ANALYTICS INVESTMENT ADVISORS, LLC

Bidenomics

Richard C. Hoyt
July 8, 2021

"Climate change is real, but it is not the end of the world. It is not even our most serious environmental problem." Michael Shellenberger[1]

"Climate change is a problem, but the projections of Earth's imminent demise are based on bad science and even worse economics. In panic, world leaders have committed to wildly expensive but largely ineffective policies that hamper growth and crowd out other pressing investments… We can do better, both on climate and for the world". Bjorn Lomborg[2]

"The uncertainties in modeling of both climate change and the consequences of future greenhouse gas emissions make it impossible today to provide reliable, quantitative statements about relative risks and consequences and benefits of rising greenhouse gasses to the Earth as a whole, let along to specific regions of the planet". Steven E. Koonin[3]

"Our legislation is focused entirely on growing the economy, bring back jobs to our communities, increasing paychecks for our workers, and making sure Americans are able to keep more of the money they earn". Kevin Brady[4]

"*We are not going to revisit the 2017 tax bill, which was an enormous success for the country, led us to the best economy in 50 years as of February 2020, fueled economic growth, and eventually reduced the national debt".* Mitch McConnell[5]

---

[1] *Apocalypse Never, Why Environmental Alarmism Hurts Us All*, Harper Collins*, 2020,* inside cover. Mr. Shellenberger is a Time magazine "Hero of the Environment", winner of the 2008 Green Book Award from the Stevens Institute of Technology's Center for Science, and invited expert reviewer of the next Assessment Report for the Intergovernmental Panel on Climate Change (IPCC).

[2] *False Alarm, How Climate Change Panic Costs US Trillions, Hurts the Poor, and Fails to Fix the Planet,* Basic Books, New York, 2020, inside cover. Mr. Lomborg is visiting professor at Copenhagen Business School and visiting fellow at the Hoover Institution at Stanford. His work is published in the *New York Tim*es, *Wall Street Journal* and *Economist. Time* named him one of the 100 Most Influential People of the World, *Foreign Policy* repeatedly called him one of the Top 100 Global Thinkers, and *Guardian* identified him as "one of the 50 people who could save the planet". He lives in Prague.

[3] *Unsettled ? - What Climate Science Tells Us, What it Doesn't, and Why it Matters,* BenBella Books, Inc. Dallas, TX, 2021, p.96. Dr. Koonin is a leader in the field of science policy in the United State. He served as Undersecretary for Science in the Obama U.S. Department of Energy, has been a trustee of the Institute for Defense Analysis since 2014, chaired the National Academies' Divisional Committee for Engineering and Physical Science from 2014 to 2019, and is currently a professor at New York University with appointments in the Stern School of Business.

[4] House and Ways Means Committee Chairman (R-Texas), Tax Cuts and Jobs Act, 2017.

[5] Senate Minority Leader (R-Ky), Washington D.C. June 17, 2021, in opposition to S.1, "For The Peoples' Act".

What?

- There are significant differences of opinion regarding the "nature and magnitude" of global and regional climate problems, as well as the most the efficacious "economic models" to address complicated and multifaceted plant warming issues.

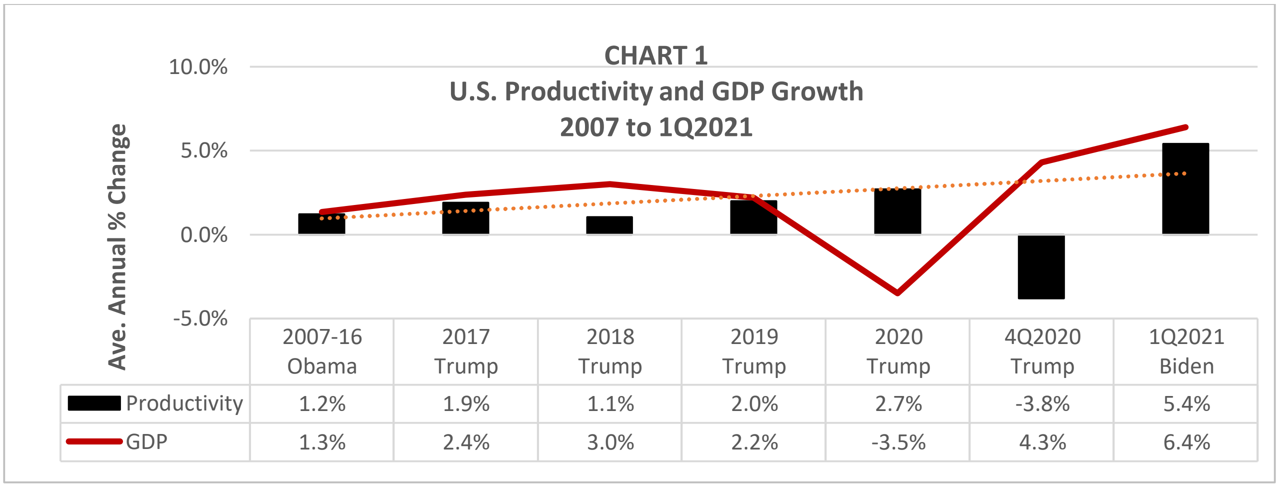
Why?

- Because the premise for "nature and magnitude" of the perceived challenges are widely dissimilar between the two U.S. political parties, thus mandating correspondingly contradictory solutions.
- Democrats generally believe that climate change is an existential threat to humanity and must be dealt with immediately using extreme monetary & fiscal policies; whereas, republicans portend climate change to be a historically gradual phenomenon which can best be addressed with measured improvement in technology and free markets, where price is the most efficient allocator of scarce resources.
- Democrats deem the solution to their vision of ameliorating global warming mandates raising large sums of money, which the Biden administration is proposing do by raising: the personal income taxes, corporate income taxes, estate taxes by abolishing the stepped-up basis, capital gain taxes, and increasing the minimum international corporate taxes; whereas, the republicans point to the Trump administration tenancy which took the opposite tactic by reducing government regulations, enacting the largest tax decrease in U.S. history that provided proportionally larger benefits to the middle and lower income categories for all ethnic and gender classes, while at the same time increasing tax revenues.
- Coincidently, objective interpretations of CHART 1 are: 1) that the Trump administration economic performance was superior to the Obama Biden administration as measured by GDP Growth and Labor Productivity; and, 2) inherently conservative monetary and fiscal policies continue to propel stellar economic performance through 1Q2021 with GDP expanding to 6.4%, with a notable 5.4% rise in productivity.[6]
- Moreover, the relationship between the two factors (GDP / Productivity) is approximately the same (2.4 / 1.9. = 1.26, 2017) and (6.4 / 5.5 = 1.28, 4Q2020), i.e., from the beginning of the Trump administration (2017) to the quarter immediately preceding manifestation of Covid 19 in early 2020, giving credence to the belief that the Trump full employment economy is still alive and dominant. Continued strong labor productivity (5.4% in May) is a supply side enhancement that can help mitigate emerging inflationary pressures (5.0% in May) due to excess liquidity .[7] (CHART 2)

---

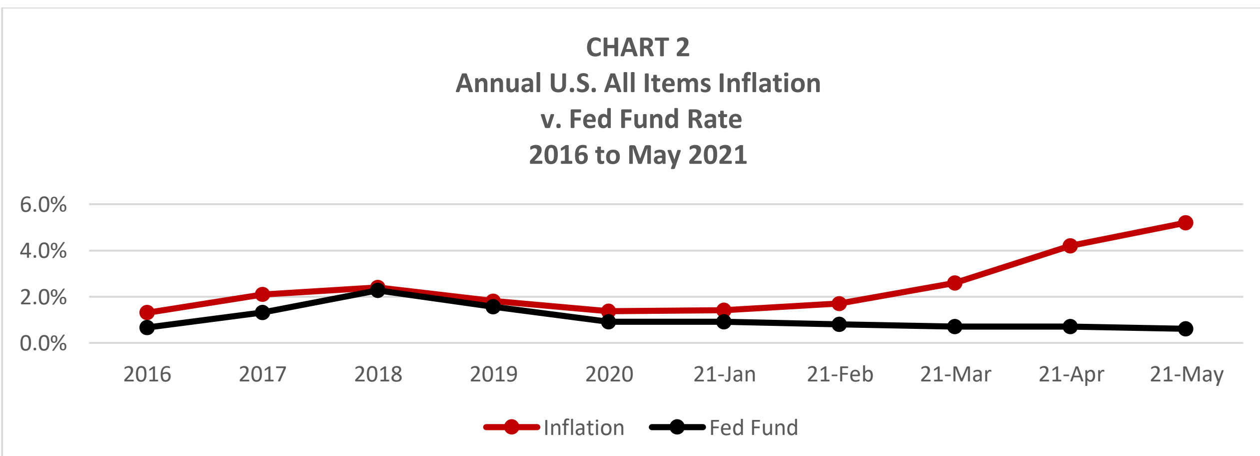
[6] Notable in the sense that an AIA, LLC linear regression model ("Labor Productivity and GDP Growth", April 5, 2017) rejected the null hypothesis that productivity does not have a statistically significant impact on GDP growth, at the .01% level of significance, for a slope estimate of 1.201 (t=9.810), while explaining 66% of the variability between GDP and Productivity.

[7] The Federal Reserve has indicated current inflation is transitory; however, projections by the Second Quarter 2021 Survey of Professional Forecaster suggest that aggregate demand (GDP) will average 6.3%, 4.3%, 4.2% and 4.0% between 2021 and 2024, which could continue to lead to rising price levels for all goods and services over the next 3½ years.



	2007-16 Obama	2017 Trump	2018 Trump	2019 Trump	2020 Trump	4Q2020 Trump	1Q2021 Biden
Productivity	1.2%	1.9%	1.1%	2.0%	2.7%	-3.8%	5.4%
GDP	1.3%	2.4%	3.0%	2.2%	-3.5%	4.3%	6.4%

U.S. Bureau of Economic Analysis



Federal Reserve Economic Data, Bureau of Labor Statistics

How?

- Given the professional, objective, and ultimately skeptical analysis rendered by world renowned global warming experts of the high cost and uncertainty of solutions being pursued by the Biden administration, it would seem prudent to create more deliberate scenarios that emphasize GDP growth through technological innovation that improves labor productivity, full employment, free and fair global trade practices, all intended to encourage worldwide race and gender income equality,[8]
- Swift attention by the Federal Reserve to rising inflation is required to allow greater net productivity gains to be achieved by the U.S. labor force, which are currently being cancelled by the rising costs of all U.S. goods and services.

[8]Upward revisions in growth projected by 36 forecasters surveyed by the Federal Reserve Bank of Philadelphia (1Q2021) presents a bright outlook for unemployment declining from 5.5% this year to 3.8% in 2024. See Commentary, “A Tale of Two Consequences”, April 7, 2021, regarding the long-term advantages of global economic models that emphasis GDP growth.

Performance Summary[9]

	2012-20 Avg.	YTD[10] 06/30/2021	AUM	Beta	R^2	s SD	Sharpe Ratio
S&P500 ($SPX)	**13.60%**	**14.41%**					
Barclay US TR[11]	**3.43%**	**-1.60%**					
Moderate	14.87%	8.67%	19%	1.11	98	20.71	1.13
Assertive 1	17.07%	11.52%	44%	1.30	99	24.02	1.06
Assertive 2	22.81%	24.69%	13%	1.54	99	28.47	1.06
Aggressive	27.06%	6.19%	24%	2.06	99	38.02	.86

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2012-20
Assertive1	17.1%	38.4%	16.9%	2.9%	-5.6%	22.4%	-7.8%	37.0%	32.4%	17.1%
S&P500	13.4%	29.6%	12.6%	-0.7%	9.5%	19.5%	-6.2%	28.9%	16.3%	13.6%
MSCI World	16.5%	27.4%	5.5%	-0.3%	8.2%	23.1%	-8.2%	28.4%	13.8%	12.7%

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
S&P500	13%	44%	62%	61%	76%	110%	97%	154%	196%	238%
Assertive 1	17%	62%	89%	95%	84%	125%	108%	184%	276%	320%
Aggressive	23%	107%	111%	124%	98%	193%	152%	345%	507%	544%

---

[9] **Cautious:** Investors seeking better than nominal returns, but with low risk and emphasis on wealth preservation. **Moderate:** Prudent investors desiring portfolios designed to accomplish medium long-term return. Calculated risk is acceptable to achieve good returns. **Assertive 1 & 2**: Investors with sufficient income to invest mostly in capital growth. Higher volatility and more aggressive investments are acceptable to accumulate wealth in the long run. **Aggressive:** Investors intending to compromise portfolio balance in pursuit of higher long-term returns. Security of capital is secondary to potential wealth accumulation.

[10] Net Average Return, Portfolio Center, Schwab Portfolio Technologies. Fees are negotiable and range between .5% to 1.0% per year for assets under management. Risk Statistics, Morningstar Advisor Workstation; most recent 3 years, computed quarterly.

Beta	Expected change in portfolio return per 1% change in market index return.
R^2	Percent of variation in regression equation explained by the independent variable (S&P500).
SD	Standard deviation of the dependent variable (Net Return).
Sharpe	Reward-to-Variability Ratio, i.e., portfolio return above risk free rate of return divided by standard deviation (RVAR).

[11] XIUSA000MC.