

Thoughts on Coming Apart and the Coming Great Reset



**Turning and turning in the widening gyre
The falcon cannot hear the falconer**

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> Unnatural Acts, Self Discipline and The Second Law of Thermodynamics

We are increasingly living in the worst-case scenario envisioned by John Adams: a society so unburdened by conventional morality or the willingness to demand it from our leaders that the system cannot function as designed. - Jonah Goldberg

... for although I have abundant cause to be thankful for the good health with which I am blessed, yet I am not insensible to my declination in other respects. It would be criminal therefore in me, although it should be the wish of my Country men, and I could be elected, to accept an Office under this conviction, which another would discharge with more ability; ... - George Washington

To learn who rules over you, simply find out who you are not allowed to criticize. –
Voltaire

Markets

Updated Charts

> No change in outlook.

> Making a top in the Nasdaq - an update.

On 7/5 I said we were at the top, or that there would be one more, minor, down-up sequence.

How's it going?

Pretty well, so far. The Nasdaq did wander higher, but had a strong reversal on Thursday.

THE top?

Donno. Needs to be confirmed. We should at least see a decent, but minor, retracement in here.

Good start, so I will take at least a moral victory, but it will be a while before it can be confirmed.

Nvidia is struggling and will have outsized influence on the markets.

The bad news for my predictions is that the Russell 2000 has made a new high, when I thought it had topped.

Will keep you posted.

> Pippa Malmgren on the Chevron decision and the Fed -

The Chevron decision means that the American civil service and agencies will no longer have wide authority to interpret legislation. Now, they will generally require legislation to act. In practical terms, this means that there is no more latitude in engaging in administrative guidance. This means that the kind of bank bailouts and creative financing arrangements that have characterized financial crises in the past are no longer possible. All problems of that magnitude will have to be handled directly by Congress, which has never been known to be very responsive or sympathetic to financial experts making mistakes. Can the Fed

even continue to engage in “forward guidance” now? The transfer of power from the administration to Congress is stunning in its importance and consequences.

> Simon Johnson, former chief economist at the IMF, in the May 2009 edition of *The Atlantic* - he gave us a decade to fix the problem - we did not -

The crash has laid bare many unpleasant truths about the United States. One of the most alarming, says a former chief economist of the International Monetary Fund, is that the finance industry has effectively captured our government—a state of affairs that more typically describes emerging markets, and is at the center of many emerging-market crises. If the IMF’s staff could speak freely about the U.S., it would tell us what it tells all countries in this situation: recovery will fail unless we break the financial oligarchy that is blocking essential reform. And if we are to prevent a true depression, we’re running out of time.

> Beth asked when the economic crisis would happen -

I have said, using the Strauss and Howe framework, that the Fourth Turning has begun and that the First Turning will begin around 2030 or so.

Other than that, it beats the hell out of me. The Fed and Treasury have found new, unnatural acts to extend the game into extra innings. I literally can't imagine what they will do next, other than financial oppression.

It will be "gradually and then suddenly," just like the Joe Biden thing or The Emperor's New Clothes. People see things, people suspect things, but it is not proper or pleasant to acknowledge them. And then Biden holds a debate and no reasonable person can deny what they saw.

This is called the Common Knowledge Game, as described well by Ben Hunt. Ben has put his essay on Biden and Common Knowledge in front of the paywall [here](#). Well worth the read.

So, there has to be an event.

What event, you ask.

Something like a failed bond auction Maybe it will take two because many will think the first was a fluke.

China has checkmate on our economy, so perhaps a drastic move by China.

But, some event, probably.

As I have been reporting here, more and more people are saying the quiet part out loud. The stage is set and we await the event. We could wait a while or it could happen tomorrow.

Gradually and then suddenly.

> Probably an overreaction -

If you spend \$1 million everyday it will take you 2,740 years to reach \$1 trillion. The U.S. national debt is now \$35 trillion and rising by \$1 trillion every 100 days.
EVERY...100...DAYS

> The *Wall Street Journal* reports that consumers are finally cutting back on potato chips. Evidently, when people are trying to save money on food they move into items like Doritos. "Customers in recent months have been pulling away from big brands like Starbucks, Chips Ahoy and McDonald's."

> **Unnatural Acts, Self Discipline and The Second Law of Thermodynamics**

(Although I wrote about this long before I read Jonah Goldberg's *Suicide of the West*, he brought a coherence to the thought that I did not have. Having said that, the following is still from my perspective, leavened by his thoughts. It begins with Plato and Aristotle, moves through our Founders, and then through Jonah.)

America is divided to its greatest extent, excepting for the period during and around the Civil War and during and around the Revolutionary War. It's all against all in battles of identity politics and intersectionality that create grievances that are addressed with open hostility and, increasingly, violence. Worse, we are turning on the very principles that made our country uniquely great, and our country is much the worse for it.

Our country is in decline, and these conflicts are both symptoms and causes of that decline.

There was never a time when we humans were at peace with ourselves. Humans seem to come complete with riots, vigilantes, excommunications and witch burnings. In the past it was king vs peasant or czar vs serf. Slave vs master. Religion vs religion. City state or country vs city state or country. Tribe vs tribe.

We have always liked "our kind," and we have always been suspicious of the other.

In the US, we have owned slaves, been suspicious of the Irish, Jews and Chinese, had tension between Protestants and Catholics, had range wars between farmers and herders, wars with Indians and with various groups of foreigners - continually at war with somebody or another.

Today, much as with everything else, we are weaponizing our tribal identities and declaring that the other is not just bad, but downright evil.

How did we get here?

Let's start with three, foundational concepts:

1. Freedom, democracy and individual rights are unnatural. That's why you find so little of them in the sweep of human history.
2. The forces of nature and human nature tend to create disorder.
3. Holding on to freedom, democracy and individual rights requires a lot of effort; a lot of self-discipline.

Let's explore these concepts in a little more detail.

Although being thought of as one of the origins of democracy, ancient Greek philosophers did not think that democracy was such a good thing. Plato and Aristotle would look at us and nod contemplatively in a kind of I-told-you-so way. This is pretty much what they thought would happen. They might find the particulars interesting, but not the outcome.

They felt that, due to excessive freedom and compromise of the rule of law, democracies would devolve into oligarchies.

When contemplating the best form of government, you run into the problem of trade-offs. Stability vs freedom, is probably the best example.

The best form of government, says Aristotle, is the philosopher king. Since they are in short supply, and even if you find one, finding the next one is very difficult, for all practical purposes, you have to look to another form of government.

Examples of philosopher kings in history include Ashoka (India), Marcus Aurelius (Rome), Suleiman the Magnificent (Ottoman Empire), Alexander the Great (Macedon) and Frederick the Great (Prussia). Each was the result of succession turning out extremely well, more or less by accident.

We were fortunate enough to have a philosopher king as an outstanding human being as our first president. A man who actually gave up the kingship of the US when offered it.

Our Founders struggled with the best form of government. They understood the problem of trade-offs and that there would be no perfection. They knew that democracy had its drawbacks - mob rule and everyone voting themselves goodies, so they put in the famous checks and balances to try to keep things from getting out of hand. (They never even contemplated what would happen when Congress decided not to legislate.)

Critically, the Founders followed the Greeks in believing that only with a moral citizenry - only with a civic-minded populace - could democracy succeed. We have lost that also - we don't even teach civics and history anymore. Therefore, the overall goodness of people generally and people in government tends to degrade over time. Every new generation needs to be civilized all over again. You are always only one generation away from losing everything if the common values are not carried forward. Sex, drugs and rock and roll win.

Self-discipline is a fools game.

One of the fundamental laws of the universe, the second law of thermodynamics, essentially says that everything will tend toward disorder. You have to do the hard work of keeping things repaired, whether it is a car, your body or the body politic. We are not shoring up and reinforcing the infrastructure of our Founders' values or of civilized society.

(Continuing to mix metaphors at will) We are not tending our garden and it is increasingly overcome with weeds.

The only cure is for a substantial minority, say, maybe, 30%, to start to do the hard work and demand that the garden be tended.

Today we are close to 0%, so that overgrowth is continuing toward collapse.

Collapse is not a sure thing, but we are heading in the wrong direction. We have ignored our Founders at our peril.

Short Takes

> Wow! That happened quickly.

France has this two-round voting process. After the first round, it looked like the "far right" was going to win. In between rounds, everyone to the left of center coordinated to have over 200 candidates drop from the election in order to consolidate the vote against the far right. The result was that the far right came in third, after the New Popular Front, "an alliance of Socialists, Ecologists, Communists and France Unbowed (LFI) formed after President Macron called a snap parliamentary election on 9 June," and Ensemble, a left-leaning political party created in 2021 by Macron. It is going to be fascinating to watch the French sort this out. By checking the "far right," the "far left" got a platform in what will be a coalition government.

BTW, this is how the popular vote translates into Parliament seats in France:

NPF (socialist): 7M votes, 180 seats.

Macron's party: 6.6M votes, 159 seats.

RN ("far-right"): 10.1M votes, 142 seats.

> I really want to move on from the Biden thing, but it remains at the top of the headlines. Some recent points of note:

In his Stephanopoulos interview, Biden did fine - neither bad nor good - and insisted he was staying in the race.

In a "big boy" press conference on Thursday, he did fine - a stumble or Freudian slip or two, but far from a disaster, given the low bar.

But, of course he would insist that he will continue. He will insist it until he is out.

This week, the pressure for him to leave just increased, including from major donors.

Americans have very short-term memories, and Biden is hoping this will fade in much the way Monica faded.

The media began discussing, "Why didn't the insiders say anything?" and "Who, exactly has been running the country?" The answer to the first question is obvious. I am shocked, shocked to learn that politicians and the media deceive. I suspect that it was largely due to Trump Derangement Syndrome. The answer to the second question will be critical to understanding Biden's second term, if there is one, but I have no idea.

The Huffington Post suggested that the way to get around an awkward Biden was to use an AI Biden.

Knives out everywhere.

The Telegraph reported that, "Aides to the US Vice-President have suggested she would pick a white man as her running mate if Biden steps down." Seems like we just can't run from quota hires, but, just as with Biden's selection of a black female, it is probably the correct political move. (Whites as DEI hires was probably inevitable, but not on my bingo card.)

Rumor is that Buttigieg is at the top of Harris' VP candidate list (I am done, at least for now, with political editorializing, so I will leave it at that). Virtue-signaling points for picking a gay guy.

> My reply to a Brit who asked what I thought about the Biden thing:

Joe should go.

Joe does not want to go.

Jill does not want Joe to go.

Hunter does not want Joe to go.

Joe has the delegates wrapped up.

The only way this ends with Joe leaving is an intervention of an overwhelming group of heavy hitters and donors. Until then, the play will continue.

The media is overplaying the criticality of this thing or another thing. What Joe really does not want to do is stumble in public again, so he will stay away from unscripted events.

Trump is so controversial that I think several people could theoretically beat him. But time is running short. One poll says Kamala can win, for example, but when she actually appears on the main stage, cringe will ensue.

Desperate times call for desperate measures and the Democrats are desperate.

> This just in as I "go to press" - from *The New York Times* -

Some major Democratic donors have told the largest pro-Biden super PAC, Future Forward, that pledges worth roughly \$90 million are now on hold if President Biden remains atop the ticket, according to two people who have been briefed on the conversations.


Biden declined Trump's offer of a charity golf event.

I don't think party platforms are particularly interesting, so am passing, at least for now, on Project 2025.

> Trump is 78. His life expectancy, all things being equal, is about 8.4 years. Biden will be 82 in November; his life expectancy, all things being equal, is 7.3 years. (An interesting thing about life expectancy is that the longer you live, the longer you are expected to live.)

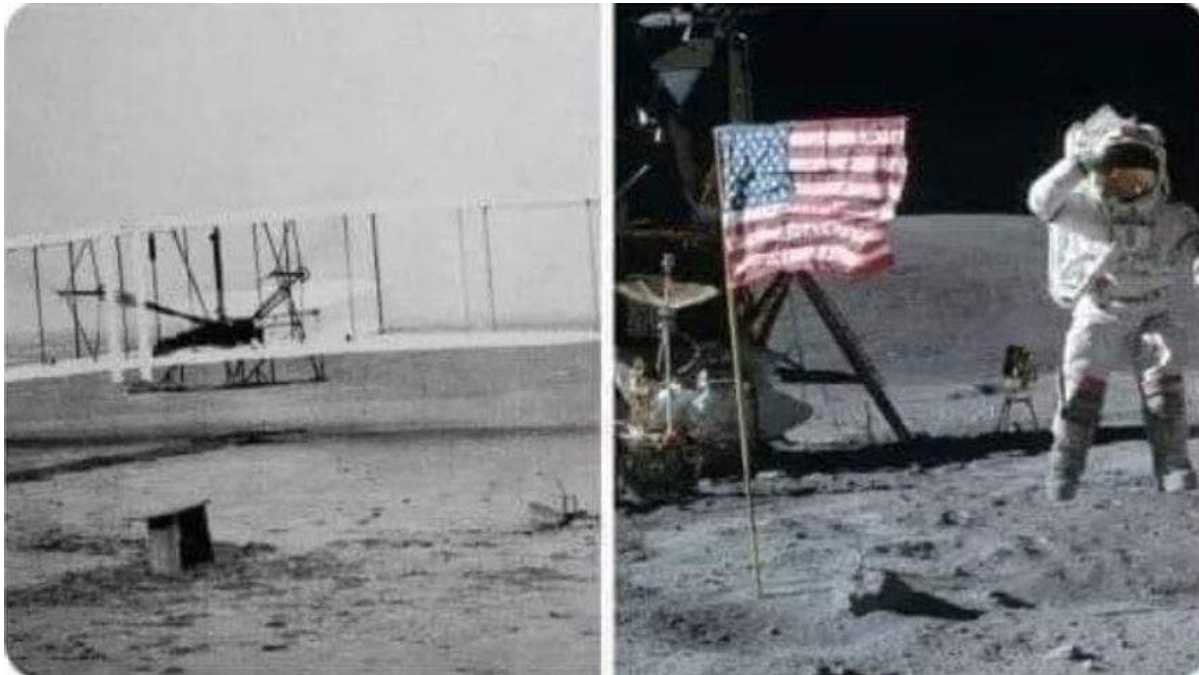
> The media is full of discussions about the "Labour landslide" in the UK, however, you have to take into account the quirks of their election system. I won't go into the details, but the bottom line is that by winning about a third of the popular vote, Labour (essentially the left-of-center party, remembering that their center is left of our center) won about two-thirds of the seats in Parliament. (They should never lecture us on our Electoral College again.) So, while they will be able to legislate at will, their actual popular support is less than stellar. They will have to be a little bit careful. The whole green energy / global warming thing will be interesting, since Labour will launch a dedicated global warming campaign.

> Perspective from Rabbi David Wolpe



Several months ago I spoke at a conference in Florida attended by nearly 4,000 Jewish teens. A panel moderator asked what gives me hope. I was going to say "4,000 Jewish teens," but I was fourth on the panel and the other panelists already mentioned it. I had a sudden flash and realized what gave me hope: "I imagine myself in conversation with my great-great-grandfather. And I say to him, 'You know, there is some antisemitism at Harvard.' And he responds to me in shock, 'There are Jews at Harvard?' And I say, 'Yes, but some of them hate Israel!' and he says again in utter surprise, 'There's an Israel?'"

These events were 66 years apart - the last one was 55 years ago.



> Where are Milei and Musk when you need them?

Biden employs 152 more White House staffers than Trump did, with 565 employees

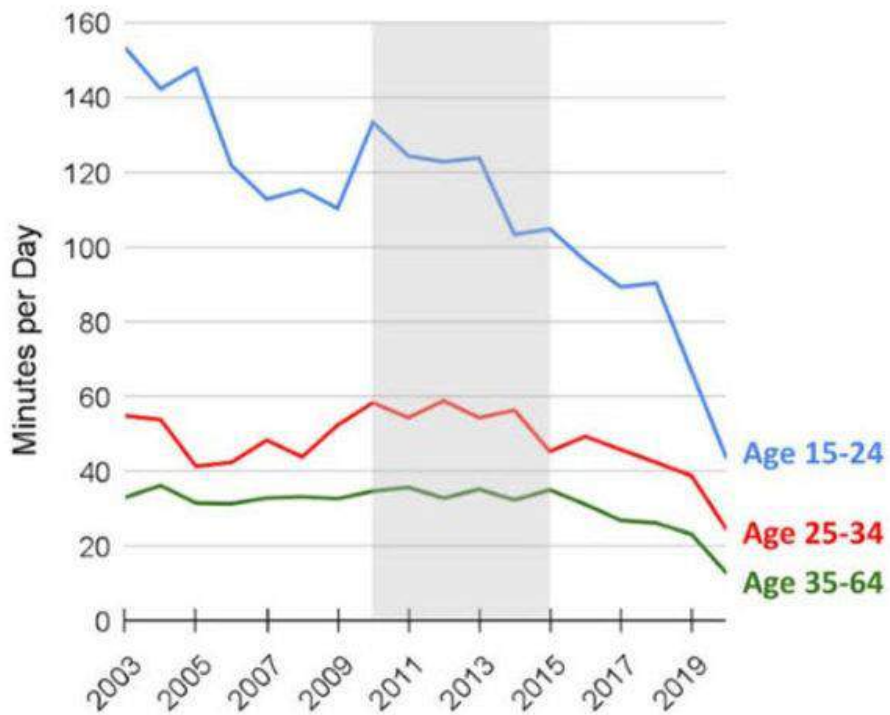
This is kinda like the 400+ PhD economists at the Fed.

What do they do all day long?

Beth just told me that Make America Great Again is overly ambitious. She would settle for Make America Adequate Again. She may be onto something, but the acronym needs work.

> Probably important

Daily Avg Time with Friends (minutes)

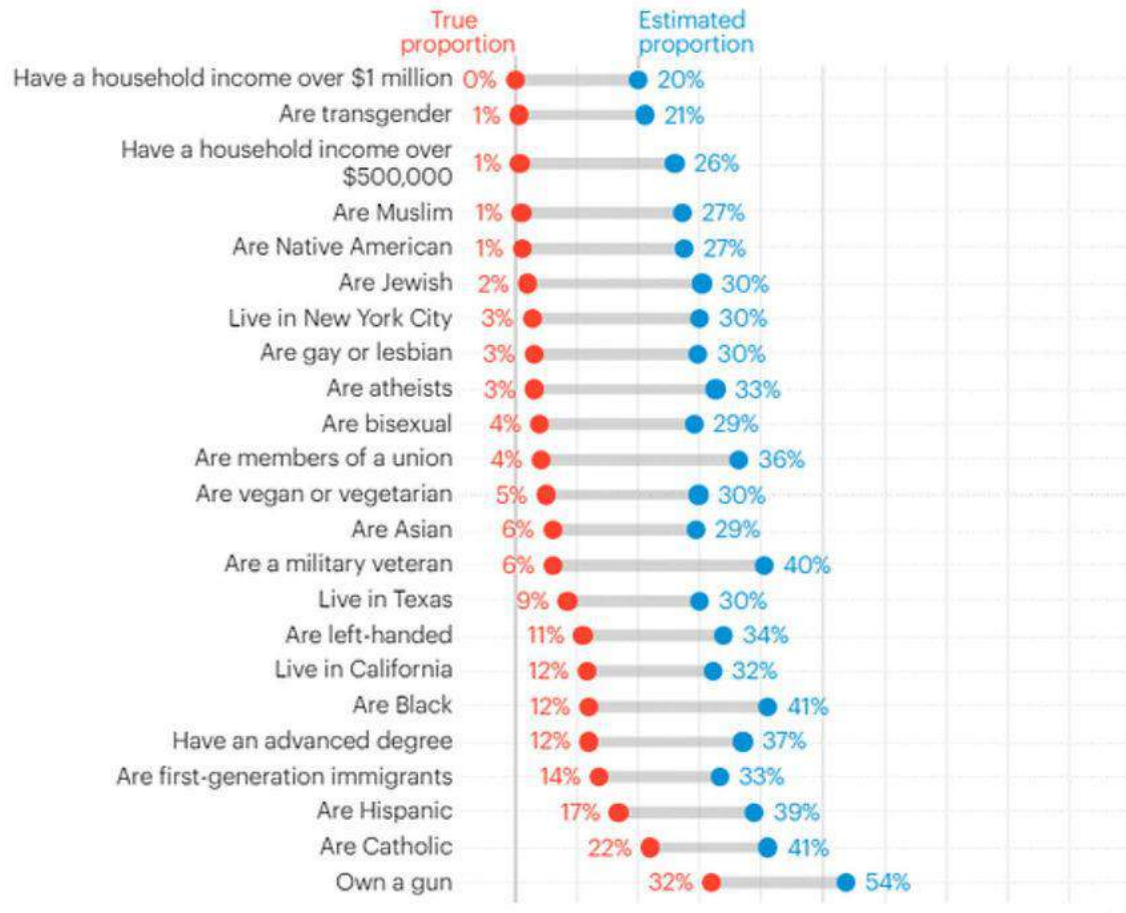


SOURCE: Kannan & Veazie (2023) analyzing the American Time Use Study.

> Reality is optional

Americans overestimate the size of minority groups and underestimate the size of most majority groups

Estimated proportions are calculated by averaging weighted responses (ranging from 0% to 100%, rounded to the nearest whole percentage) to the question "If you had to guess, what percentage of American adults..." True proportions were drawn from a variety of sources, including the U.S. Census Bureau, the Bureau of Labor Statistics, and polls by YouGov and other polling firms.



Fun Fact - There Are Still Five US Hostages in Gaza
"From the halls of Montezuma to the shores of Tripoli," you know

It Ain't Easy Being Green

> Unfortunately, much of what you read on climate change is fake news.
Biden on July 2: Extreme heat is the number one weather-related killer in the US.
Actually, cold kills 25 times the number of people as heat, which kills approximately 6,000 each year.
Which, of course, does not mean that warming is not a problem.

When all you have is a hammer ...

New York Times obituary heading - James M. Inhofe, Senator Who Denied Climate Change, Dies at 89.

> The Guardian -

The world has been 1.5 °C hotter than preindustrial temperatures for each of the last 12 months, according to new data. We still haven't technically passed the 1.5 °C limit set out by international climate treaties, since those consider the average temperature over many years.

My assertion since the late 90s has been and continues to be that we will inevitably exceed both of the 1.5 and 2.0 degree "limits."

> Google has stopped claiming to be carbon neutral, ceasing purchases of carbon offsets to balance its emissions. The company says the plan is to reach net-zero emissions by 2030, though its emissions are actually up by nearly 50% since 2019.

> Big tech companies are expecting emissions to tick up in part because of the explosion of AI, which is an energy hog.

> Every part of your life

New York will ban large hotels from providing guests with tiny plastic bottles of shampoo and soap.

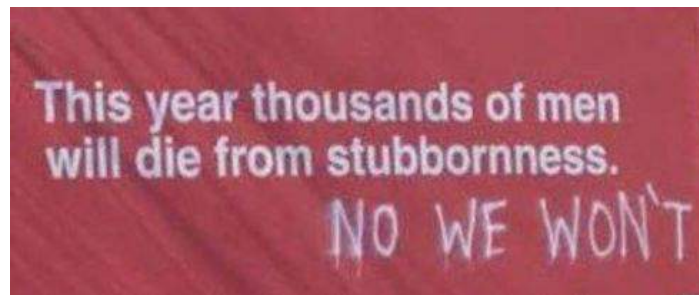
Miscellany

Boom!

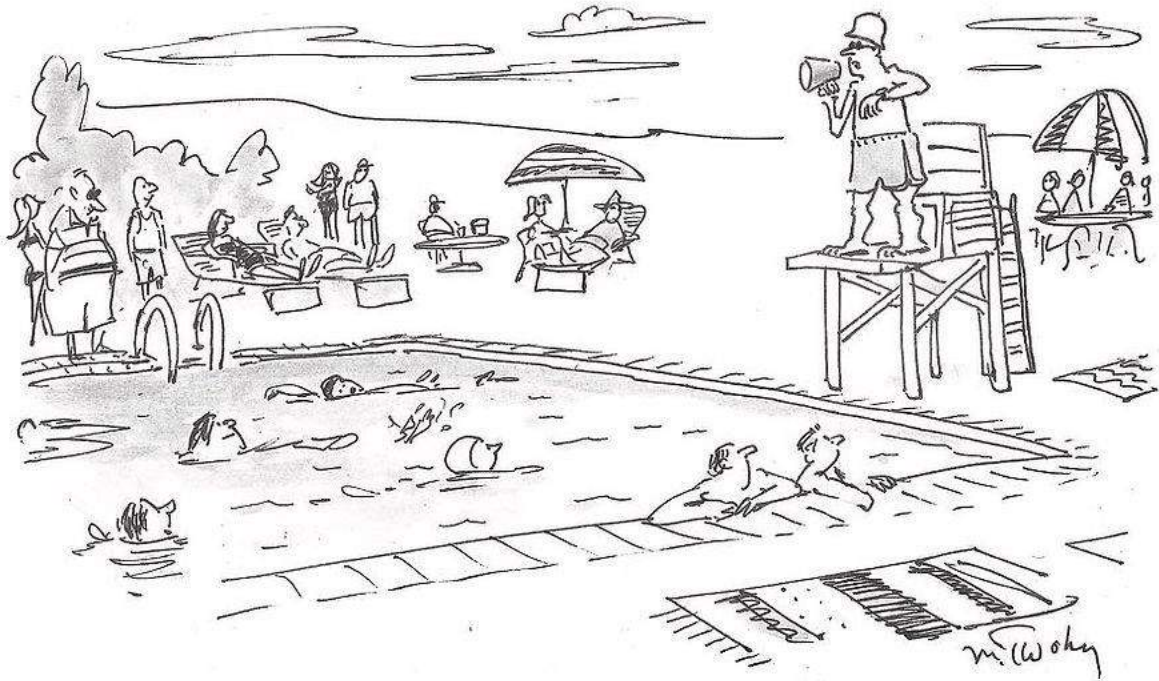


'It's a lovely day – why not text outside?'

For some reason, Beth smiled when she read this



Not funny



"Dems out. Republican swim."