



LLOYD TEVIS
INVESTMENTS, LLC

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Market Commentary

July 2024

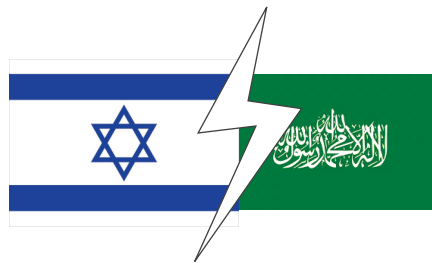


Russia-Ukraine War

The Ukrainian line has stiffened to the point of slowing the Russian offensive to a crawl. Blocked on the battlefield, the Russians are striking out at the Ukraine's allies with threats, sabotage and political influence campaigns. Ukraine for its part is mounting nocturnal air attacks in which flights of 100 or so drones penetrate 100-200 miles beyond the front line to target Russian air defenses and logistic facilities. The US and EU finally got their sanction regime enough together that they were able to shut down organized trading of their currencies in Moscow. None of these efforts will be game changing. For the Ukraine to build a credible air force and establish air superiority over the front line would be. That project creeps along with results expected in 2025. It takes time to train military pilots in numbers.

Meanwhile, the Russians are also upping their game. Operational security is far better; operational scale planning is better; unity of forces is better; integration of ground and tactical air forces is much improved. These systemic improvements are likely due to Chief of the General Staff Gerasimov. At the same time Putin's purge operations have begun hitting field level commanders with poor performance records and corruption exposures. However, tactical level performance is still a struggle. The combat effectiveness of assault groups is reckoned at two days. The Russian troops show signs of overstretch: barbaric treatment of POWs; recruitment of low grade troops from Africa and Inner Asia; pulsed offensives reflecting poor logistics and inadequate man power reserves.

China harassed a Dutch warship enforcing a UN blockade of North Korea. At the G7 conference the Europeans and US castigated China for enabling Russia's war making, indicating that President Xi's diplomatic outreach to Europe was unsuccessful. Also at the G7, Ukraine signed long term assistance agreements with the US and Japan. Putin responded by signing a mutual assistance treaty with North Korea. North Korea will sell Russia artillery shells and rent it labor brigades. South Korea responded by lifting its self imposed ban on lethal aid to Ukraine.



Israeli-Hamas War

The US effort to broker peace failed, despite a full court press, when Hamas raised its ask. Hamas says it is winning and that it needs more. It also said it did not know how many of the hostages it took were still alive and thus deliverable as part of any deal. The Israeli's rescued four hostages in a raid and gained further confirmation that Hamas is abusing its prisoners. In fact, the conflict between Israel and Hamas is existential – there will be at most one survivor of the conflict and likely no peace deal at the end.

The Houthis apparently have overcome their antipathy for Sunnis sufficiently to make an agreement to supply al-Qaeda's Iraqi affiliate with heavy arms for use against the Americans. The Houthi's also improved their marksmanship enough to hit three commercial vessels over a period of two weeks. One vessel caught fire and lost steering. It was abandoned by its crew and sank after a few days. On the second ship a sailor was injured and needed to be air evacuated to a nearby warship. On the third ship the crew quickly put out a fire and continued their voyage.

The tit-for-tat conflict which has been ongoing between Hezbollah and Israel along the Israel-Lebanese border shows signs of heating up. The Israelis killed some senior Hezbollah commanders and their replacements seem to be more hot headed.



Elections

June was a bad month for incumbents.

The upset began with the parliamentary elections in India. Prime Minister Modi was looking to expand his party's holding from 303 seats to more than 400 seats. Instead he lost 63 seats to end at 240. India's parliament requires 272 seats for a majority so Modi is reliant on a coalition with small regional parties to continue in power. The vote can be taken as the electorate supporting Modi but decisively refusing his ambitions for quasi-dictatorial power.

Next up were elections for the European parliament which has 720 seats. Here the right wing nationalists ("Patriots for Europe") gained 35 seats to reach a total of 84. The moderate right ("Conservatives and Reformists") gained 9 to reach 78 and the leading block (the moderate "European People's Party") gained 12 to reach 188. Losses were spread across the left: "Socialists and Democrats" dropped 3 to 136, the moderate left "Renew" dropped 26 to 76 and the "Greens" lost 18 to end at 53.

So the total shift was about 10% from left to right. The concentration of the rightward shift into the conservative nationalists was eye catching and troubling for the dominant center coalition. However, the center remains the dominant group. The European economy has been stagnant and there is a concern that it has pushed too far too fast with the green energy transition and put its international competitiveness in jeopardy. Europe has also been fairly generous in letting in foreign immigrants while not especially good at integrating them into its locally homogeneous nations. The nationalist parties have used this point of friction to broaden their popularity. The election can be read as the electorate expressing dismay to its current leadership without absolutely losing confidence in them.

By contrast, the British election was a classic "toss the bums out" vote. After 14 years in power the Conservatives were

massacred. Their seats in parliament dropped from 372 to 121. A number of party bigwigs lost their seats and the unseated prime minister, Rishi Sunak, resigned as party leader. Quite simply the Conservatives had run out of ideas, appeal and success. In Scotland the Scottish National Party had a wipe out. It fell from 48 to 9 seats. The SNP has been roiled by serious internal scandals. The Labor Party led by Keir Starmer was the primary beneficiary. Labor won 33.8% of the vote, but the UK's first-past-the-post electoral system transmuted that into 411 seats - a gain of 211 seats from the 202 seats won in the last general election. It will be interesting to see if Labor governs with respect for its narrow mandate or if it allows its parliamentary strength to feed excessive ambitions. The Liberal Democrats also did well, rising from 11 seats to 72 – a gain of 64.

In France Prime Minister Macron called snap elections for the National Assembly in response to the European parliament election. Here 289 seats are needed for a majority in the 577 seat assembly. A two round process is used to select the winners. In the first round of voting Macron's centrist block (“Ensemble”) was savaged; its share of the vote was 21% which constituted a third place finish. The hard right nationalist party (“Rally for the Nation”) came first with 33.21% percent of the vote. This party's quasi-fascist roots have heretofore kept it out of power, but public discontent and a platform made up of a grab bag of populist measures created substantial momentum for it. The party was open about the fact that if second round voting should give it power it intended to shake things up. In the second round vote, it was severely disappointed. A coalition of left wing parties (“New Popular Front”) took 25.8% to win 180 seats (a gain of 49.). The center got 24.53% to win 159 seats (down 86) and the right wing was left with only 37% which netted it 142 seats for a gain of 53. A center left coalition will take power. Essentially the electorate used the first round to vent a strong protest vote, but then pulled back from radical change and instead shifted the governing coalition leftwards.

Iran also had a two round election. In this case the election was to replace its president recently killed in an air crash. The first round saw the conservative vote divided between three candidates. As a result it was a moderate and the most

extreme of the conservatives who advanced to the second round. In the second round the moderate Masoud Pezeshkian won. Unlike most Iranian leaders, Pezeshkian is not Persian but instead Kurdish-Azeri. He is moderate only on the Iranian political scale. He, for instance, is in favor of veiling women but not in favor of enforcement by the thuggish religious police. The populace, by contrast, came to the edge of insurrection 18 months ago in its stand against veiling. However, the populace was sufficiently intimidated by the regime's executions to drop its protest. The Head of State, Ayatollah Khamenei, indicated his preference for the hard end candidate, but he appears to have accepted the electoral result.

Next we come to the US election campaign. Running as an incumbent with a record of peace, prosperity and significant broadly palatable reform, President Biden should enjoy a shoo-in election in his match up against former President Trump. Trump not only delivered a chaotic four years as President, but he was recently convicted of felony charges arising out of his effort to hide a sex scandal. As a result, he is probably the weakest Republican candidate in a century. Biden, however, is 81 and has been dogged by accusations of dementia. A debate with Trump was his opportunity to kill that story and smooth his way to re-election. Unfortunately his debate performance was disastrous. He alternated between incoherent mumbles and overly rehearsed political tripe delivered too quickly. At a stroke he seemed to validate the dementia accusation, while the fact that Trump lied like a drunken sailor went less noticed. Americans looked away from their television sets appalled by the electoral choice before them.

Since this wipe out, Biden has been mounting damage control. A fair read of the debate transcript shows that it was his delivery which was incoherent and not his thoughts. His next public address showed more energy and a hastily arranged interview showed him able to conduct a basic conversation. But clearly he is very much on the defensive and threatened by the long knives in his own party. Biden needs to lay out a clear succession plan, either stepping aside for a new presidential candidate or assuring the public that there is a strong Vice President in place who is capable of

taking over should he be overcome by old age. The party, for its part, needs to work through this in concert with him and not pull itself to pieces over the decision.

This situation turns attention to the Vice President currently in place, Kamala Harris. If she were a convincing replacement for Biden, the age issue probably would not come up at all. Indeed when Reagan ran for re-election his debate performance revealed an incipient dementia which ultimately killed him. But Reagan had a competent VP (George Bush) in place. Reagan was re-elected in a landslide and his VP went on to win the Presidency as well. Unfortunately Harris is no such buttress to Biden. She sat in the Senate for one term and her voting record was to the left of 49 other Democratic Senators. Admittedly, these were largely symbolic votes in a Republican controlled chamber. Previous to the Senate she was Attorney General in California. As such the limit of her executive experience is the equivalent of running a mid sized law firm. Running for President in 2019 she was one of the weakest candidates at the primary level and quickly dropped out. As Vice President she has gained some diplomatic experience in second tier responsibilities but has made no name for herself. Harris owes her position not to accomplishment but to the weird representational politics of the Democratic party. Here she is triple threat, simultaneously counting as a representative of the California Democratic machine, women and colored people. Unfortunately that means replacing her as VP risks ticking off essential party constituencies. Any move to retire her needs to offer a graceful follow on and the only reasonable possibility is Sotomayor's seat on the Supreme Court. Even if Sotomayor (age 70) were to agree that it is time to pass the seat on, the sight of retiring a fairly young Hispanic woman because an older white guy is getting doddering would not play especially well. Representational politics is an ugly business.

The Democratic party has been in this situation before. In 1944 it was clear to party elders that FDR would not live to serve out his full fourth term. His Vice President Wallace was deemed too far left by the conservative/moderate wings of the party. Wallace was sent on a fact finding mission to Tanna Tuva - an autonomous region in Siberia. While he was gone, Truman was substituted as the Vice President. FDR died four

months after the commencement of his final term of office. Wallace retired from politics and made a large fortune founding the nation's largest provider of agricultural seeds. So perhaps he had the last laugh.

The Republican party also has been in this situation. Eisenhower had a heart attack while in office and was infirm for the last two years of his Presidency. There was no need, however, for Vice President Nixon to take over. As President, Nixon himself saw his Vice President, Spiro Agnew, chased from office by corruption charges stemming from his earlier governorship in Maryland. This was a more than minor complication as Nixon was shortly thereafter forced to resign by the Watergate scandal. His successor, President Ford, was the first US President who was elected to neither the Presidency nor the Vice Presidency. He immediately had to select another unelected Vice President – in this case Nelson Rockefeller.

These examples convince us the institutions can handle the current situation one way or another. It will probably be messy and personally painful, but the Republic is not going to collapse.

It is not an election and the Chinese Communist party does not permit electoral surprises. But that country also was roiled unexpected turmoil. It was announced that the two previous defense ministers have been cashiered for serious corruption. This revelation reflects badly on President Xi who had vetted their appointments closely. After ten years of taking a strong stand against corruption, Xi seems unable to control even his most essential staff.

Finally Mexico had a presidential election which elected the country's first woman and simultaneously first jewish president. However, the winner Claudia Sheinbaum belongs to the same Morena party as outgoing president Lopez Obrador. The Morena led coalition strengthened its hold on the legislature, so this election was about social and not political change.

It is remarkable to see so much turmoil around the globe all at one time. Although each situation is sui generis there may be a few common factors at work. In many countries a hand over

of power from one generation to the next is occurring. Also, most countries are having a harder time than the US in recovering their economies from Covid. Finally, irritation with foreign immigrants is present in many places, literally from Moscow to Malibu. As investors we note the heightened volatility in the political sphere.



The US Supreme Court

June is the Supreme Court's month for publishing its more contentious decisions. How it handles these cases reveals much about the direction of this important institution. In our research note series we have published an in depth analysis (Supreme Court Decisions June 2024.) It is available through the resource section of our website (www.lloydtevis.com/resources.) Here we summarize key points.

Generally the Court refrained from upsetting important economic structures. In *FDA vs Association for Hippocratic Medicine* the Court protected the current regulatory structure of the pharmaceutical industry from challenge by an advocacy group attempting to curtail abortions. In *Garland vs Cargill* the Court refused the Trump administration the power to withdraw a license to sell guns issued by the Obama administration despite the problematic issues of public safety created by the grant of the license. In *Vidal vs Elster* the Court upheld the current regime of celebrity licensing in the face of a free speech challenge. In *Moore vs the United States* the Court, with evident anxiety about the precedent it might be setting, allowed Congress to collect a one-time tax on undistributed corporate income as part of a transition between two tax regimes. In *Murthi vs Missouri* and in *Moody vs NetCoice* the Court declined to interfere in the content moderation policies of social media companies.

In the law of persons, the Court sustained traditional protections for criminal defendants (*Snyder vs United States*, *Fischer vs United States* and *SEC vs Jaresky*.) But it ruled for institutions against immigrants and the impoverished (*State Department vs Munoz* and *Grants Pass vs Johnson*.)

The key decisions of the Court concerned power. In *Harrington vs Perdue Pharmaceutical* it declined to expand the powers of bankruptcy judges. In *Trump vs the United States* it gave a qualified yes to the question of whether a former president may face criminal liability for acts during his term of office. However, it hedged such prosecutions round with restrictive evidentiary rules and indicated that it intended to keep a close control on the underlying case. Finally in a series of cases (*SEC vs Jaresky*, *Ohio vs EPA*, *Loper Bright Enterprises vs Raimondo* and *Corner Post, Inc vs Board of Governors of the Federal Reserve System*) the Supreme Court grabbed control of the nation's regulatory apparatus. This is a stunning power play that directly transfers power from Congress and the Presidency to the Federal Court System.

Beneath its surface conservatism, the Court's opinions reveal an institution much unsettled in mind.

The Court's reigning jurisprudential theory is a doctrine known as Originalism. This philosophy requires legal texts to be interpreted using the sense of the words and the common practices of the day in which the text was written. Particularly with respect to the Constitution this approach privileges the period of the founding of the United States and the practice of law in the colonial period. To implement the philosophy judges are asked to carry out historical inquiry that is practically antiquarian. In trying to settle current questions by reference to historic practice they are explicitly warned against attempts to discover principles in earlier practice which can guide the decision. Instead they are to look for the text's literal meaning and to follow it wherever it leads whatever the consequences. The Court is divided into three groups of three Justices each. There is a group of radical Conservatives with a strong commitment to Originalism. There is a group of pragmatic Conservatives who make sometime use of Originalism, but who also consider consequences and balance in their decisions. Finally there is a

group of traditional Conservatives who emphasize precedent and stare decisis, particularly in resisting ad hoc coalitions of the other two groups bent on radical actions. The traditional Conservatives wield Originalism primarily as a resistance tool. The pragmatic group shifts back and forth between the radical and traditional groups in its decisions. As a result most decisions of the Court are 6-3, but the decisions do not line up cleanly along political party lines.

For investors this situation is less than ideal. The Judiciary's power grab in the area of regulation is particularly troubling. As further explained in our longer analysis we foresee an extended power struggle between the three branches of government in this area. We think investors will be the unhappy passengers on a merry-go-round which most likely stops close to where it started from. Fundamentally, we believe the radicalism of the Court is driven by philosophy and nostalgia rather than by alignment with fundamental forces at work in the world. Consequently we see it as contributing only volatility and no trend to investment results.



The Petrodollar

In mid June the story hit the internet that Saudi Arabia had allowed a 50 year old treaty with the US to expire, supposedly ending the reign of the petrodollar and beginning the eclipse of the dollar as the world's reserve currency. According to this story, in 1974 the Saudi's agreed to trade oil only in dollars and to invest the proceeds in Treasury securities. In return the US agreed to provide the Saudi's with military security. Now apparently all of this was to unravel with broad implications for the economy and for geopolitics. Mainstream news media was caught flatfooted – not having picked up on the story. The State Department denied that there was any such treaty. The story began to look like a contribution from the fertile brains of market manipulators. Let us take a deeper look.

First, warm relations between the US and the Saudis began long before 1974. Franklin Roosevelt paused his cruiser in the Suez Canal on his way home from the Yalta conference in 1945 so he could entertain ibn Saud. At that time most of the Middle East was under British protection. The British involvement continued until the 1970s. Oil was traded in both dollars and sterling through most of this period. As the British gradually exited their role in the Middle East, the US became more engaged. But it did not immediately pick up the Arab alliances the British had nourished ever since their initial alliance with the Arabs against the Turks in World War I. In particular, tension over Israel kept the US and Saudi alliance limited. A close alliance only emerged in 1991 when Saddam Hussein's seizure of Kuwait led to the First Gulf War. Before the Israeli-Hamas war broke out, the US was attempting to negotiate a tripartite defense treaty between itself, Israel and Saudi Arabia. The Hamas war has slowed that process, but it is reported to still be the goal of all three parties. Thus it cannot be said that a deep political split between the US and Saudi Arabia has developed.

Now let us turn to currency arrangements. The Bretton Woods agreement of 1946 set up a structure in which the US dollar was freely convertible to gold at a fixed price and all other currencies were convertible to dollars at semi-fixed prices. This structure remained in place until 1971 when Nixon ended the convertibility of dollars into gold. This ushered in the period of floating currencies in which prices of currencies and gold were established by market transactions rather than central bank administered pegs. Currency values became volatile and the price of gold in dollars rose substantially.

A number of oil exporting countries had joined together in a producer's cartel known as the Organization of Oil Exporting Countries (OPEC.) In 1973 the OPEC countries hiked the price of oil and embargoed the US in protest against its support for Israel in the Yom Kippur War. Since 1973 OPEC has mostly set the price of oil, although market prices tend to fluctuate around the OPEC peg.

During the Bretton Woods era the choice of currency a commodity traded in did not matter as to price as the price

was ultimately pegged to the dollar. But it did matter in terms of capital flows and banking arrangements which were closely regulated. In the free float regime these factors reversed. Now capital flows were much less restricted and market participants could fairly easily move between banking systems. But commodity prices would fluctuate with the pricing currency. Oil producers naturally gravitated to using just the dollar as it was both more stable and more convenient to use than the European or Japanese currencies. The proceeds of oil sales were banked in dollars and deposited with US banks. In the second half of the 1970s US banks loaned these funds out to countries in Latin America and Eastern Europe. A number of these loans went into default in the early 1980s when the Federal Reserve pushed short term interest rates to 21% in a (successful) effort to control inflation. As a result, major US banks themselves got into trouble. After this experience, countries which built up large dollar holdings through trade (a group which included Japan and Taiwan in addition to OPEC) preferred to store their wealth directly in US Treasury securities rather than in bank deposits.

Thus the internet story is roughly accurate about what happened in the past, but it telescopes a complex narrative down into something much simpler and in the process distorts causes and effects. It also distorts reality in claiming something important happened just recently.

A new era began almost a decade ago when the US developed oil fracking technology. This technology revived the productivity of US oil wells which had been declining as a result of long production. The US is now both the world's largest oil producer and a major oil exporter. The export share of production is rising as green climate policies lead to reductions in domestic demand. Thus the US has evolved from being OPEC's main customer to being its commercial rival. Today the Chinese and Europeans are the Saudi's largest customers. They would prefer to pay for their imports with their own currencies. The Saudis for their part, are less sure they want to build up large holdings of Euros or Yuan. The Euro had a near death experience in the 2008 financial crisis and the Chinese government has a long history of abusing foreign investors. But one can always make an

argument for dabbling at the margin and learning how things will turn out. Inevitably some dabbling is now taking place.

Does this indicate that the US dollar is poised to lose its position as the world's reserve currency? One often hears this idea bruited about and I always smile when I hear it as the story tellers clearly have no idea what is involved in being a reserve currency. Put yourself in the shoes of the chairman of a foreign central bank. It is midnight on Saturday, some disaster just befell your country and you need a loan of \$100 billion by Monday with maybe another \$400 billion by the following Friday. Who are you going to call? It is a pretty short list of institutions that could even think about making such a loan. Most of them have cumbersome approval processes, no history of making such loans, a penchant for onerous terms or no one on the desk to take the call. There is really only one bank that is a good bet to say yes quickly. Until that situation changes, the dollar will remain the world's core reserve currency. Other currencies, SDRs and gold will continue to play a role as reserves. They long have. Over time their role may expand. But nothing in the central banking world is going to change faster than on the scale of decades. Central bankers are deeply cautious for one excellent reason. When a banking system suspends payments, food deliveries stop and heads roll shortly thereafter.



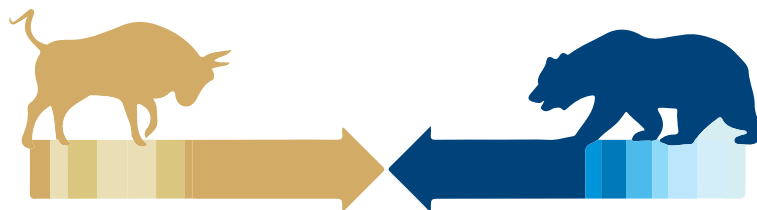
The Economy

Evidence of the Federal Reserves tightening policy gaining traction continues to mount. In June 250,000 jobs were created, but they were concentrated in healthcare and local government. With some election year spending going on the increase in government payroll is particularly unimpressive. The unemployment rate rose to 4.1%. Evidence of slowing inflation also came in. This slowly softening economy is exactly what the Federal Reserve has sought to bring about. A reduction in the short term interest rate will likely happen in the third quarter.

Looking further forward, the United States faces some choices on tax and spending. Trump pushes for further fiscal stimulus: more spending and less taxing. Biden pushes for more fiscal stability: higher taxes with steady spending. The election is expected to produce a Republican Senate and a Democratic House. With a hung Congress the likely outcome is no important change in either taxes or spending. The outside possibility of a Republican controlled government could result in an attempt at major change that would meet substantial push back from the real economy. A Democratic controlled government is also an outside possibility. But Biden seems to lack the coattails to bring it about and if new leadership emerges on the Democratic side it is likely too focused on securing its own position to accomplish much else.

We think the dominant long term trend in the economy will be growth in service sector productivity driven by fine grain task automation. Not much will happen in a years time span but in a decade's time span transformative change is not just likely but irresistible.

Cyclically the major current issue appears to be housing affordability. Concentration of economic opportunity in metropolitan centers results in a steep house price gradient. This circumstance creates an economic incentive for dispersal of business activity into the suburban ring. Growth in remote work also helps to alter the geography of employment and residence to relieve pressure in the housing market. Decreases in interest rates likely will be offset by price increases with the result that affordability does not change from this factor.



Capital Markets

US Growth performed strongly (+6.85%); Emerging Market Equity weakly echoed this (+2.27%); other equity sectors dipped with Developed Market Equity the weakest of the group (-3.65%.) Thus the one month spread within the equity

sector was 10.5%. We think the growth story in the US Growth sector is sufficiently strong that the sector can advance in the face of poor news. The other sectors are probably more sensitive to an unsettled political situation and experienced some pull back after last months strong showing. In Fixed income long term bonds rallied as the market senses that the easing side of the cycle is close at hand. Strength in bonds probably also provided some competition for value and income equities. The Euro sold off some – most likely in response to election turmoil. Gold and Oil are marking time which is consistent with slowing inflation.

Table 1: Recent Market Performance

Asset Group	Asset Class	6-month trend	3-month return	1-month return
Equity	US Large Cap	rising	4.48%	3.64%
	...Large Cap Growth	rising	9.58%	6.85%
	...Large Cap Value	rising	-2.18%	-0.75%
	...Growth – Value	outperform	11.76%	7.60%
	US Mid/Small Cap	rising	-3.09%	-1.47%
	Intl Developed	rising	-2.05%	-3.65%
	Intl Emerging	rising	3.86%	2.27%
	Fixed Income	Treasury 3-7 year	flat	0.10%
Treasury 7-10 year		flat	0.45%	1.24%
TIPS		flat	-0.39%	0.22%
Municipal		flat	-0.28%	0.93%
Investment Grade		flat	-1.10%	0.40%
Medium Grade		flat	0.30%	0.16%
Preferred		flat	-1.59%	-0.60%
REIT		flat	-1.16%	1.59%
Commodity	Euro	falling	-0.74%	-1.26%
	Gold	rising	3.26%	-0.45%
	Crude Oil	rising	-1.65%	0.64%



Advice

In March we noted some clouds on the longer term horizon.

Now is a good moment to check in on these issues:

1. rising costs of climate adaptation – still a concern.
2. long term cost of balancing Russia – still a concern
3. political dysfunction in the US – worse

4. direction of the Supreme Court – cause for concern confirmed

We are unlikely to get any improvement on these issues until after the US elections. Meanwhile value stocks may be more sensitive to these issues.

Last month we provided a checklist of financial maintenance items. Hopefully our readers completed the self assessment. July would be a good time to tackle the most important issues identified by this review.

Our portfolio advice is unchanged. Identify and hold the strategically correct portfolio for your individual situation. Avoid the temptations to market time or to distract yourself with purely tactical plays. Focus on building towards your long term goals which have the potential to deliver genuine satisfaction in life.

About the Cover

Our cover exhibits a selection of revenue stamps. These are the high denomination cousins of the better known postal stamps. In the days before digital they provided a convenient way to manage government fees. Say you needed a license for which the fee was \$50. You would purchase \$50 worth of revenue stamps and affix them to the license. That would verify that the fees were paid and the license duly issued.

The government brought out a series of revenue stamps in denominations from one cent to \$200. In general they were nicely engraved (thus making it difficult to counterfeit them) but rather low in design work. The first series just showed the head of George Washington in different colors. The second series introduced a complex background to complicate the life of forgers. The third series introduced a range of portraits of famous Americans.

Businesses eventually got permission to create their own revenue stamp designs. Private issue revenue stamps would typically highlight the particular license or impost for which the stamp would be used. Often the motivation for creating such stamps was to secure some advertising exposure. In a similar fashion, one can now create private design postal stamps.

Revenue stamps linger on in the quieter backwaters of the government bureaucracy. They still serve the same purpose of collecting fees and proving payment. It is just not worth the trouble of redesigning forms and procedures.

Revenue stamps come to notice this month as a result of a recent Supreme Court case. A special tax of \$200 is collected under the National Firearms act for each transfer of ownership of a machinegun. The Court was asked to rule on whether a particular weapon was a machinegun. For the details the reader is referred to the discussion of Garland vs Cargill in our research note Supreme Court Decisions June 2024.

Revenue stamps come to us from the British. The British spread this humble device of government throughout their empire. To this day, the sun never sets on the revenue stamp. Economist rail against the revenue stamp as much as any anti-colonialist ever railed against the Empire. Economists see stamp taxes as a tax on trade which reduces the efficiency of the economy. As a result such taxes are gradually diminishing over time. But from a different perspective stamp taxes are a user fee which places the burden of government upon the consumers of government service. User fees being popular with anti-tax crusaders, the stamp taxes linger on.



About Lloyd Tevis Investments

Lloyd Tevis Investments LLC is a registered investment adviser offering its services over the internet to US individual investors and their families. Our Precision investing™ service provides clients with highly personalized investment solutions tuned to the client's specific circumstances and objectives. We believe the strategic asset allocation decision is the key decision faced by our investors. Accordingly, our monthly commentary focuses on matters

which can shape the longer term performance of asset classes. We do not time market swings or pick individual stocks. Discussion at this level of detail is made for the light which it throws on relative valuations and such discussion should not be read as an investment recommendation. Indeed, our investment focus is on maximizing diversification, careful risk budgeting and maximizing implementation efficiency. These are the proven builders of long term investment success.

In evaluating political and social developments our perspective is that of long term investors. We believe the investor's interest is best served by a stable environment in which change occurs incrementally as broadly supported policies rather than by an environment of abrupt changes and frequent U-turns driven by transient partisan advantages. Finally, our assessments should always be read as what we consider likely to occur and not as expressions of what we would like to see come about. To learn more about our firm visit us at lloydtevis.com.