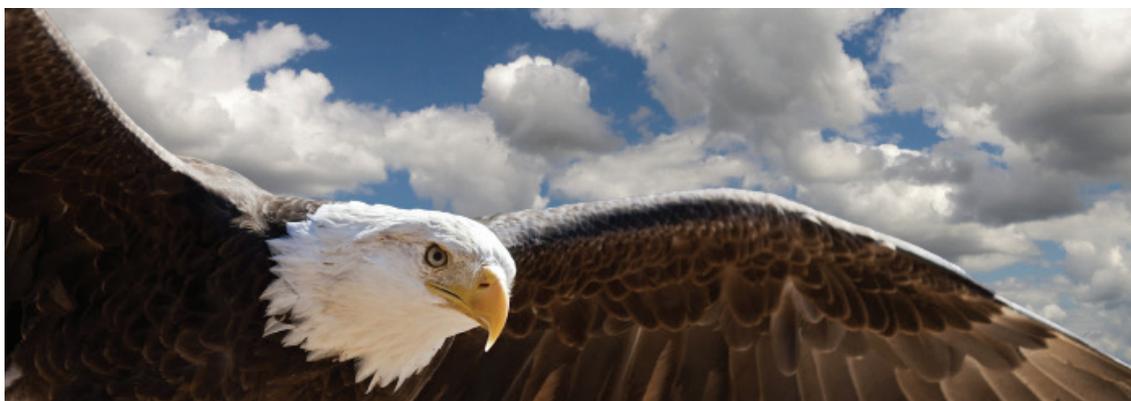


The Horsch Business *Report*



Helping you grow your career, company, and economic wellbeing



LARRY HORSCH

INTRODUCTION

Highlights

The stock market in the U.S. is pausing its upward trend as the Federal Reserve is pausing interest rate reductions.

The Israeli / Iran direct attacks appear to be modest in actual damage so the worst of this part of warlike efforts may be behind us.

The House in the U.S. Congress finally passed a bill for funding Ukraine, Israel, and Taiwan. The funds are desperately needed for the Ukrainians to turn the tide in the war currently being won by the Russians.

We have two presidential candidates who are still being rejected by their own parties, and the House Speaker, a Republican, remains in power because of Democratic support (politics makes strange bed fellows).

Trump's legal issues continue in the New York case, currently underway. Many of the people testifying for the prosecution have major character flaws.

As always, we encourage you to let your friends know about the Report if they would find it useful.

THE ECONOMY

Overview

The job market strength has made the Federal Reserve's efforts to cool the economy more difficult. Consumers' excess funds given to them during the COVID episode are now minimal. expiring. Consumer debt is increasing, which makes a continuing strong growth of consumer spending less sustainable.

Part of the strength of the economy is that the federal government is experiencing large deficits (12% of GNP) during a period of historically low unemployment.

While inflation has cooled substantially, the overall rate of inflation has increased by 24% since COVID occurred. This is quite damaging for citizens with lower incomes particularly when there has been strong inflation in groceries and rents.

WASHINGTON SCENE

Overview

The U.S. House of Representatives finally approved funding for various war efforts. The support for Speaker Johnson is still tenuous, particularly with far-right Republicans rejecting his program.

Trump's campaigning is being affected by much of his fundraising going to pay his legal defense bills, and his continuing appearance in court is reducing his campaigning time. His defense to date seems to be mostly about delaying the court dates until after the election when he believes he could pardon himself and others if he is President and found guilty of these charges.

The southern border mess is still not being handled properly. While an attempt was made for a political compromise on this issue, the real solution is to close the border entirely until we have a comprehensive plan, similar to that originally developed by President Johnson years ago. The border is now the number one issue in political polls related to the 2024 presidential election.

Government Regulations

Over the years we have heard a lot of complaints about excessive government regulation and the buildup of bureaucracy at the federal level. There are instances where these complaints

are justified, but there are bigger picture issues that sometimes get overlooked:

- In both the FAA and the FDA areas of regulations, lives can be lost if standards aren't in place to protect travelers from manufacturing defects in aircraft, and patients from inappropriate standards for both drugs and medical devices.
- In the most successful company in our venture capital career, we were under heavy FDA rules because of the life-death nature of our products. Since there were complaints about FDA rules, we suggested that if there were no FDA regulations, we'd have to invent them to protect the users of our products. There was a long silence.
- With the current Boeing problems, clearly the rush to produce new aircraft was given priority over adequate quality control concepts. As a result, the CEO, the Chairman of the Board, and the head of the commercial aircraft division have been fired. The FAA will not back off strenuous monitoring of Boeing and limiting production of their aircraft because of their numerous mistakes in quality control in recent years, which led to, among other things, the deaths of 346 passengers in Boeing 737 MAX 8 aircraft.

Serving Yourself and Your Party, Not the Country

The old saying in politics is, "you can't do much good if you are not actually elected to an office." So political leaders do strange things to stay in power, as indicated below:

- Bibi Netanyahu of Israel is beholden to the ultra-conservative members of his coalition who are aggressive in their war plans. If he continues, he could land in jail as a war criminal.
- President Biden is beholden to the far-left members of his party for being elected to the office, and he is paralyzed in doing anything really meaningful on the southern border.
- When the far left and the far right in Washington dig in deeply to protect

their positions, they essentially refuse to compromise. A democracy is heavily dependent on compromise.

- Most politicians like power, and they often get it at the expense of the country's wellbeing. When President Kennedy wrote Profiles in Courage in 1956, he could only cite a few politicians in Washington over the years who did the correct thing for the country regardless of the impact on their personal political future.

ELSEWHERE

The Russian-Ukrainian War

Iran's continuing funding of rebels in The momentum has been with the Russian side recently after a Ukrainian counterattack months ago did not meet its objective, leaving Ukrainians short of ammunition. It is critical that the U.S. quickly send funds to solve this problem. The condition is also putting pressure on European members of NATO to increase their defense spending.

The Mideast Situation

It is no small matter that Senator Schumer, the majority leader of the Senate and the highest-ranking Jewish person in the federal government, has said that "Netanyahu must go," even though Senator Schumer has been a strong supporter of Israel his whole life. There has been a long buildup in Israel, led by Netanyahu, taking U.S. foreign aid, and ignoring U.S. advice on Middle East matters.

The civilian causality list cause by indiscriminate Israeli bombing has now reached the 34,000 level (Hamass figures), and Netanyahu has displayed a cavalier attitude on the issue.

The China-Taiwan Issue

While this issue is smoldering in the background and actual wars are occurring elsewhere, it is still a high priority for China to take Taiwan. With the Chinese economy currently in a blue funk, the schedule for this may be delayed but the issue is very real as

China continues to cause trouble with its neighbors in the South China Sea.

MANAGEMENT

Entrepreneurial Practices

In a January issue of The Economist, a high-ranking official of the magazine listed three important items to focus on in 2024:

- Global warming and our slow progress in addressing it
- The hope and risks of AI
- The need for more entrepreneurs who invest their money and take risks to build their companies and economies

We were particularly interested in the entrepreneurial issue since we taught a course on it for 10 years at the MBA level.

While The Economist is published in London, it has a long history of supporting free enterprise over socialism and supporting risk taking over those who have a "job / job" (no career direction) and are just hanging on for retirement.

Employees of larger companies attend many seminars that espouse slogans like, "Take more risk," and "It's OK to fail." The problem with the latter phrase "OK to fail" is that it's a prelude to a pink slip in the real world if it happens very often. All this puts a real focus on real risk taking by entrepreneurs.

Hurrah for the underdogs who build companies and economies.

INVESTING

U.S. Stock Market

The stock market has pressure on the upside by strong believers of AI potential and negative pressure from the Federal Reserve declining to reduce interest rates in the near term. All of this has halted the market progression upward as it sits at an all-time high and is fully valued. Any cooling of the

U.S. economy will cause a declining in stocks to a more normal level.

PARTING SHOT

A Day Brightener

A few months ago, in the middle of a Minnesota winter, a truck driver was driving in a rural area west of Minneapolis when he fell asleep at midday while driving over a bridge that served to cross a river. The box truck bounced off the right guardrail as the driver slept and veered toward the left guardrail when it then fell into the river.

A nearby motorist, seeing this, walked into the ice-cold river to rescue the driver. He found the driver sitting in his seat stunned with water reaching the bottom of his chin and his seatbelt still buckled. The hero was able to get the man out of the truck and onto the riverbank where other motorists had already called for an ambulance. The driver was examined and found to only have bruises.

On hearing the story about the event, the hero's wife said that she was very proud of her husband, particularly when she realized that he didn't know how to swim.

We need a hero story from time to time to help us restore our faith in humanity.

Respectfully submitted,



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