

Thoughts on Coming Apart and the Coming Great Reset



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

Kit Webster

**An Insurance Crisis is Coming Your Way
Pakistani Rape Gangs, Sweden and the
Hysteria Around Racism**

January 17, 2025

Themes and Theses - Why I'm Contemplating Out Loud

(Initially formulated in the early 90s, following decades of reading history, philosophy, psychology and a lot of contemplation, particularly on the subject of cycles. In the end, this is a relatively straightforward story about human nature and of history rhyming.)

The US will enter a period of crisis in the early 2000s. In the late 90s, I incorporated Strauss' and Howe's terminology of the Fourth Turning (without incorporating their generations paradigm) and agreed with Howe that the end stage of the crisis began with the Great Financial Crisis and would last into the early 2030s. We are not yet to the middle of the end stage of the crisis.

The crisis will be serious and could be existential.

Internal strife will increase, up to and including secession and civil war.

International conflicts will increase as the vacuum created by the weakening of the US is filled by other players.

There will be many threads to the crisis, but the primary thread will be debt, deficits and entitlements. Other factors include, eg, demographics, a loss of meaning and myth and a loss of self-discipline.

Politics will move leftward as citizens look for some refuge from the chaos. The US will become increasingly susceptible to a (man) on a white horse, who can come from either the left or the right.

Inflation, as the most likely way to address debt since austerity is not politically acceptable, will significantly lower standards of living, exacerbating the civil crises.

Eventually, the dollar will be inflated away and lose its reserve status.

Once the old rot is cleared out, and assuming continuity, there will be the basis for the establishment of a new order.

(Added around 2020) The loss of faith by our youth in our founding principles means that the new order will at least partially be based on new principles. As yet, I have no visibility as to what those principles might be.

(Added in the early 00s) While humans are contributing to global warming, policies implemented to address manmade global warming will create a significant energy crisis, probably toward the end of the Fourth Turning.

(Added in 2023) The lowering / elimination of standards in education, the judiciary, law enforcement, the military and other segments of our society will create a population unable to adequately comprehend, do or respond to the challenges of democracy and culture.

Quotes to Contemplate

In a time of universal deceit, telling the truth is a revolutionary act. – George Orwell

> Primary Ideas in This Week's Post

The US has an economy with emerging market characteristics, with its debt and deficits; it issues the world's primary reserve currency and the world's primary reserve/collateral asset (TBonds and notes).

Insurance has been poorly regulated and the chickens are coming home to roost - for everybody, not just those in California and Florida.

Western governments have been so anxious to not be accused of racism that they have allowed continuing violations of women to go unaddressed, even in the era of #MeToo.

Under the covers, Biden and Yellen have been able to postpone a market downturn and perhaps a liquidity crisis until Trump comes in. The Treasury has drained itself of buffer funds and has financed debt in an extraordinary amount of short term bills. Trump will be faced with a financial crisis right off the bat.

Hell hath no fury like a Biden scorned.

And, Michelle continues her snit. This lack of noblesse oblige at the top is not a good sign.

Watch for a top in the dollar.

The Senate confirmation hearings are just depressing. So much grandstanding.

> An Insurance Crisis is Coming Your Way

Property insurance is a fairly straightforward concept, and gets fiendishly complicated when politicians jump in.

Let's contemplate property insurance in general and in LA in particular.

So, you have 10 houses, each valued at \$300,000, and the probability that one will burn every ten years. Very simplistically, ignoring overhead and other expenses, and

also reinsurance, you should charge each home \$3,000 per year for property insurance. Of course, you have to get the values right and the probabilities right, and in particular, a fire or an earthquake or hurricane that hit all 10 would be a disaster for the insurance company.

So, if you are an insurance company, the thing to do is to get a large number of homes to spread the risk and lower the premiums and spread them out geographically so that you are not overly exposed to any singular disaster.

Ah, but government has decided to regulate the property insurance market, to protect the consumer, you understand.

So, someone wants to build on the waterfront on Miami Beach or in the hills of Los Angeles, the probability of loss goes up. But they don't want to pay the right price, which is much higher than in other areas, so, being wealthy and all, they lobby the government to lower the rates. The government does and the insurance companies are exposed to loss.

Another thing that happens is that insurance companies refuse to insure and the government steps in and offers subsidized insurance to the homeowners, so that the government will suffer the inevitable, actuarial loss.

So, this has been going on for decades, like much of the dysfunction these days, so that everybody plays the game as best they can.

Only, recently, the damages have cause insurance companies significant losses and they are beginning to withdraw from dangerous areas where they can't charge a reasonable premium. California and Florida have experienced a number of policy cancelations as insurance companies withdraw from their states, altogether.

Right on cue, the Los Angeles fires occur and we now have a massive insurance crisis on our hands.

The first crisis is that many homeowners have no insurance or are underinsured.

The second crisis is that insurance companies are incurring massive losses. Some will go out of business, affecting the insurance markets all around the county. Others will increase rates in Jackson, Mississippi, to compensate for losses elsewhere.

The third crisis is political as politicians attempt to solve a huge problem that has accumulated like the uncleared underbrush that is providing kindling for the fires.

They will do the wrong thing.

This will have significant implications throughout the country for many years.

> Pakistani Rape Gangs, Sweden and the Hysteria Around Racism

The UK just had an Emperor's-New-Clothes moment when Musk asked why Pakistani rape gangs were not being punished.

It turns out it was for the same reason Muslims who committed crimes, particularly against women, in Sweden were not punished, and now Sweden's crime rate has soared and there are no-go zones.

An overwhelming fear of being in the public arena and being called racist.

It turns out that, in order to not seem racist, we are willing to allow atrocities to continue.

The Pakistani rape gangs were ... well ... Pakistani and Muslim, which presented a problem.

The UK has a larger problem in that free speech criticizing ... has been criminalized. In the US this shows up as BLM and Antifa riots, shoplifting in California and the dumbing down of our education system.

We are turning logic and sanity on their heads.

But, real life is messy and there is a kernel of truth in there. My truths are these - the first two underline my view that some cultures just can't live together.

1. Muslim women cover themselves up. Western women do not. Therefore Muslims, particularly immigrants, view Western women as whores. (Obviously an over-generalization, but you get the point.)
2. Muslims view non-Muslims as lesser beings, with intermediate status for Christians and Jews. The Koran is a complicated document having various interpretations (sound familiar), but some of those interpretations encourage the abuse and killing of nonbelievers. Some Muslims will follow those interpretations.

Some people in the West are mindless idiots, who also make broad classifications. Jews are killing Palestinians, therefore, I can attack an old lady on the Upper West Side. Covid came out of China, so I can intimidate and harm Chinese. History is replete with various religions and ethnic groups fighting against each other. So, what are you going to do in a very self-consciously multicultural society when cultures collide?

Many liberals have decided to prioritize "community cohesion" over public safety, creating an environment where officers, councilors, and teachers feared being labeled racist if they spoke out.

So, rape and molestation - they are the trade-off against addressing culturally-related issues.

The Catch-22, as California found out with shoplifting and Portland found out with drug abuse and the UK found out about rape gangs, is that if you let it go, it will grow. Until you can't take it anymore.

Then you change your laws and your policies.

These are self-inflicted wounds.

Markets

[Updated Charts](#)

- > No change in outlook. The US dollar should be very close to a top, signaling a sea-change in markets.
- > The US has an economy with emerging market characteristics, with its debt and deficits; it issues the world's primary reserve currency and the world's primary reserve/collateral asset (TBonds and notes). Something's gotta give - but not today.
- > The economy remains on a knife's edge. Very fragile. The way to bet is that things go ok, with the usual ups and downs. However, there is an unusual number of black swans out there. My base case remains a market downturn in the short term, followed by an inflationary boom, followed by a mess.

So, You Say You Want A Revolution?

- > Trump's Border Czar, Tom Homan, says the administration is considering setting up a hotline to allow Americans to report illegal migrants suspected of committing crimes.
- > Not on my Bingo card - Steve Bannon Says He Will 'Take Down' the 'Truly Evil' Elon Musk
- > Vance said that individuals who were violent during the U.S. Capitol breach on Jan. 6, 2021, "obviously" should not be pardoned.
- > *Politico* - ... an intense if quiet debate is underway inside the U.S. military community about what orders it would be obliged to obey if President-elect Donald Trump decides to follow through on his previous warnings that he might deploy troops against what he deems domestic threats, including political enemies, dissenters and immigrants.
- > There he goes again - President Joe Biden announced that student loans will be forgiven for more than 150,000 borrowers.
- > First Lady Melania Trump announced plans to reduce the size of the First Lady's office as a cost-saving measure.
- > Report by Jack Smith says evidence 'was sufficient to obtain and sustain a conviction' had Trump not won re-election in 2024. (Kit - of course he would say that, so IMO this statement adds no information to the process. Once independent lawyers have had a look at the case, we will have a better view.)
- > California Democrats have reached a \$50 million deal to lead a resistance against Donald Trump. The deal will provide funds for the state to challenge the administration in court, to fend off Trump's mass deportation agenda, and to support legal and immigration nonprofits.

> Doomberg and I are in strong agreement - While those on the left typically support executive action to achieve their objectives by dictate, we close by reminding them that Trump now has four years to comb through the dizzying array of federal statutes to reciprocate to the fullest extent. Unmoored by the need to stand for re-election and schooled by his tumultuous first term, we suspect he will be far more effective in this regard than many are anticipating. While we might find ourselves in agreement with some of Trump's moves—especially regarding energy policy—we find the entire breakdown in constitutional norms despicable.

> Michele Obama is on a tear - did not go to Carter's funeral and now passing on Trump's inauguration.

> Seems to be contagious - Vice President Kamala Harris has reportedly declined to invite Vice President-elect J.D. Vance for a courtesy visit to the Vice President's residence. This lack of common courtesy is going to enable the worst instincts of some of each side's followers.

> Huh? - Biden just announced \$770 one-time payments to the victims of the California fires.

> Israel and Hamas have agreed on a ceasefire.

> Ian Bremmer pens a very insightful overview of Trump dynamics, which I have included at the bottom of his post. Google him at GZero Media.

> Grant Williams, a Brit, speaks truth on Twitter - U.S. confirmation hearings are such Kabuki theatre. No senators on either side are interested in anything but grandstanding. Zero substance to any questions. Each side then crow about how their team 'destroyed' the opposition. The American people deserve so much better.

> In his latest FU move, Biden took Cuba off the terror list, likely as an affront to Rubio. Odds are good Trump will put them back on the list. I don't think about this much, but it appears to be totally politics, and, except for the timing, I'm with Biden on this one.

> For some reason, Trump is pro TikTok, another of those fights I have not looked into and don't care about, much. This article from *The Morning Dispatch* describes my uninformed view -

Cal Newport—the anti-social media computer science professor and author of books like *Deep Work* and *Digital Minimalism*—detailed his experience of joining TikTok in an essay for the *New Yorker*. “A decade ago, I viewed social media as Manichaeian: these platforms could distract and mislead their users, but they could also topple dictators and enable free expression,” he wrote. “But much of the content on TikTok, and on comparable services like Instagram Reels and YouTube Shorts, borders on nihilism. It seems to revel in meaninglessness, sometimes even poking fun at the idea that a video should be useful. The most popular platforms are saying the quiet part out loud—that there is no deeply meaningful justification for their digital wares—and their users seem to understand and accept this new agreement.”

We need ways to spend our time and wasting it is as good a solution as any. But then, that's what we do - video games come to mind, as do The Real Housewives.

> Trump's inauguration portrait - looks serious –



> Congress said, shut down TikTok; the Supreme Court ruled the law was ok. Biden said, nah, let's leave it to Trump; not gonna enforce it. Trump does not want to enforce it. So, here we are, picking laws to enforce and not enforce. Of course, that has been going on for a long time, but not as publicly and not as in-your-face.

> Biden continues his roll commuting 2,500 drug sentences.

> One I can get behind - President Biden issued an executive order to improve cybersecurity. It will require software companies working with the government to prove their security features can thwart Chinese intelligence agencies. An actual, legitimate, long over due exercise of presidential powers.

> Joe Biden's last job approval rating as president is 40%. His 42.2% average for his term is the second lowest in Gallup records.

Presidential Term Job Approval Averages for Post-World War II Presidents

Do you approve or disapprove of the way [...] is handling his job as president?

% Approve



[Get the data](#) • [Download image](#)

GALLUP

Short Takes

> I remember, when I was first exposed to the concept of the seven deadly sins, that they were a good summary of human behavior. Now there's this - Scientists are increasingly finding that behaviors once seen as depraved often have a direct physical cause.

> Anybody seen any drones lately?

> Great question from X - How the hell did a generation raised on South Park and Family Guy become so offended by everything?

> This is not going to help the dialog, such as it is - ICE sources: Man caught with blowtorch near LA's Kenneth fire is illegal alien from Mexico.

Number of people killed by animals per year:

Mosquito: 725,000

Human: 475,000

Snake: 50,000

Dog: 25,000

Tsetse fly: 10,000

Assassin bug: 10,000

Freshwater snail: 10,000

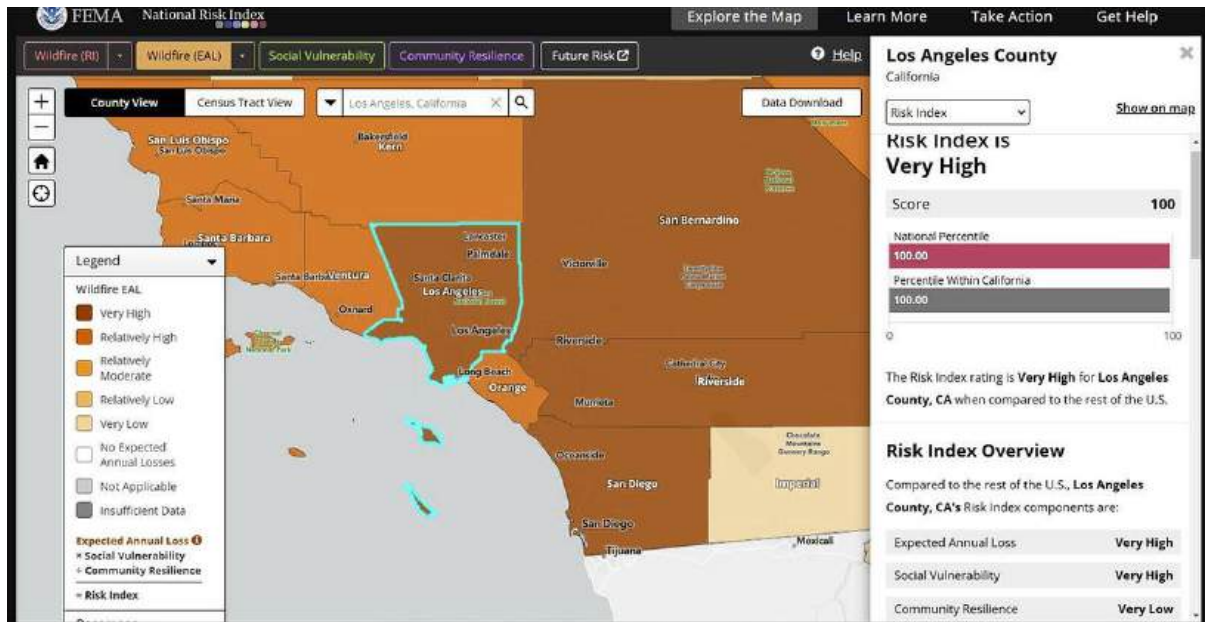
Tapeworm: 2,000
Crocodile: 1,000
Hippopotamus: 500
Elephant: 100
Lion: 100
Wolf: 10
Shark: 10

> From *The Atlantic*, discussing the antisocial century:

- Men who watch TV now spend seven hours in front of the tube for every hour they spend with somebody outside their home.
- The typical female pet owner spends more time caring for her pet than she spends in face-to-face contact with friends of her own species. (Kit - childless cat ladies?)
- Today's teenagers have fewer friends than previous generations, and they spend one out of every three minutes of waking life staring at a screen.

> Maybe one day I'll be motivated to discuss the LA fires. In the meantime, I would note that LA was set up to burn: in a desert; long periods without rainfall and, of course, the Santa Ana winds. Parts of LA are just going to burn (google past major fires in the area). The recent fires just turn out to be the mothers of all fires. Then, the issue becomes, how are you going to manage it? Not unlike hurricanes, say, in Miami or tornados in Kansas. Gonna happen, every year, no question about it. Some years, no homes burn; some years hundreds; this year thousands. This is actually a pretty straightforward story about geography meets the devolution of politics. Not new. Not exciting. Just tragic. It's just what people do. Two things are true: these fires were not containable until the winds died down, and the city was underprepared. The likely short term outcome will be a fit of finger pointing, followed by a demand for accountability and hopefully an improvement in competence. Then another cycle will begin, much as W set up federal preparations for a pandemic, which all but withered away before the pandemic actually occurred. There are a lot of priorities, and keeping the infrastructure in shape is something we always decide to defer, and spend the money elsewhere.

(The *Washington Post* reports that the source of the (Palisades) fire could have been the remnants of a fire first responders put out about a week beforehand but did not track afterward. Historically, many of the fires have been the result of arson, along with sparking electric wires. Among the arsonists caught this time, in another perfect metaphor for our times, was an illegal from Mexico. Hunter Biden artworks worth 'millions of dollars' destroyed in Los Angeles fires. The fire was not caused by climate change, but warming could have made the tinder drier, increasing the intensity.)



> The investigation of Hunter Biden was brought to a halt by his being pardoned. Another special counsel, David Weiss, released the report on his investigation of Hunter Biden. In it, Weiss denounced President Biden for criticizing the inquiry and said that Biden threatened “the integrity of the justice system as a whole.”

From *The Free Press* - As a possible TikTok ban looms, American users are flocking to RedNote, a similar Chinese app which, unlike TikTok, is actually available in China. Also known as Xiaohongshu, which translates to “little red book”—as in, Mao’s—it has skyrocketed to the top spot in the U.S. Apple app store. Basically, TikTokers are so mad about losing their app they are popularizing a more explicitly Chinese look-alike as a middle finger to the government. Congress has vastly underestimated the power of spite. There is a rub, however. The site bans LGBTQ content.

> Ok, folks, THE moral and metaphor for our time - French leftist theatre faces bankruptcy after opening its doors to 250 African migrants for a free show... and they refused to leave and remain in the building five weeks later. One of the iron laws of human behavior is that the road to hell is paved with good intentions.

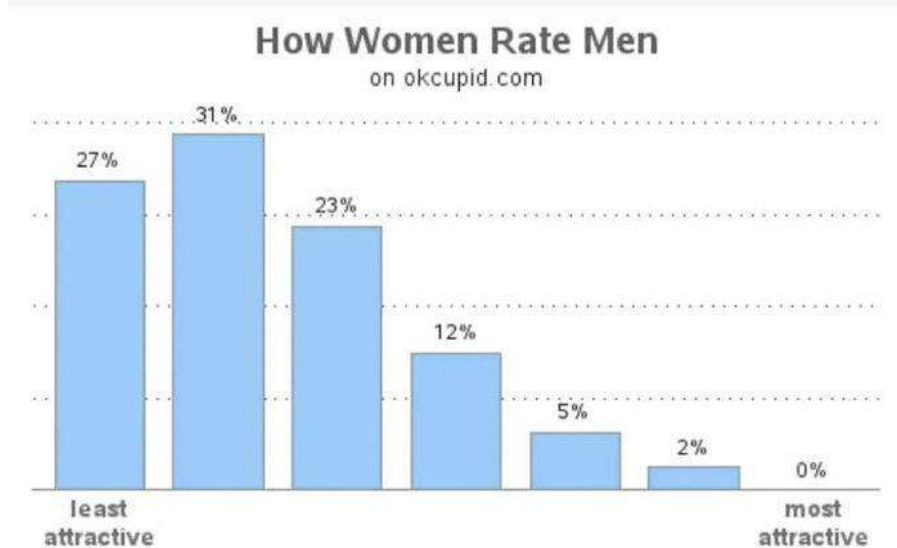
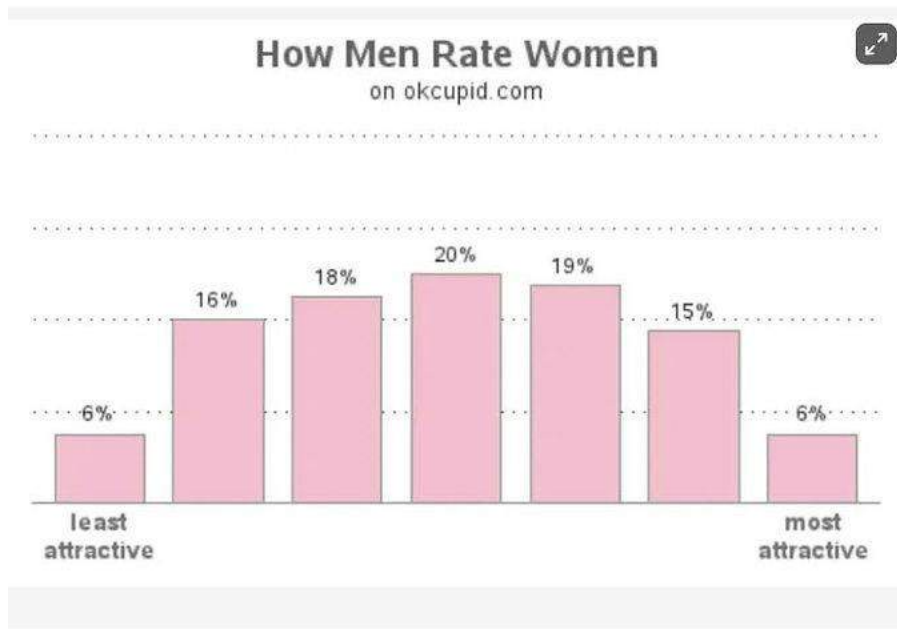
> George Friedman's take on the outcome of our current cycle:

If my model is correct, we are facing roughly another four years of this disjuncture between economic and social reality on the one hand and the political system on the other. We have to see if Trump in his second term will be aligned with the era or not. After Nixon came a period of political stability. Most likely a new American era will emerge in 2028, changing the way American society and institutions work. Biden may have brought a semblance of normalcy back to politics, but he was not able to come to grips with the deeper problems. It is not yet certain that Trump will be able to do so, but neither is it very

important. It is the 2028 election that will matter, in the same way that 1980 and 1932 did. We must remember this is cyclical, not existential.

I agree that the 2028 election will be crucial, but I see the crisis as unfolding over a longer time and being more serious than Friedman does.

> Damn! I knew that there was this concept of toxic masculinity, but there seems to be some disdain here. The other way to look at this is that women are very picky and men, not so much.



> There is so much of this in government. I have had some exposure to government contracts that have pages and pages of things you must do or must not do that are peripheral to the contract. From *The Free Press* -

Four years ago, the Biden administration promised 25 million people in rural areas that they would get reliable access to the internet, signing BEAD, the \$42 billion Broadband Equity, Access, and Deployment Program. To date, the program has yet to hook up a single customer.

Our intrepid reporter Madeleine Rowley wanted to know why.

What she found was a jumbled mess of bureaucratic mismanagement and unnecessary, ideologically motivated regulation. Just one example: States that wanted to participate in BEAD had to come up with a Five-Year Action Plan to collaborate with “underrepresented communities,” including prisoners and LGBTQI+ people, among other groups.

> From *The Economist* - Some 70% of Americans either “somewhat” or “strongly” believe in astrology, according to a survey by the Harris Poll, a research firm, in 2024. One reason for this attraction is the decline of organised religion, which has sparked a search for meaning in other places, from gyms to politics. Another commonly cited explanation is the stress of modern life: 61% of Americans say that astrology provides comfort in uncertain times. Interest surged during the covid-19 pandemic. On Google global searches for the term “astrology” hit a ten-year high in December 2020. (Kit - I'm a Scorpio, by the way.)

> Further to our recent discussion on demographics - China's population declined for the third straight year.

Miscellany

Nothing this week.

What Trump wants from Greenland, Canada, Panama ... and more

In a G-Zero world, where no one country or group of countries is willing and able to provide global leadership, the [law of the jungle](#) prevails. And the law of the jungle says the apex predator gets to do whatever he can get away with, while others either get on board or become lunchmeat.

President-elect Donald Trump, just days away from taking over the world's largest economy and most powerful military, spent the past week showing exactly what that will mean in practice. His threats to use economic and military coercion to take control of Greenland, Canada, and the Panama Canal are outlandish, but they send a clear message to the world: In Trump's second term, it's his way or the highway.

Trump's worldview represents a decisive rejection of America's postwar commitment to global collective security, free trade, and democracy promotion in favor of

transactionalism. The United States is increasingly adopting a rather Chinese approach to international relations: bilateral deal-making with little regard for common values, the rule of law, multilateralism, or the global public good. With the idea being that the world's most powerful country will play that game more effectively than Beijing. It's called "America First" for a reason.

Does this mean Trump actually intends to buy Greenland, make Canada the 51st state, and seize the Panama Canal? No (... probably). Trump didn't believe Mexico would pay for his border wall in his first term, but the threat helped pressure the Mexican government to devote more resources to curbing migration flows, which Trump then claimed as a win. The playbook this time will be no different (because Trump himself hasn't changed): make outrageous, unrealistic demands of weaker foreign leaders to extract concessions – both from the targeted countries in question and from others looking to avoid coming into Trump's crosshairs in the first place.

What makes this time different is Trump's far stronger hand at home and abroad. Not only does he have a mandate, control of Congress and the Republican Party, and a 6-3 Supreme Court, but he will also have a more ideologically aligned and loyal administration. His personalistic leadership style and consolidation of power – what we call [Rule of Don](#) in our [2025 Top Risks report](#) – mean US domestic and foreign policy will increasingly depend on the decisions of one man and his inner circle, precisely what the Founding Fathers sought to prevent through constitutional checks and balances.

Meanwhile, the United States is comparatively more powerful today relative to 2017 vis-à-vis its adversaries – with China experiencing its worst economic crisis in decades, Russia in serious decline, and Iran having lost its proxy empire – as well as its allies, most of which have weak and unpopular leadership.

The combination of Trump's consolidated power at home, America's greater might abroad, and the president-elect's willingness to wield that power unilaterally for transactional gain means [the incoming administration will rack up significant early wins](#). With the world more dangerous than ever, few governments or corporations want to risk becoming the apex predator's next prey.

We're already seeing these dynamics play out domestically, where major companies are falling in line to avoid running afoul of the incoming administration. Mark Zuckerberg's dramatic shift on Meta's content moderation reflects a broader recognition that resistance is futile – better to align with Trump and his advisor-in-chief Elon Musk than to fight them. And if you think Meta, Apple, and the like are humiliating themselves at Mar-a-Lago, that's nothing compared to the lengths that foreign governments will go to stay off Trump's radar or avoid his wrath.

Mexico's new president, Claudia Sheinbaum, will do everything possible to fix a bilateral relationship that Trump believes is broken. It [will take more and longer than she wants](#), but I think she'll get there. The European Union, despite likely trade tensions and possibly tit-for-tat tariffs, will probably reach a deal that satisfies Trump

and ultimately bolsters Europe's "strategic autonomy." NATO members won't increase defense spending to a whopping 5% of GDP as Trump recently demanded (the US itself spends around 3.4% of GDP), but most will continue to boost their military expenditures.

Even seemingly absurd threats, such as a military takeover of the Panama Canal, will likely force real concessions like limits on Chinese investments, reduced transit fees, or enhanced cooperation on migration across the Darien Gap. And while Trump will neither purchase nor invade Greenland, his shenanigans have brought the issue of the territory's independence from NATO ally Denmark to the fore, putting Copenhagen in a bind and raising the prospect of increased US access to the resource-rich and strategically vital Arctic island.

But Trump's transactional approach won't work everywhere, and in some cases, it will backfire. China isn't prepared to offer meaningful enough concessions to achieve a grand bargain, especially amid an absence of communication and management channels. Early tariff hikes and mounting US provocations (at least as perceived by Beijing) in the coming months are likely to cause a [breakdown in US-China relations](#) this year.

Indeed, while many countries will seek to accommodate Trump to avoid confrontation, others will see no choice but to dig in. This includes one of America's oldest allies and its largest trading partner, Canada. Trump's annexation rhetoric and threats of 25% tariffs have touched a nerve north of the border, pushing politicians across the Canadian political spectrum to prepare aggressive responses ahead of the Liberal Party's internal leadership race and the country's general elections. Neither the ruling Liberals nor the opposition Conservatives can afford to appear weak in the face of US bullying. Trump's tactics are fueling Canadian nationalism, reducing room for compromise, and making harder-line retaliation that hurts America's interests more likely – the opposite of his presumed objectives.

The United Kingdom's current predicament offers a telling example of the dilemmas facing many US allies. British officials are holding crisis meetings to determine how to respond to the incessant direct attacks from Elon Musk, who is now actively intervening in the domestic politics of US allies (including not just the UK but also Germany and the EU itself) with what we can assume is at least the tacit consent of President-elect Trump. They worry that pushing back against the world's wealthiest individual could trigger retaliation from Trump himself, with whom Prime Minister Keir Starmer wants a good working relationship. But doing nothing is not an option when Musk's invectives are believed to have jeopardized the personal safety of British cabinet members. There's also a concern that passivity would embolden both Musk and Trump to push even harder for advantage.

This gets at a broader challenge: Even as it yields short-term wins, the president-elect's coercive diplomacy will reflect and reinforce the broader breakdown of international order I described last week. The US remains the world's most powerful

nation by far. But rather than providing global public goods like collective security and free trade, it's using that power to extract concessions for itself through bilateral pressure. Trump's defenders say that his unpredictability is a feature, not a bug, and that keeping friends and foes guessing is how he gets things done. But the uncertainty it creates poses enormous risks for governments and businesses trying to survive in the jungle.

This is the essence of the G-Zero world: Not just an absence of global leadership, but the deliberate dismantling of the systems and norms that have guided international relations for decades by its erstwhile lynchpin. Trump isn't the cause – he's its leading symptom and beneficiary. But his return to power will accelerate the trend toward a more dangerous, crisis-prone international system. The apex predator may rack up some impressive kills, but the jungle will grow deadlier and more savage for everyone – including, eventually, for the United States.