

Markets are Smarter than Government

To paraphrase Milton Friedman: There are four ways in which you can spend money. You can spend your own money on yourself. You can spend your own money on somebody else. You can spend somebody else's money on yourself. Finally, you can spend somebody else's money on somebody else.

Spending your own money (whether on yourself or on someone else) means you will care about it. But, when you spend somebody else's money, especially on somebody else, you don't care how much you spend or what you get for it.

We were reminded of this recently when reading the news. Google and Amazon inked what are likely multiple-billion-dollar deals with power companies to build small scale, modular nuclear reactors. At the same time, Microsoft has agreed to pay for the revival of the shuttered Three Mile Island nuclear power plant in Pennsylvania.

Why? Because they want to power their own insatiable needs for electricity that will come from data centers to support generative Artificial Intelligence (AI). Solar and Wind won't get the job done because they are intermittent power sources. To efficiently run an AI data center they need non-stop, reliable, 24/7 electricity. For green energy, that's nuclear!

What's so amazing about this is that the Green New Deal movement shunned nuclear power. California, Michigan, and Germany have all closed nuclear plants in a single-minded mission to only use solar and wind. We assume they believe using natural things, like sunlight and wind is better than using

man-made things, like nuclear energy. Otherwise, these decisions make no sense.

But isn't that what spending other people's money is all about? You don't have to care about how it is spent. And boy did they spend.

In the past 20 years, governments around the world have spent or have incentivized companies to spend \$18.8 trillion dollars on green energy and just 1.4% of that was on nuclear. Last year alone, the total was \$3.5 trillion, with less than 1% going toward nuclear. As we said, many governments have shut down nuclear power plants.

Interestingly, over 40% of this spending was based on what the movement calls "sustainable debt issuance," which includes government subsidized loans. We have always believed much of this investment would not have been made without government subsidies, including the Federal Reserve holding interest rates below the rate of inflation for 80% of the time during the past fifteen years, with nine of those years at near 0% interest rates.

Unfortunately, it isn't sustainable...while few focus on this, this area of the debt markets is likely to have problems in the future. How do we know? Because when it comes to spending their own money, Google, Amazon, and Microsoft aren't relying on the politically-favored flavors of energy.

They are buying electricity provided by nuclear power. When you have to spend your own money, you go with what works, not what is politically palatable with the greens. Let's go back to markets...that's actually the only sustainable course.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
10-30 / 7:30 am	Q3 GDP Advance Report	+3.0%	+3.0%		+3.0%
7:30 am	Q3 GDP Chain Price Index	+1.9%	+1.2%		+2.5%
10-31 / 7:30 am	Initial Claims – Oct 28	230K	233K		227K
7:30 am	Personal Income – Sep	+0.3%	+0.9%		+0.2%
7:30 am	Personal Spending – Sep	+0.4%	+0.3%		+0.2%
8:45 am	Chicago PMI – Oct	47.0	46.2		46.6
11-1 / 7:30 am	Non-Farm Payrolls – Oct	110K	116K		254K
7:30 am	Private Payrolls – Oct	75K	91K		223K
7:30 am	Manufacturing Payrolls – Oct	-30K	-10K		-7K
7:30 am	Unemployment Rate – Oct	4.1%	4.2%		4.1%
7:30 am	Average Hourly Earnings – Oct	+0.3%	+0.3%		+0.4%
7:30 am	Average Weekly Hours – Oct	34.2	34.3		34.2
9:00 am	ISM Index – Oct	47.6	47.4		47.2
9:00 am	Construction Spending – Sep	0.0%	+0.3%		-0.1%
afternoon	Total Car/Truck Sales – Oct	15.8 Mil	15.8 Mil		15.8 Mil
afternoon	Domestic Car/Truck Sales – Oct	12.2 Mil	12.2 Mil		12.2 Mil