

## **John Dessauer Investments, Inc.**

### **John Dessauer's market review and update as of Wednesday July 27, 2022**

Climate change has left the world of science and technology, where a real solution could be discovered. It has been adopted by politicians who have turned it into a near cult phenomenon. The editors of the *Wall Street Journal* have this to say: "Utopian energy dreams are doing great economic and security damage."

We can see that here at home with the Biden Administration's energy policies. Driving up gasoline prices to make electric cars more attractive is a pipedream and a job killer. The Biden Administration now wants car manufacturers to be making more electric vehicles. Ford Motor Company is setting out to comply but also says that shifting to electric vehicles means cutting jobs in the regular car business. Ford says the initial shift will cost 8,000 jobs.

The idea that today's renewables can supply enough electricity is proving to be out of touch with reality. The North American Electric Reliability Corporation recently warned that two-thirds of the U.S. could experience blackouts this summer. The problem is the sun does not always shine and the wind does not always blow. Texas grid operators this month told residents not to use major appliances to avoid rolling blackouts amid a heat wave that brought wind power to a near standstill. Because of the unreliability of wind and solar, some grid operators are keeping coal fired plants that are scheduled to be shut down on life support.

The political meddling is not confined to the U.S. German political leaders are still shutting down their three operating nuclear plants by year's end. Now Germany has to resort to burning oil and coal because its trillion dollar investment in wind and solar can't make up for the loss of Russian natural gas.

During an electrical power crisis in Australia last month, the culprit was too many coal plant closures that renewables could not cover.

“Do Western leaders recognize or care that their climate monomania is endangering living standards in democracies and empowering authoritarians? Historian Arnold Toynbee argued that civilizations die from suicide, not murder. The West's climate self-destruction may prove him right.” (*The Wall Street Journal*, 7/18)

There are promising developments that show that science and technology - rather than political demands - can provide practical answers to climate change. The media don't report about small nuclear engines or green hydrogen. But both are promising. Green hydrogen is produced from water and burns really clean. It may be an alternative to natural gas. Small nuclear engines could provide clean electricity or become a back-up to wind and solar. And I am sure there are other developments that I don't know about. Developing these sorts of solutions is very expensive. Doing economic damage in the name of climate change, like the Biden inflation, is counter-productive. We need to keep our country financially strong so we can continue on the expensive road to real solutions.

Speaking of potential economic damage, the tax ideas swirling around in Congress are another threat to the economy.

Here are a few of the tax proposals Democrats are talking about: a minimum 15% tax on corporate book income over \$1 billion; 5% surtax on income over \$10 million and 8% over \$25 million; 1% surtax on corporate stock buybacks; 3.8% “net investment income tax” on pass-through income over \$400,000, and a limit on the losses that small businesses can deduct from taxes. There’s more. Congress’s Joint Committee on Taxation (JCT) says that in 2023, those earning between \$50,000 and \$100,000 would pay \$5.2 billion more. Over the 10-year budget window, about 30% of the revenue raised would come from Americans earning less than \$400,000 a year. JCT’s second analysis shows that more than a quarter of Americans earning between \$75,000 and \$100,000 would pay more in tax next year. Senator Joe Manchin opposes these onerous tax proposals.

The editors of *The Wall Street Journal* have this to say about Sen Manchin and the tax proposals: “Our guess is that more than a few Democrats are secretly pleased as they near a fateful date with the voters in November. They simply won’t say it out loud the way Mr. Manchin does. But if they’re looking for more reasons not to commit political hara-kiri, they can consult two new reports from Congress’s Joint Committee on Taxation (JCT).”

Taking many billions of dollars more from the private economy would surely slow growth and make inflation worse. Thank goodness for Senator Joe Manchin. And also thank goodness for the voters who enthusiastically support him.

Secretary of the Treasury Janet Yellen says we are not in a recession, we are in a transition, a period of slower growth after a period of strong growth. While technically

two back-to-back quarters of negative growth are a recession, she has a point. This recession is very different and is not as threatening as past recessions. Investors have been selling stocks because of fear of a traditional recession. We are now in quarterly earnings season and so far, the results are better than expected. It looks as if many companies are doing much better than in past recessions. If this continues, then a stock market rally should not be far away. Then recession fears can fade away and be followed by fear of Biden Administration spending and tax proposals. Hopefully, the President's sinking approval rating will make other Democrats afraid of losing their political jobs come November.

I will have the next market review and update for you one week from today on  
Wednesday August 3, 2022

All the best,

John Dessauer

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