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**A DOUBLE
ISSUE REPORT**

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COVID Crisis Wake-Up Call

It is astonishing to see all the financial and social unrest that has transpired in our country in the past four months due to the COVID crisis. The economy continues to rebound with rolling restrictions related to COVID by various state and local governments. Ironically, areas with low virus cases at the beginning (i.e. California, Florida, Texas) seem to be doing worse now. The economy is experiencing a bifurcation for businesses. Many are negatively affected by COVID and struggling to survive or comeback in some form by



experimenting with new strategies. Some industries negatively impacted include restaurants, travel/airline, hospitality, and entertainment. On the other hand, businesses that supply personal protection equipment, consumer products, and certain technologies are doing very well. While unemployment has improved quite a bit, it is still high. I believe many structural and cyclical problems will continue with unemployment. While we may see a pause in unemployment, it could change course once government programs expire unless new subsidies and benefits arise. Many companies are holding back waiting for further stimulus and the elections.

The COVID crisis has not been fair for many people and businesses, but it has especially affected minorities (Hispanic and African American). There are several factors that propel this issue:

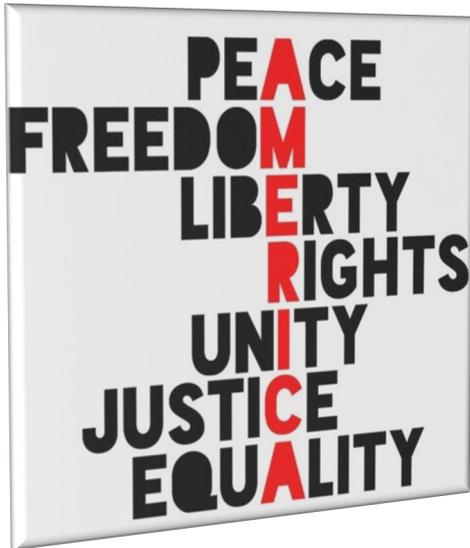
1. Poor social economic status
2. Increased risk to the COVID virus due to service industry jobs
3. Compromised immune systems due to poor health and eating habits (i.e. poor food quality)
4. Lack of virus testing
5. Heightened risk due to housing density
6. Higher layoffs due to low seniority

The COVID crisis has fueled many issues and exposed tangible and intangible weaknesses in our society. For example, we now realize our dependence on other countries (especially China) for critical healthcare products, protective equipment/supplies, and many drug ingredients. We are also experiencing supply chain issues which delays deliveries. On the intangible side, the COVID crisis has exasperated racism, prejudices and inequality engrained in our society. It has also affected the human psyche leading to an increase in depression and mental issues. These negative social outcomes have certainly been brewing way too long but have soared in the limelight due to various factors.

**COVID-19
RESPONSE**

A WAKE-UP CALL

Financial and Social Unrest



Racism and prejudice affect inequality, but inequality affects racism as well. I believe this is not just a black versus white issue. African Americans which constitute approximately 13% of the U.S. population have faced these negative issues for centuries along with women. "...the median net worth of Black households is one tenth that of white ones."¹ "A 2017 report cited data from the Federal Reserve spanning over 30 years, from 1983 to 2013, showing that the median white household wealth increased by 14% while the median Black household wealth declined by 75%."² "White households on average earn 6.5 times more than black counterparts. But the story quickly becomes more than just the dollars and cents in a bank account."³ Of the 38.1 million Americans who live in poverty, 20.8% are blacks.⁴ Hispanics which represent about 14% of the population are slightly larger than the African American population but have not been as outspoken. But inequality also exists with many white communities in areas like the Appalachians that have suffered generational poverty with very little potential or opportunity to move up and out.

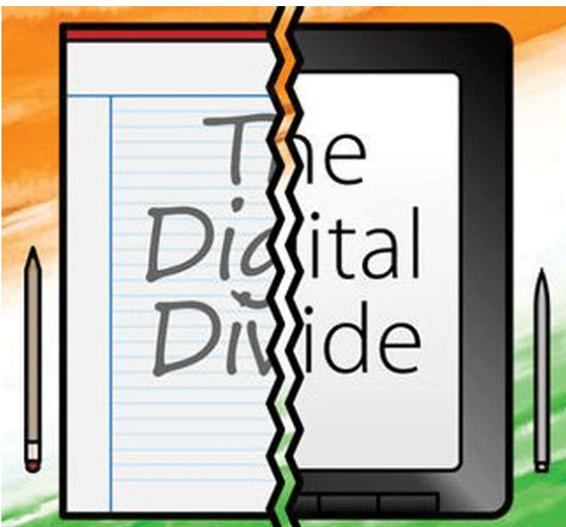
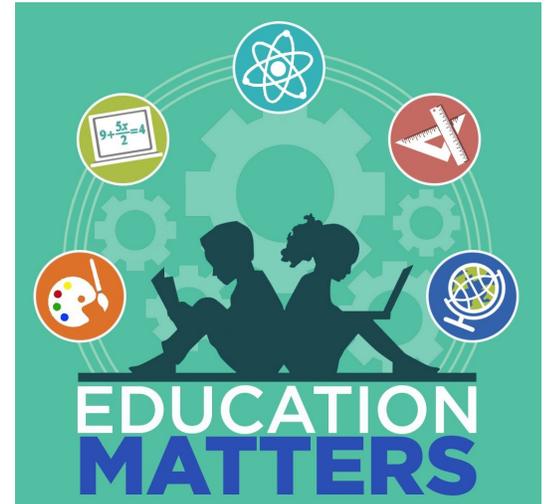
How did we get here? In a very simplified way of analyzing this issue, I believe there has been a concerted effort by our government to lower inflation over the past 30 years. Many third world countries began to open their countries to more trade and capitalistic ideas. They started building up their infrastructure, capabilities, and manufacturing to accommodate the new needs and demands of a very large customer: The United States. They were able to activate and employ an incredible number of their populations to produce goods that Americans wanted and needed. In many cases, these were products that were high turnover and labor-intensive, which American companies did not want to produce. I believe the biggest beneficiary of this was China which did help the U.S. with a low-cost and reliable production partner; therefore, the U.S. succeeded in lowering inflation.

Consequently, this transformation hurt many domestic manufacturing jobs and facilities by pushing many jobs overseas, especially middle-class jobs. As a result, we improved the lifestyle and living standards of these third world countries by transferring a great deal of wealth to them. This facilitated the spread of capitalistic ideas to other countries. But, while we were receiving cheaper goods in a timely and efficient manner, we did little to prepare our middle-class and manufacturing sector for new jobs. We need a massive retraining/reeducating of our workforce to allow these people to have adequate jobs and earnings for the future. Otherwise, we run the risk of more social impact and descension of the next generation looking for more socialistic solutions.



Financial and Social Unrest (Continued)

Becoming more efficient and having lower cost products was a concerted effort with our government, private sector, and corporations. In addition, we saw the technology industry flourish during this time which is one reason why we remain relatively productive and efficient. These technologies may even be viewed as our greatest asset, but our success caused other negative issues in our country. Looking at the big picture, I believe a significant problem lies in the U.S. not allocating proper resources during this timeframe. First, we had two major wars costing trillions of dollars and little positive results to show for this money. Second, we lost numerous jobs because workers were not properly trained and/or lacked the skills and education to adapt to the new competitive world. Third and most importantly, I believe our K-12 education is in shambles while many other countries have improved tremendously which will result in more competitive pressure in the future. One of our major systemic issues is the quality of our educators. And like any organization, there are many instances of prevalent favoritism, fraud, and control issues along with unions that protect both good and bad employees. We need to offer better pay, training and develop a more diverse workforce to attract quality teachers or give them tax incentives.



Many of these problems have created a greater divide between the have and the have nots. Since January, there have been dramatic changes in our economy, society, and inequality... As I suspected, a dramatic slowdown in our economy has led to social unrest which has been escalating for some time largely due to the tech revolution. Technology has exasperated the inequality in our country and throughout the world and represents probably around 25% capitalization of the S&P index. The tech economy is forcing many who do not have the skillset or education to rely on substandard jobs and government support. This has been going on for a long time and is now reaching a boiling point at a time when our economy is frail due to COVID. Unfortunately, it comes at a time when we have leveraged our government's balance sheet to the detriment of future generations and limited our flexibility.

Throughout my lifetime, there have been numerous movements that have gained people's attention such as Me Too, equal rights for women, LGBT (Lesbian, Gay, Bisexual, Transgender), disability rights and now we have a recurrence of a civil rights movement for African Americans. I will argue that this movement is more about the lack of opportunities and inequality for African American citizens than blatant racism. While I believe racism is a significant problem, obstacles to achieve the American dream are greater in scope and affect most Americans regardless of ethnicity. It may surprise you to learn the most successful immigrant group in the past 20 years is Nigerians from Africa, per many experts. And some of the poorest Americans are white people from the Appalachian Mountains where they have limited opportunities for employment and are stuck in a generational poverty with very little options but coal mining or the military. While I believe there are solutions, the problem is implementing and funding them in a timely manner.

The Tech Titans

Technology is disrupting so many people throughout the world. Contrary to what experts say, I believe technology creates higher paying jobs that offset some job loss, but it is at the expense of people whose skillset puts them further behind. Long-term, technology is our greatest resource and is vital to our competitiveness and lifestyle. But our government has allowed a few oligarchs to operate and personally benefit from these monopolistic companies that control many parts of our lives. For example, “Google’s search engine has an 87% market share. Facebook has 2.4 billion monthly users (it’s the most popular social media site in the world), and it owns Whats-App and Instagram, too, which have another 2.6 billion users between them. Amazon accounts for half of U.S. online retail spending. Seven out of eight U.S. streaming subscribers have a subscription to Netflix; Apple’s global smartphone market share exceeds 50%; and Microsoft’s Windows operating system runs on 77% of desktop computers.”⁵ While technology has greatly enhanced our lives and productivity in the past 20 years, a major problem lies with the lack of innovation going forward and the wealth disparity this has created.



I believe many of these technology titans’ success was from improving tech inventions rather than pioneering new technology. And their achievements were made possible by the opportunities provided by our country (i.e. armed forces, freedom, great infrastructure, mobility). Warren Buffett has been quoted saying I am going to write a book on how to get by with a half billion dollars. Jeff Sachs, a Columbia professor, has indicated that he thinks the top current 20 billionaires which are mostly titans of technology have the same net worth as 40+ million African Americans. I believe the same could be said for Hispanic Americans as well. This is a great disparity in wealth that needs to be addressed, especially when our country faces many challenges. While our hope is that the super wealthy invest in our country’s wellbeing by sharing their wealth via charitable means, additional taxes are another option to achieve this goal and close tax loopholes that only benefit the super-rich.

The Search for a Solution

Our lives and productivity were drastically improved by the highway expansion in the 50’s. Now, we need a digital broadband highway in our urban, rural, and underserved areas to take us to the next level. Making this transformation will benefit our country and bring us further into the digital age. Especially since only 76.7% of our nation has internet service which probably means 23.3% do not have computers as well. This makes the issue more challenging and will likely require government and private subsidies to make sure every household has a computer with internet access. The COVID crisis has brought this issue to the forefront to understand the necessity of internet access. We need to understand that households without internet access for school, education, healthcare, entertainment, etc. leads to further social economic divide, unrest, and lack of opportunity and hope. Even my dad enjoyed reading articles on the internet when he was 92. This is a multi-generational problem that needs a solution now to make our lives more efficient, productive, less costly and give hope and more opportunity.



The Search for a Solution (Continued)

Public corporations have been benefiting immensely from President Trump's corporate tax cuts. However, many corporations have used those funds to buy back their own stock instead of hiring workers, expanding or capital spending. In some cases, especially with the airlines, we are finding that it was a poor use of capital and it does not help economically or socially. But given our current crisis, I do not believe a large corporate tax increase, as proposed by Joe Biden, is the solution. However, I believe we should increase some tax rates and offer alternatives. One idea would be to require 2-5% of their profits or cash flow to be used to benefit inequality such as investing in underserved communities, broadband highway, education, infrastructure, climate change... But I also think it should start with a national priority.



Lastly, our country has lost trillions of dollars during this COVID crisis and has borrowed trillions to keep our economy afloat. I believe there is a great injustice in our tax laws which needs to be fairer and consider taxes for the super-rich. The tax system has not evolved to accommodate the wealth that has been created over the last few decades. "Research shows that ownership is highly concentrated among the rich, with the wealthiest 10% of US households owning 84% of all stocks in 2016, the most recent year for the Federal Reserve has released data."⁶ "The discontent comes even as the rich get richer: The report estimates that the net worth of wealthy individuals climbed to \$74 trillion at the end of 2019, up 8.7% from 2018 and \$46 trillion in December 2012. The population of millionaires reached almost 20 million, including 183,400 with a net worth above \$30 million, versus 18 million in 2018 and just 12 million in 2012."⁷ "In 2019, the richest 1% owned 45% of the world's wealth, according to a report from Credit Suisse. Stock ownership was an important factor."⁶ In addition to the COVID pandemic, an unprecedented transfer of wealth – during which \$68 trillion will be passed down from Baby Boomers to their beneficiaries – is set to occur over the next decade."⁸

WEALTH
IS WHERE
Economic
opportunity
LIES

It is truly tragic that some people or families have accumulated vast amounts of wealth but do not want to take Warren Buffett and Bill Gates "Giving Pledge" and/or give a substantial portion of their wealth for social needs and charities. "There are currently 2,095 billionaires in the world, according to Forbes, so about 10 percent of them have signed onto the Giving Pledge. There are 614 billionaires in America."⁹ I believe these numbers are dramatically understated, but many super wealthy look for every loophole to pass on their wealth to family whose only achievement was having the right sperm and egg. But it doesn't help to have a government official (former Treasury Secretary) says that only fools pay estate taxes. "Americans will inherit an estimated \$764 billion in 2020, and pay an average tax of just 2.1% on that income according to a study by New York University law professor Lily Batchelder earlier this year."¹⁰ In my opinion, this is a major problem especially with the problems we face. I don't know the right answer, but I know that what's happening isn't fair or equitable and will lead to further inequality, pain, suffering and unrest. Something needs to be done with the super-rich and the tax loopholes that transfer substantial assets before and after death must be stopped. We have too many social and economic problems to allow super wealthy families to pass their wealth to the next generations without tax consequences. They need to pay their fair share which still needs to be defined.

The
Giving
Pledge

Conclusion

In conclusion, our country needs to bridge the gap for all of us to prosper. We need a fair system to provide opportunities for generations to come. Many of us are not given the same start in life. For those who have very little opportunity at an early age, we need to enhance their hope and ability to achieve the American dream. While I am not a politician or a fan of either political party based on their conduct, we are fortunate to live in a democracy with 330 million people to choose a responsible leader. Unfortunately, I think both candidates have many faults and have lost touch with the needs and wants of the American people and the next generation. And I am not alone since “87% of Americans say they’re dissatisfied with the way things are going in the country.”¹¹.

Our country needs to utilize our resources to get the biggest and most efficient bang for our buck. It is certainly no easy job to be running this country. There are so many issues which require compromise to bridge various opinions on how to solve them. We certainly have conflicts of young verses old, Republican verses Democrat, east coast verses west coast, and conservative verses liberal. If we do not accommodate more people and view-points, we run the risk of moving towards a socialistic society. According to CNBC Money, “...51 percent of young people are positive about socialism. This age group’s ‘views of socialism have fluctuated somewhat from year to year,’ reports Gallup”.¹² The greatest way to avoid this is by doing something about the inequality issue now and to get more young and disadvantaged people opportunities to improve their lifestyle.

I believe it is imperative that we dramatically improve our education system. It would be the easiest and biggest impact on inequality and opportunity for this generation and generations to come. We need a different mindset to distribute resources for this to occur. Many politicians have started to bring up that other countries pay everyone a stipend or money, otherwise known as universal basic income.¹³ I don’t think this is the answer, especially for the poorest of poor because many of them don’t have access to a bank or financial institution. But no program is perfect, and we have already seen flaws with the Payroll Protection Program. Maybe the proverbs are not far off when they say we need to teach a man to fish to feed him for a lifetime instead of just giving him a fish. We have done a poor job teaching people to adapt to the new economy and giving them the opportunity to make it on their own. Hopefully both sides will come to that conclusion and develop programs for that over time.

Even with our faults, our country is the greatest country ever. If we make the needed changes, we will see our country continue to flourish and have more people prosper. But it is important for our tax system to be fair for everyone so we can narrow the inequality. John F. Kennedy once said, “A rising tide lifts all boats”¹⁴, meaning improvements in the general economy will benefit all participants in that economy. As usual, I am hopeful and optimistic that this can be done.

Thank you for spending the time to read this issue which I hope makes us all think more about our current situation and future generations. Stay safe and healthy.

Optimistically Yours,



Raymond F. Saleeby
President

Did You Know

5 great pieces of investment advice from Bill Gates

<https://www.fool.com/investing/2020/06/13/5-great-pieces-of-investment-advice-from-bill-gate.aspx>

7 investing lessons you can learn from Warren Buffett

<https://www.fool.com/investing/2020/06/30/7-investing-lessons-you-can-learn-from-warren-buff.aspx>

4 investing themes for the 2020s

<https://www.fool.com/investing/2020/05/24/4-investing-themes-for-the-2020s.aspx>

This is the biggest secret to success – Warren Buffett – Top 10 Rules (Video)

https://www.youtube.com/watch?v=iEgu6p_frmE

Bill Gates and Steve Jobs raised their kids with limited tech – and it should have been a red flag about our own smartphone use <https://www.businessinsider.my/screen-time-limits-bill-gates-steve-jobs-red-flag-2017-10>

To gain public's trust, should members of Congress stop trading stock?

<https://www.nytimes.com/2020/06/15/us/politics/congress-trading-stock-loeffler-burr.html>

The 30 best high-paying jobs of the future

<https://www.businessinsider.com/best-jobs-future-growth-2019-3>

Shutdowns prevented 60 million coronavirus infections in the U.S., study finds

<https://www.washingtonpost.com/health/2020/06/08/shutdowns-prevented-60-million-coronavirus-infections-us-study-finds/>

Why walking matters - now more than ever

<https://www.wsj.com/articles/why-walking-mattersnow-more-than-ever-11587182460>

The Healing Power of Proper Breathing

<https://www.wsj.com/articles/the-healing-power-of-proper-breathing-11590098696>

Air pollution takes a global toll to heart health

<https://www.nytimes.com/2020/07/09/well/live/air-pollution-takes-a-global-toll-on-heart-health.html>

COVID-19 Occupational Risk Score

<https://www.visualcapitalist.com/wp-content/uploads/2020/04/covid-19-occupational-risk-scores.html>

Jay Leno: What it's like to drive the Tesla Cybertruck – from 'instant acceleration' to how the interior feels <https://www.cnbc.com/2020/05/27/jay-leno-what-its-like-to-drive-a-tesla-cybertruck-with-elon-musk.html>

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Thinking about flying? Here's what you need to know

<https://www.nytimes.com/2020/05/27/travel/is-flying-safe-coronavirus.html>

The 15 highest-paid celebrities in the world, ranked

<https://www.businessinsider.com/highest-paid-celebrities-in-the-world-ranked-forbes-celebrity-100-2020-6>

Meet the Trumps: How America's first family arrived in New York on a steamship from Germany in 1885 and built a sprawling empire in 4 generations

<https://www.businessinsider.com/trump-family-history-from-immigrants-to-americas-first-family-2020-6>

Millionaires in America 2020: All 50 States Ranked

<https://www.kiplinger.com/slideshow/investing/T006-S001-millionaires-america-all-50-states-ranked/index.html>

Did You Know (Continued)

Many of the Founding Fathers were incredibly wealthy. Here's a look at some of their fortunes.

<https://www.businessinsider.com/comparing-wealth-of-each-founding-father-2020-6>

Elon Musk's net worth just hit \$70.5 billion, surpassing Warren Buffett's. Here's how the billionaire Tesla and SpaceX CEO went from getting bullied as a child to becoming one of the most successful and controversial men in tech

<https://www.businessinsider.com/the-rise-of-elon-musk-2016-7>

A look at the daily routine of Benjamin Franklin, who didn't always follow his own 'early to bed, early to rise' advice

<https://www.businessinsider.com/benjamin-franklin-daily-routine-2018-6>

These are the top 25 presidents, according to historians and biographers (and why you won't find Trump on the list)

<https://www.businessinsider.com/the-top-20-presidents-in-us-history-according-to-historians-2017-2>

7 insights about getting rich buried inside Benjamin Franklin's 250-year-old book on wealth

<https://www.businessinsider.com/personal-finance/insights-about-getting-rich-benjamin-franklin-2016-6>

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Footnotes

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