

The Horsch Business *Report*



Helping you grow your career, company, and economic wellbeing



LARRY HORSCH

INTRODUCTION

As we've indicated in the last several *Reports*, we are living in challenging times with two wars in Israel and Ukraine, deadlock in the U.S. Congress on major issues, Trump's legal issues coming closer to being resolved, and both candidates for the Presidency of the U.S. being rejected by their respective parties in current polls.

While this is occurring, the polls in the U.S. are telling us that the increase in challenges listed above are not being met by the talent level in Washington, regardless of political party. This condition is obviously being viewed by our adversaries in China, Russia, Iran, and North Korea.

Simply stated, we need to get our act together to avoid losing our position as the leader of the free world.

As we have now completed the fifth year of publishing our *Report*, we encourage you to make your friends aware of the *Report*, available on the website below, if they would find it useful.

THE ECONOMY

Overview

The debate today is whether the Federal Reserve in the U.S. will decrease interest rates sooner or later. They have recently been hesitant to accelerate the process because of the factors below:

- Inflation in the service sector is still high relative to the Fed's goal of 2% inflation.
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- The economy and the job market have been stronger than forecasted with businesses being somewhat cautious and consumer spending increasingly relying on credit card debt.

Our forecast is that the much-delayed recession, whether it will be a modest or medium adjustment, will occur later in 2024 as consumers run out of spending power. Most observers already believe that a recession is in progress in the U.K., Germany, and China.

WASHINGTON SCENE

Overview

The struggle in the House of Representatives continues as Mike Johnson tries to become an effective Speaker or go the way of Kevin McCarthy. If his major strength is being affable, his odds are not great for success. Holding the Biden administration responsible for the border issue and withholding funds for Ukraine has caused the President to consider an Executive Order to stop the flow of illegal immigrants. Current polls on this issue indicate the public is not pleased with his performance to date and this could have a big effect on his reelection.

In the meantime, as funds for Ukraine are being held up, it is causing a reduction in the effectiveness of the Ukrainian army that is having to ration ammunition.

While Trump is the obvious Republican primary winner, he is really in a tie with Biden for the Presidency in recent polls, adjusted for margin of error. Since legal and financial issues are closing in on him, the court time involved will limit his campaigning time in the general election. Keep your eye on the January 6 case headed by Jack Smith since it is a significant case and likely to be resolved before the election.

Some observers have suggested that if Trump is convicted of serious criminal involvement, 25% of his loyal followers will disappear. These followers represent 35% of the Republican Party and the

Republican Party represents 29% of all voters. That means that 10% of all voters who were loyal supporters now become 7.5% of all voters, as shown below:

- 35% times 29% equals 10%
- 10% reduced by 25% represents 7.5%

That is a significant block of voters, but not overwhelming. While many strong conservatives agree with many of Trump's ideas, many would like to see him stop making embarrassing statements on the campaign trail and on his Truth Social website.

The Slander Issue

Private citizens in the U.S. may not make wildly inaccurate comments about the character of others who are not public figures. To do so would put them in court and they would lose the case based on the slander laws.

After the 2020 Presidential election, the My Pillow Guy, Mike Lindell, said defamatory things about Dominion Voting Systems and then they sued him for \$1.3 billion, which is still pending. Fox News has already paid \$787.5 million to Dominion Voting Systems in a lawsuit involving the same issue.

Once you become a public figure under the current laws, people under the law are able to say things about you no matter how inaccurate, and you cannot win a case in court based on slander laws. This, of course, allows everyone to be defamed who is a public figure, particularly politicians.

It appears that it is time for reform of slander laws in order to hold people accountable for their comments.

Liberty Versus Law and Order

Henry Kissinger, who died a few months ago, was a famous Secretary of State in the U.S. about 50 years ago. He was asked about the tradeoff that would be appropriate between liberty in a democracy and law / order. Many others have made comments on this matter over the years, but his observation was

unique. He said, “The central point in this matter is that there is no liberty without law and order.”

Essentially, when law and order breaks down, everybody’s liberty is at risk. In many U.S. cities today, there are areas that you shouldn’t visit because of the risk of trouble caused by the breakdown of law and order, and as a result your liberty is curtailed.

ELSEWHERE

Lawlessness

With gun violence happening everywhere in the U.S., one wonders how this can be brought under control, or if this is to become the new normal. Nowhere in the advanced world do they have a gun issue of this magnitude.

Depleted police departments will find it even more difficult to find replacements when police officers are shot in the line of duty, which is happening regularly.

Major progress in this matter is long overdue. We may want to look at El Salvador’s progress to see how they have solved the gang and the gun issues.

The Ukraine-Russia War

Prime Minister of Israel, Benjamin Netanyahu, is basically ignoring the U.S. advice and also that of much of the world that wants to protect Palestinian civilians in his attempt to wipeout Hamas. He has a coalition government beholden to ultraconservatives to keep his job. The ultraconservatives are war hawks and, oddly enough, their children need not serve in the Israeli military. All of this is occurring while Israel is receiving one of the largest amounts of foreign aid given to any country by the U.S.

The Ukrainian-Russia War

The stalemate is changing in favor of the Russians who are willing to take huge troop losses to gain any ground. While the E.U. nations are beginning to organize the next round of support, the U.S. efforts are stalled in the House.

The China Issue

While we are at least communicating with the Chinese at the important Defense Department level and they are still selling us panda bears for our zoos, make no mistake that their interest in taking Taiwan has not changed. China is currently suffering an economic slowdown, but their focus seems to remain on making trouble in the South China Sea.

MANAGEMENT

Office Locations

The transition from using home offices during COVID-19 to using company offices is ongoing. While this is being sorted out, office buildings in major metropolitan areas are declining in value and real estate taxes on these important properties paid to communities are declining.

While most employees prefer to office at home for convenience and expense reduction, employers prefer to have them at company offices for team building, personal growth, and productivity. With a strong labor market still in place, employees who prefer to work at home, and are asked to do otherwise, may quit their jobs and join a company with more liberal policies. If a recession sets in causing a weak job market, the advantage swings to the employers on this issue, but it seems unlikely that they will achieve 100% attendance at company offices.

Business Wisdom

Business wisdom, as with all wisdom, is always in short supply because it takes a lot of filtering and digesting of facts to get there over many years. Consider the following:

- There is an abundance of information on most subjects.
- Information converts to knowledge if the person has reasonable powers of observation and a logical mind.
- Knowledge converts to wisdom only over time if the person is paying close

attention to what is happening and develops deeper insights.

Wisdom can only be developed with significant experience in a topic. It cannot be developed in the short run because it is dependent on the person involved seeing significant patterns based on their experience on the subject. We call it, "connecting the dots." Experience leading to wisdom is not possible if you have a 30-year career that involves two-year experiences fifteen times over because the job essentially is a continuous routine.

You know you have peaked in wisdom when you are no longer learning important things.

INVESTING

The rally in the U.S. stock markets is very uneven, with the Magnificent Seven outpacing the balance of stocks by six times in recent months. The current markets assume a soft landing in any recession, and ignore the international risks in the Mideast, Ukraine, and China. If any of these areas cause bigger problems, the event will not be described as a "black swan" (a strange unpredictable event) but more like a light-grey swan since we have known about these problems for quite some time.

While bonds, with any distant maturity date, may improve in value as interest rates go down, they continue to be a poor long-term investment for most individuals with inflation built into economic systems around the world. Too many politicians get elected by providing more benefits to their constituents and not asking them to pay for them with higher taxes causing a continuous deficit in government budgets. (Exceptions to this involve financial institutions buying long-term bonds to cover distant pension benefits for workers where bonds would be appropriate.)

PARTING SHOT

Most employees in a busy career are heavily involved in a daily routine. While this is a necessary part of the job, it tends to almost eliminate the time available to look at the future. This is even true with retired people since they find their routine tasks are easier to do and those tasks use up most of their declining energy.

Once in a while it is worth considering the following:

- Allow a half hour each week to ask yourself where you are headed and where you want to be in three years.
- In this reflection, ask yourself what you should add or eliminate from your schedule.
- In all cases it is helpful to focus on simplicity and delegation as much as possible.

If you do this, not only will you sleep better at night, but you will also have a better chance of achieving your goals.

Respectfully submitted,



Larry Horsch
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Minneapolis, MN
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Note: We use the word "we" quite often to avoid use of the word "I," which would make me appear that I'm on an ego trip with repetitive use. Occasionally, we use the word "we" to describe more people being involved than just the author.