

thoughts

FROM HANSON+DOREMUS



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In podcasts we trust...

Podcasts have had a big impact on the way Americans spend their time. The New Oxford Dictionary awarded podcast “word of the year” back in 2005, but the medium did not enter many Americans’ consciousness until 2014 when the true-crime podcast *Serial* was released, reaching a record (at the time) five million downloads. Today, podcasts are a regular part of our entertainment diet.

According to digital consulting firm Backlinko, just under 50% of the U.S. population over age 12 listens to a podcast at least once a month. While listeners tend to be younger, all age groups are increasingly tuning in (*see chart below*). The U.S. is home to many of the world’s podcast listeners – approximately 25% of the estimated 547 million worldwide – but the fastest growth is coming from Latin America and China. Listener totals in each of these countries are expected to exceed U.S. levels in the next few years.

The amount of content has exploded too over the past decade. Today, listeners have over four million podcasts to choose

from on platforms such as YouTube, Spotify, and Apple Podcasts. The most popular have focused on comedy, entertainment, and politics, although today history podcasts are having their day in the sun with over one hundred million Americans now tuning in each week.

All this growth, however, does not suggest that the business is an easy one. A glut of money and content led to something of a shakeout in the industry over the past few years. But even today, in the face of reduced production budgets and fewer new titles, competition remains intense and failure rates high.

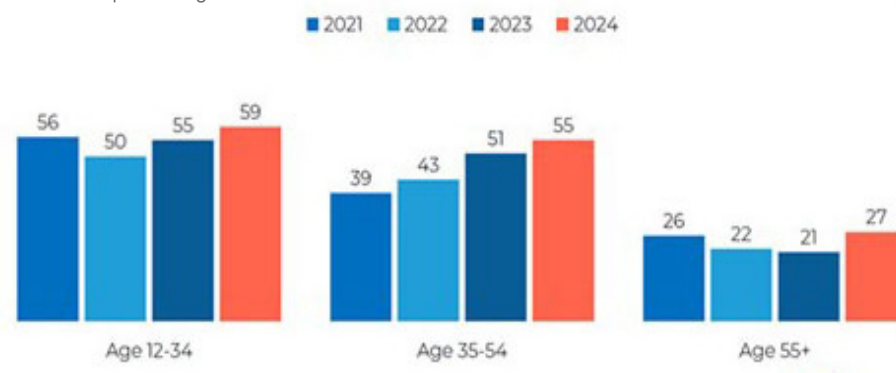
The podcast’s appeal is easy to understand. The format is uniquely portable

and easy to access and the array of content, immense. But I think there is more going on behind the growing adoption rates. Most podcasts revolve around some form of storytelling, a tradition which has a long history in most human cultures. And, when well executed, podcasts provide listeners with a sense of connection and intimacy. As *The New York Times*’ reporter Reggie Ugwu recently described the experience, podcasts make listeners feel like they are “...silent guests at a communal table.” The soaring listening rates seen during the pandemic, a period of forced social isolation, illustrated podcasts’ unique ability to foster a sense of social connection.

If a heightened sense of connection is one upside of many podcasts, what is the downside? As the sources that we turn to for understanding the world evolve, it is worth considering the role that podcasts play in shaping our views. While podcasts can provide a sense of community and connection, they can also create something of an “echo chamber” or an environment where only beliefs and opinions consistent with our own are aired. Staying open to new ideas and opinions is never easy, but in this age of social and political division it is increasingly important.

MONTHLY PODCAST LISTENING

Total U.S. Population Age 12+; % Listened To A Podcast In The Last Month



Source: Edison Research

- Anne Doremus



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On reading...truly, madly, and deeply...

This is a meditation on reading — deep, immersive reading, preferably of books, essays, or other thoughtful pieces. Not scrolling on your device. Not scanning for news. Not what might be euphemized as “research,” where your eyes flit here or there as you search for the correct spelling of Albania’s capital, the growth rate of the Euro region, or how long the Covid booster’s protection lasts.

Deep reading for the sake of reading is something we do less of today, as the chart on this page shows. Young people are incredibly adept at finding information in seconds — but apparently, less apt to lose themselves in books. Ask a young person a question, then watch her thumbs fly on her phone to produce an answer before you blink twice. But don’t expect a passionate discourse upon the books that have changed her.

In contrast, consider Joseph Campbell, the professor of comparative literature and expert in mythology best known for writing *The Hero with a Thousand Faces*. During the Great Depression, when Campbell couldn’t find work (as many couldn’t), he retreated to a cabin in Woodstock to read all day — and he did so for *five years*. He eventually got a teaching post at Sarah Lawrence College, but he always was a maverick.

“I would get nine hours of sheer reading done a day,” Campbell said of that time. “And this went on for five years straight. You get a lot done in that time. . . Reading what you want and having one book lead to the next, is the way I found my discipline.” He continues: “When you find a writer who really is saying something to you, read everything that writer has written, and you will get more education and depth of understanding out of that than reading a scrap here and a scrap there and elsewhere. Then go to people who influenced that writer, or those who were related to him, and your world builds together in an organic way that is really marvelous.”

For a more recent but quite different example, consider Bill Gates’ one-week reading retreats, which he calls “Think Weeks.” While running Microsoft, Gates would take a helicopter or seaplane to a secluded waterfront cottage (a little different

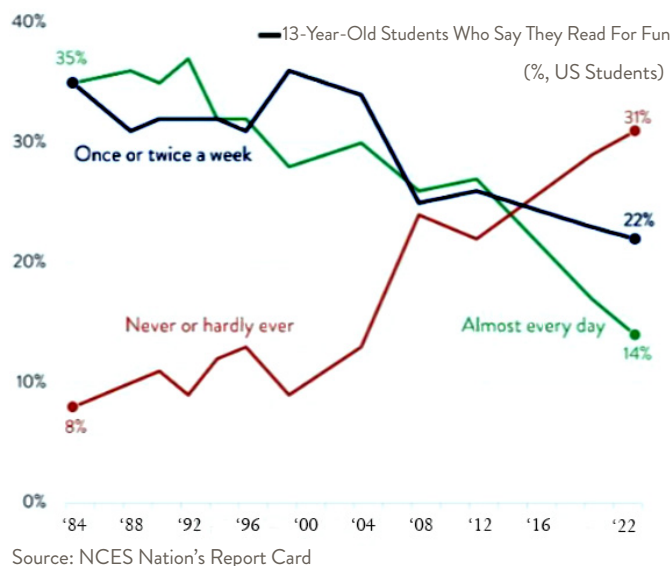
from impoverished Joseph Campbell, who kept a one-dollar bill in his top drawer in Woodstock to assure himself he was still okay). Gates would read technical papers from morning to night, often getting through over 100 in a week. Supposedly, in 1995, it was one of these weeks that inspired his seminal paper, “The Internet Tidal Wave,” which led Microsoft to develop its own internet

browser. Other breakthroughs in Gates’ thinking came in virtual mapping services and software security.

What does all this have to do with investing? Well, nothing really — but also everything. Because for us, investing is all about coming up with the ideas that don’t come to others. And for the sparks to fly, you need enough base material to work with — the stuff that comes from reading a lot and reading widely — and enough empty space for your mind to make connections. NYU professor Aswath Damodaran, often called the dean of stock valuation, said in a recent interview that our hidden power as humans is our ability to connect unconnected things — and the empty mind is where those “ah-ha” moments happen. His worry is that today we have fewer empty moments, so busy are we being ever more productive and searching for ever more information.

We never know where good ideas will come from. But it strikes us that the combination of deep reading and empti-

BOOKS ARE LOSING THE ATTENTION WAR FOR KIDS, AS FEWER TEENS READ FOR FUN



ness is a great place to start. We’ve also always believed that “generalists” can make the best investors. Generalists excel at pattern recognition and connecting the dots across scattered domains. Rather than scrabbling over, say, the very best estimate of a company’s operating earnings, generalists are more likely to seek out informed outsider views and come up with a different perspective.

What did reading for nine hours a day for five years do for Joseph Campbell? We’ll never really know. But we do know that Campbell is the scholar responsible for delineating the archetypal “hero’s journey,” which is so deeply ingrained in our human psyche that it appears over and over again — across traditional sagas and religious myths, modern novels, and even *Star Wars*. That insight probably would not have come without years of reading Jung, Nietzsche, the Hindu Upanishads, Norse mythology, Thomas Mann, James Joyce, and on and on. It is pattern recognition extraordinaire.

Travels to the roof of the world...

Tajikistan is not on everyone's bucket list. In fact, most people are hard pressed to find the country on a map. But if you are interested in the high mountains of Asia, from the Himalayas to the Karakorum, the Hindu Kush, and the Pamirs, then Tajikistan is a prime destination. The Pamir Mountains, a high plateau with an elevation ranging from 8k to 15k feet, is the true Roof of the World, higher even than the Tibetan Plateau.

With little arable land, the terrain is unforgiving. Often the only humans you see in the Pamirs are solitary herders moving their sheep, cattle, and yaks to high pastures in the summer and back down to lower levels in the winter. Yang Xin and I spent three weeks driving the Pamir Highway, a legendary road, part dirt track and part paved roads built by the Russians back in the mid-1900s and only nominally improved since. Here are some political and economic observations about Tajikistan.

To understand foreign policy in Central Asia you have to understand "spheres of influence." In October 1962, the U.S. faced down Soviet missiles in Cuba. Cuba was definitely within our sphere of influence, and we considered it off limits to the USSR. In 1991, the Soviet Union collapsed, and Russia lost all the countries on its periphery – Eastern Europe, the Caucasus, and Central Asia, but the feeling remained that these areas were still

HERDER'S HUT IN THE HIGH PAMIRS



Source: Eric Hanson

very much within its sphere of influence.

Tajikistan is walking a narrow tightrope with Russia today. It wants to preserve its distance and independence from Moscow, but at the same time Russian is widely spoken in the country, Russian TV dominates the airwaves, and Russia is a major economic factor. It is estimated that 20% of the Tajik population live and work in Russia, sending much needed remittances back to the country. Russia maintains a military base in Tajikistan with approximately five thousand troops.

A second observation is that the Great Game is on again. The first Great Game in the 1800s pitted Russia against England. Russia was worried England wanted to cause trouble in Central Asia, an area where it had recently consolidated its influence. And England was worried Russia coveted its very profitable "Jewel in the Crown" – India. By 1900, the Game ended in a stalemate, with Russia on one side of Afghanistan and England on the other.

Today the Great Game for influence in Central Asia is between Russia and China. The United States would like to compete, but it is a distant player. Chinese electric cars, buses, and consumer goods are an ever greater presence in Tajikistan, and Chinese aid to rebuild roads and infrastructure far exceeds Russia's largesse. Long-term, China may very well win the battle for influence in



Source:freeworldmaps.net/asia/tajikistan/map

Central Asia. It may be an oversimplification, but China has a powerful army and a powerful economy whereas Russia has only a powerful army – and even this is being tested today in Ukraine. China is comfortable playing the long game in Tajikistan.

And finally, some boots on the ground observations. If you want to know what the world's toughest vehicles are, go to the toughest places. The Pamir Highway certainly qualifies as a tough place. You have to have a reinforced four wheel drive in the Pamirs and the vehicle of choice, hands down, is the Toyota Landcruiser. Nothing holds up as well. (Truth in advertising - no payment was received for this shoutout!). And if you are thinking of taking a soft drink along on the trip, don't even think of Coke. The drink of choice in Tajikistan is RC Cola, a brand most Americans haven't drunk in decades. But they certainly know it in Tajikistan. A 12-ounce bottle of RC has a whopping eleven teaspoons of sugar, giving consumers a real jump start on a diabetes diagnosis.

The State of Cannabis...

If you live in Vermont, you've likely noticed a growing number of recreational dispensaries appearing throughout the state. Recreational cannabis was legalized in 2018 and retail sales began in 2022. Two years on, how has the rollout been shaping up?

It turns out, we are not the only ones wondering. Vermont's Cannabis Control Board (CCB) oversees the industry with a mandate to ensure product safety, enforce compliance, and support small businesses and sustainability. The CCB recently announced a temporary halt on issuing new retail and certain cultivation licenses. Shortly after, it also issued a request for proposals to reevaluate the state's cannabis regulatory framework. Clearly, the CCB is undergoing a stock-taking, but before we get to what is behind the pause, let's review some of the numbers.

The industry has grown rapidly since 2022. According to the latest state data through July 2024, there are 76 retail tax filers supported by 395 cultivation licensees. On the demand side, cannabis sales reached \$131 million over the past year. Cannabis carries a 14% excise tax on top of the regular 6% sales tax, and that has meant major money for the state—around \$2.5 million in cannabis-related revenue just in July (*see chart below*). That puts the state on track for nearly \$30 million in tax revenue in 2024. The excise tax alone now generates more revenue than the state's alcoholic beverages tax (which, to be fair, is lower and only applies to sales

for immediate consumption).

If these figures are surprising to you, you may also be surprised to learn that Vermont's per capita marijuana use is the highest in the country. According to the Substance Abuse and Mental Health Services Administration, a government agency, an estimated 34% of Vermonters aged 18 and older used marijuana in the past year. The national average is 21%.

Sales are booming and the state is making a lot of money, so why is the CCB worried? Initial concerns regarding crime and safety seem to have been largely manageable. While the Department of Health has yet to put out a report on the health impact of legalization, 30% of cannabis tax revenue is allocated to abuse prevention programs. Instead, it seems the CCB is chiefly concerned with oversaturation and distribution.

During the initial rollout, towns voted individually on whether to allow recreational dispensaries (and whether to impose an optional 1% local tax). While this gave localities control, it has led to uneven distribution. For example, Burlington has 12 retail locations, while neighboring South Burlington, which voted against it, has none. In addition, the growth in

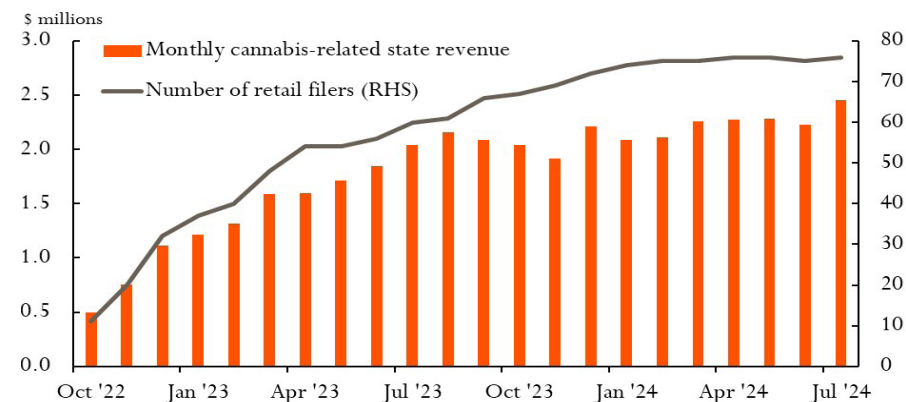
cultivation licenses has led to concerns of overcrowding. New legislation has asked the CCB to improve the geographic distribution to better reflect local market needs.

The CCB also is assessing the impact that potential changes at the Federal level might have. While cannabis is legal for recreational use in 24 states, nationally it remains a Schedule 1 drug, which carries with it the most stringent restrictions. The classification limits access to banking services and means dispensaries must operate in cash. Significant efforts are underway to reschedule cannabis to Schedule III, which would allow cannabis businesses to claim standard tax deductions and improve access to banking services. The CCB wants to evaluate how re-scheduling might impact interstate commerce and local market structure.

One of the CCB's priorities is social equity, which it acts on by providing technical assistance and grant funding to licensees from communities disproportionately affected by cannabis prohibition. Industry groups have been vocal about supporting these initiatives as the industry grows to ensure their success and long-term viability. The Chair of the Cannabis Retailers Association of Vermont recently emphasized the importance of continued investment in programs like the Cannabis Business Development Fund, which offers grants and loans to social equity applicants.

While the high-level numbers tell a successful story about the state of cannabis in Vermont, there also have been growing pains. The fact is the industry is only two years old and there is still so much we do not understand. The CCB's pause on expansion aims to get a better grasp on how to cultivate a nascent industry.

THE STATE OF VERMONT CANNABIS-RELATED REVENUE



Source: Vermont Department of Taxes, author calculation includes revenue from 6% sales tax

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