and she is beginning to move ahead in the polls.

The amount of legal baggage is beginning to haunt Donald Trump, with a lot of his campaign time likely to be tied up in court appearances. He continues to complain that he was cheated out of the 2020 election and is able to raise campaign money after each legal setback.

Apparently, if he is in jail, he can run for President, but it might cool off some of his support. On the sedition issue, whether it is under the Fourteenth Amendment or his involvement in the January 6, 2021 event, he is barred from any political office going forward. His legal team seems to have as its major strategy to delay cases until after the election.

As we reported in earlier *Reports*, we can't remember a recent time when polls indicated both leading candidates are being significantly rejected by their respective political parties. President Biden continues to be beaten by Trump and other leading Republican

candidates, based on his age and a growing concern that his Vice President is not ready to replace him if his health were to fail.

The House of Representatives Chaos

Kevin McCarthy lasted only a short time as Speaker of the House.

Mike Johnson inherited the job with the same unruly members having little interest in funding the federal government and tending to normal legislative issues. He has a tentative hold on the Speaker's position. In the meanwhile, permanent funding of the federal government has been delayed and the reasons for this have not gone away. Since all federal government funding must start in the House of Representatives, its dysfunction has paralyzed the normal legislative process on funding matters.

On the matter of the conservatives in the House demanding more border protection to approve more war money, it will be interesting to note that if President Biden agrees to this, then he will be able to take credit for better border protection in the election process even though he had to be pressured to do it from conservative members of the House. It appears that both sides won.

ELSEWHERE

The Israel / Hamas War

Iran's continuing funding of rebels in the Middle East has caused a difficult situation to get worse.

- Israel has abandoned the two-state solution under Netanyahu and has annexed land in the West Bank over the years.
- The Hamas leadership, intent on destroying Israel, has lobbed rockets at Israel for some time.
- Israel, in response to the recent vicious attack on Israeli civilians, has

overplayed its hand in the bombing of Gaza and has killed about 20,000 civilians (the estimate is by Hamas Health Ministry).

- The Palestinians are in a hopeless state, previously being supported mostly by international aid and currently supported by insufficient international aid.

Netanyahu is losing support from the U.S. and many countries in the world in his indiscriminate bombing of Gaza and killing of civilians. He apparently believes that he can ignore the advice of the U.S. and continue to receive large amounts of U.S. foreign aid. This saga is playing out before our eyes.

The turmoil in the Mideast has existed for centuries, so the solution will not be simple. Our recent *Report* outlines the conditions needed to support a peace movement.

The Ukraine-Russia War

A stalemate has occurred, and winter has slowed down everything in the region. While Volodymyr Zelenskyy has traveled the world to continue the financial support for Ukraine, the U.S. has begun to ask whether the ultimate solution, peace, can be focused on, as contrasted to a never-ending war.

Russia is losing a large number of troops in the fighting in Ukraine that will eventually cause Russian citizens to ask questions about the magnitude of these deaths and the mission that is involved. This process in Russia has already started.

It should be clear that every dollar spent on weapons for Ukraine is a dollar that is not available to rebuild this highly damaged and economically poor nation.

China

Unfortunately, we are seeing a situation where we have moved from competitive trading in the commercial world, to competition in the overall leadership in the world, to rivalry that is now degenerating to the level of enemies.

In addition to the above, China continues to intimidate its neighbors in the South China Sea, including Taiwan.

China as an adversary is many times more important than Russia, Iran, and North Korea combined.

MANAGEMENT

The Vision Thing

When George H. W. Bush was President in a conversation about strategies, he referred to the topic as, "That vision thing." Obviously, he did not regard it with much passion.

Great leaders need to possess these special skills:

- Vision to guide a strategic plan going forward
- Communication skills to express the vision and build acceptance of it
- Team-building skills to carry out the vision

It is our opinion that there is a shortage of vision because there is a shortage of high levels of creativity. Winston Churchill would suggest that the whole matter is driven by courage.

In reviewing vision and creativity over the years, we have concluded that high levels of creativity are created at birth. Low levels and medium levels of creativity can be assisted by training, while high levels of creativity remain elusive. Because of this, great leaders with high levels of vision and creativity will always be in short supply.

INVESTING

We have gone from the concept that "equities are the only game in town with low interest rates," to "equities must compete with higher interest rates," to the assumption that, "a recession will have a soft landing with lower interest rates, so we should just ignore the recession and buy equities."

Since recessions usually produce lower earnings for many companies, the latest philosophy only applies if there

is a very soft landing in 2024, which is not a typical occurrence in a recession. It should be noted that the Conference Board recently forecasted a recession in early 2024.

To date in 2023 we have seen a very disjointed stock market, with the Magnificent Seven (Amazon, Apple, Microsoft, Alphabet, Nvidia, Tesla, and Meta) growing in market value by 75%, while the rest of the Standard and Poor's 493 companies have grown by only 12%. Some of the difference is accounted for by speculation about the future of artificial intelligence in high-tech applications.

Benjamin Graham, Warren Buffett's early mentor, once said, "The stock market in the short run is a voting machine (popularity) and in the long run it is a weighing machine (judgement)." Today's Magnificent Seven represents a voting machine and the 493 other companies represent a weighing machine.

PARTING SHOT

There is an old saying, "Hope springs eternal."

As we end 2023 with lots of chaos domestically and in the world, we might want to reflect on key events that would give us more hope in 2024, which could include the following:

- Peace in the Ukraine-Russia War with a long-term solution, likely in 2024
- Peace in the Israel-Hamas war with a long-term solution, likely in 2024
- A new positioning by the U.S. of our outlook on China in both trade and other activities
- A newly enlightened in Congress, particularly in the House of Representatives, that can function to pass bills needed to support the country
- A more balanced view by all that good things are happening, particularly in the local community, to offset some of the difficulties elsewhere

As Americans, we have overcome difficulties and large obstacles for over 200 years, and we will continue to do so.

Happy New Year!

Respectfully submitted,



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