

Portfolio Management Business Development Corporate Strategy Global Perspective

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Perhaps we can agree that the United States of America must develop a better way to finance (pay for) the American Way of Life! Our national debt has grown about 40% over the last few years to approximately around \$36 trillion. Unfortunately, it's still growing aggressively and our nation's GDP (the ability to pay) hasn't kept pace. In fact, we've recently spent more on debt service than we did on defense – and the interest rate is still relatively low. If we're not careful, debt service could severely restrict private investment, which would constrain the economic growth of our country.

Bottom Line: Our nation's deficit spending and debt accumulation is unsustainable!

The Department of Government Efficiency (DOGE) should be able to cut through some of the bloated bureaucracy of the federal government, saving taxpayers billions in the process. However, despite any successfulness of DOGE, our nation still has to critically examine how we finance the American Way of Life (e.g., entitlements, defense). As one solution, my argument only addresses the financing element of our nation's deteriorating financial position. It generates meaningful, long-term revenue for the US federal government and augments our current deficit financing approach.

Over the last 250 years, the United States of America has built the strongest, deepest capital markets in the world. Sadly, we only use the debt market to finance the American Way of Life! We Tax and We Borrow using the same stale arguments from both political parties! We have totally overlooked the benefits of financing through the publicly traded equity market!

It's time for the US federal government to come together and form a massive Private Public Partnership with Corporate America, because the United States of America has created a business operating environment that facilitated Corporate America (publicly traded organizations with a Market Capitalization greater than \$1.0 billion) to amass over \$8.3 trillion of investment capital on its most recently filed financial statement according to Bloomberg. As a nation, we can leverage this significant asset to advance our societal objectives. All we have to do is work together: Corporate America and the US federal government – which is an unbeatable combination!

So, how do we do it?

The political (investing) environment changes too frequently, which creates difficulty for Corporate America to really make a substantial long-term, equity investment in the United States of America. Therefore, the US federal government must create an incentive for the private market to invest together and build a partnership. This can be accomplished through the ratio of matching funds: public to private. The more the US federal government believes in the mission (allocates), the more the private market will ante up. Together, we can form a Special Purpose Equity Fund (SPEF) to be actively managed by the private market investment expertise that we have developed in this nation over the last 250 years!

To help finance our growing national debt, it's a matter of capital allocation. As one example, let's critically examine how the US federal government recently deployed investment capital under the CHIPS and Science Act of 2022. Specifically, Intel (INTC) was awarded \$7.9B allocated between a \$5.5B Grant, a \$2.4B Loan and a 25% tax credit for qualified investments. This is a great start at working together (private / public). But how does this capital allocation strategy really generate revenue for the US federal government? Please don't say by taxing the economic growth of INTC or realizing the interest income from the loan. This type of capital allocation strategy doesn't generate any meaningful revenue for the US federal government.

If the US federal government extends an olive branch to help develop a particular industry, the nation should realize a return on its investment (ROI). In this particular case, we could have just as easily provided investment capital to INTC through the publicly traded equity market, taking a passive, long-term position in the organization. To further illustrate, the public equity market provides liquidity for the investment, transparency for the nation and a formal mechanism to actually generate an ROI for the United States of America!

Recently, David Westin of Bloomberg news did a great job describing the benefits of a Sovereign Wealth Fund like Norway's. In my opinion, our nation doesn't need a Sovereign Wealth Fund. It needs new investment capital to repair, build, maintain and advance our societal objectives.

As a result, I'm proposing something unique to the United States of America! A Private Public Partnership whereby private market investment expertise (BLK, PFG) drives the company specific investment decision based on guidance from the public market (US federal government) in terms of industrial development and societal objectives.

Respectfully,
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