

Thoughts on Coming Apart and the Coming Great Reset



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

Kit Webster

September 6, 2024

The Gold Standard is Back (Kinda)

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. In the end, this is a relatively straightforward story about human nature and history rhyming.)

The US will enter a period of crisis in the early 2000s. In the late 90s, I took up 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.

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 Ponder

You can avoid reality, but you cannot avoid the consequences of avoiding reality -
Ayn Rand

The opinion of ten thousand men is of no value if none of them knows anything about
the subject - Marcus Aurelius

Primary Ideas in This Week's Post

Recessions usually occur after the yield curve un-inverts and after the Fed starts cutting rates.

The dollar basis of the financial system is coming apart (slowly and then suddenly). The results will be lower living standards in the US and a new system for the world, that will likely include gold.

The war on misinformation, together with the concept of words as violence, will be the bases for the erosion of freedom of speech. It is too early to tell, but most likely, freedom of speech is doomed, which in turn, dooms a vibrant democracy.

Kamala remains narrowly ahead in the polls. The polls are widely agreed to be inherently flawed so that Trump is likely doing a little better than it seems. We could wind up with Trump winning and Kamala ahead in the polls, which could lead to unrest and violence. If Trump loses, we could get unrest and violence ...

Prominent Republicans are coming out against Trump.

Desperate times call for economic idiots.

Debt and deficits are symptoms of our loss of self-discipline in all areas of our lives.

Nothing stops this train.

Mass immigration is both a characteristic of our times and a threat to the cultures which are trying to absorb the immigrants. Ironically, given birthrates below replacement levels in many countries, some immigration will be necessary to provide the basis for economic growth. Social conflict will increase.

Oregon is reimposing laws against possession of some hard drugs.

Markets

[Updated Charts](#)

> No change in thoughts. The stock market should be going down, which will help confirm where we are.

> My base case remains an economic slowdown, perhaps recession, followed by an inflationary boom.

> Remember that recessions usually happen after the yield curve un-inverts and after the Fed starts cutting rates. It will be difficult to have a recession when the government is incurring multi-trillion dollar deficits, but if we can do it, the time is now (ish).

> Borrowing on a title from *Breaking Bad*, Lyn Alden has started the meme, Nothing Stops This Train, to indicate the inevitability of the piling up of debt and deficits. Inevitability is the key concept here.

> Since mid-2020:

1) US nominal GDP has grown by ~7 trillion

2) US total debt has grown by ~8.5 trillion

It takes more than a dollar of debt to create a dollar of nominal GDP.

Can you see the problem?

> MUST LISTEN to Neil Howe on the [Thoughtful Money](#) podcast - A collision of financial, social and geopolitical crises all at once? The Fourth Turning is getting real.

> **The Gold Standard is Back (Kinda)**

Ok, you've got a reserve currency that is depreciating and a rising economic block that doesn't like its issuer. That reserve currency is imbedded deeply into the international money system, so that change will be wrenching and difficult. What are you going to do?

You are going to begin nibbling around the edges by making transactions in currencies other than the dollar.

And you are going to accumulate gold. Global official gold reserves increased by 290 metric tons in just the first quarter of 2024, with Russia and China together accounting for more than 80% of the net central bank gold demand since 2004.

The "barbaric relic" is back - kinda.

Let's get a thought quickly out of the way. I have no idea why gold is valuable. It just is and has been for millennia.

But I do know why it makes a good money - better than shells or beads or wampum. It is limited in supply, durable and can be divided into different amounts.

We, and the world, were once on a gold money standard. Then we went to green pieces of paper. Now we are reconsidering gold or other tangible backing for money.

What's up? If the gold standard was bad enough that we left it, why are we going back?

Ok, you know the drill by now. Trade-offs. Compared to what? It's complicated.

The history of money is long and interesting. I highly recommend Lyn Alden's new book, *Broken Money*, to give you a historical perspective and then a great discussion about our current dilemma.

(The gold standard has nothing to do with global warming, but it could, so here is the obligatory nod to global warming.)

I'm going to oversimplify, but since you cannot manipulate the amount of gold in the world, if you base your money on gold, then politicians can't mess with you and you are disciplined because you cannot ask for free stuff.

It turns out that the fractional-reserve banking system that we use allows some cheating to go on. Fractional reserve means that the bank does not keep cash on hand to cover all the money it owes its depositors. Banks create money by loaning it into existence.

Since the bank cannot pay all of its depositors at once, many times in our history rumors would circulate that a bank made a bad loan, which meant it could not pay everybody back. Since everybody knew that everybody knew, if everyone would stay cool, things might work out ok. However, no one wanted to lose their money so there would be a run on the bank as no one wanted to be last in line. Kind of like toilet paper in a pandemic.

The Federal Reserve was created primarily to be the "lender of last resort." If a bank got into trouble, the Fed would either help it through its temporary crisis, or liquidate the bank, paying depositors up to the amount insured by the Federal Deposit Insurance Corporation, which was formed in 1933.

With the Fed and the FDIC around, bank failures became fewer and the system more stable, although the recent failures of Silicon Valley Bank and others is evidence that banks can still fail. And a run on the bank is now electronic, so that depositors don't have to get in line.

Anyway, Congress gave the Fed two jobs to do, beyond being the lender of last resort - keep the currency stable, ie, low-to-no inflation, and keep employment high. That these two objectives are incompatible is something not addressed by anyone.

Back to the gold standard.

The US and other nations were on the gold standard when the Great Depression began. FDR devalued the dollar against gold and confiscated all of the gold in the country, including privately-held gold.

Strengths and weaknesses are often the same thing, seen through different lenses. One of gold's strengths is that there is a limited supply, so that the money supply cannot be manipulated. However, in a crisis, particularly a deflationary crisis, you want to increase the supply to help get things going again. In a depression, a gold standard is a problem. So, one by one, countries left the gold standard.

Things remained fairly steady after the Bretton Woods Agreement following World War II. The US dollar would be the reserve currency, convertible into a fixed amount of gold.

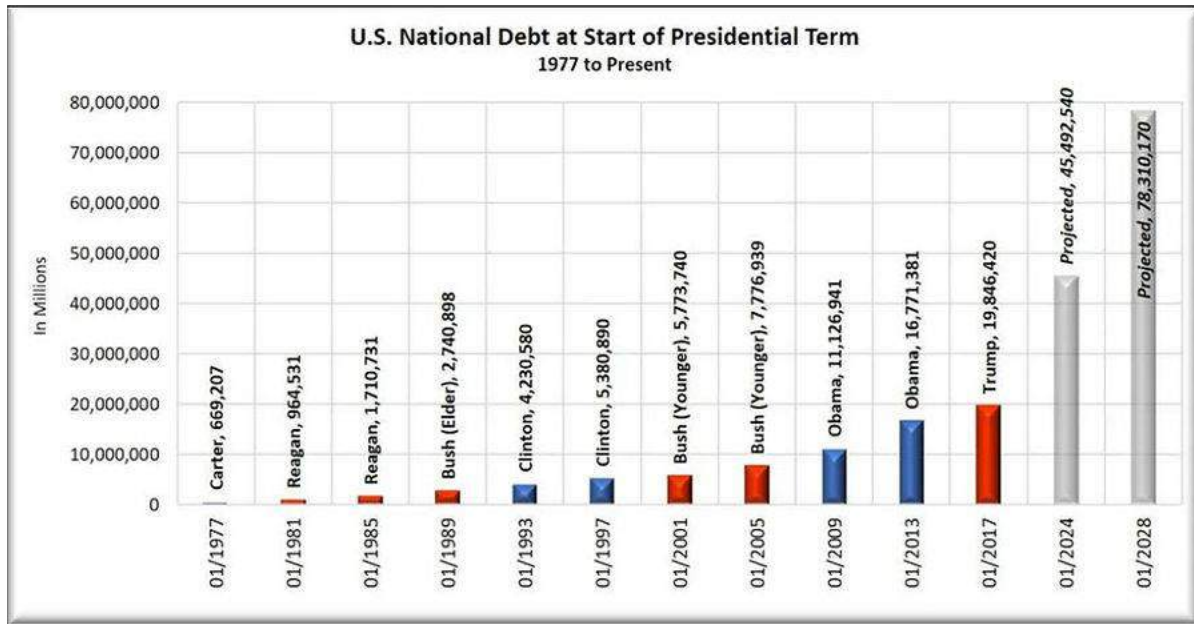
But, governments can't help themselves. The US kept printing dollars. Ultimately the French called the US's bluff and decided to exchange its dollars for gold. In 1971, the US could not allow that to happen, devalued the dollar and took itself off the gold standard.

This gave permission for Congress to go berserk and for people to ask for goodies without obvious consequences.

The following chart is thoroughly damning of us, our government and the Fed (the Fed was formed in 1913).



We have racked up debt and deficits over time and completely lost our minds over the past decade or two. This is a tangible reflection of our loss of self-discipline in all areas of our lives (all things are connected, grasshopper).



National Debt from Jimmy Carter to Donald Trump MJP

The world more or less put up with this because of the US hegemony and the degree to which the dollar is embedded into the world financial system. And, their dirty little secret was that they were inflating, too. China has significant debt problems, together with Western countries.

It is now clear that "nothing stops this train," so that even our allies are looking for a graceful way out. Our enemies are actively looking for exits.

So, the dollar will fall ... one day. Its power should not be underestimated, but the inevitable is inevitable. And now everyone knows, perhaps except the American people, that the emperor is wearing no clothes. This was one of my original predictions in the early 90s.

I think the discussion as to which currency will replace the dollar as the reserve currency, much as the dollar replaced the British pound, is the wrong discussion.

I think there are two forces at work: regional currencies and the requirement for sound money. We are likely to evolve to having at least two, regional trading currencies: the US dollar and the Chinese yuan. We are at that point on the pendulum at which people are fed up with inflation and poor monetary practices.

That means that money has to be backed by something, once again.

Ironically, there is not enough gold to back a monetary system. It would have to be revalued by a multiple of, I don't know. A thousand? A million? The gold bulls think that is a distinct possibility. Although it is a little complex, the Chinese yuan is gaining some traction as a trading currency because it is ultimately, but not directly, convertible into gold.

There are other things that can be sound money. Bitcoin comes to mind, since there is a limited amount of bitcoin. Its problem is that its value is too volatile.

Perhaps the new basis of the financial system will be a basket of currencies or a basket of commodities.

One way or the other, the dollar is going down - not away, just down - and there will be, over the next decade or so, major changes in the international financial system. And gold will be back, playing a role in that new system.

Later, governments will begin inflating again. They can't help themselves and you demand free goodies.

But for now, gold is central to the conversations about money and future financial systems.

Short Takes

> At the bottom of this post is a partial transcript about the dynamics of the Fourth Turning that I think is very insightful.

> Zuckerberg stated that the Biden administration pressured the company to censor Covid content during the pandemic. This is a very big deal, and I did not comment when he said it because I had no doubt that censorship was going on. Power politics has now gotten to this level. Expect much more under the rubric of misinformation.

> I can't state strongly enough that wage and price controls and significant tariffs are insane and destructive. Desperate times call for economic idiots.

> Kamala things -

Kamala remains narrowly ahead in the polls. Fascinating podcast (behind a paywall) by the well-grounded Grant Williams discussing the election with Marvin Barth. Part of the discussion was about how polls remain inherently badly skewed and there is the distinct possibility that Trump is actually comfortably ahead. It is broadly accepted that there will be civil unrest if Harris is elected and Trump alleges a stolen election. While many also think the Democrats are setting up a stolen election theme, eg Hillary in 2016, think about reality, if the poll bias is valid. Heading into the election Harris is, erroneously, ahead in the polls and then Trump wins a significant victory. Democrats would be excused for questioning the validity of the election.

I really am losing touch - Emhoff is now considered a sex symbol in some circles.

Tim Walz's brother says he is considering joining forces with Trump, says his brother is "not the type of character you want making decisions about your future."

Mountains and molehills - the Arlington Cemetary kerfuffle. Ok, Trump's associates can sometimes be bullies and tone deaf, and Arlington Cemetary is a place for showing respect. But Kamala is really milking this one with, "disrespecting sacred ground." My guess is that they see it as a great topic to go after veterans and to try to compensate for all the Walz misstatements about his military past. Democrats are rarely the party of either the military or sacredness.

Russia: "We have no candidate. But, of course, the Democrats are more predictable. And what Putin said about Biden's predictability applies to almost all Democrats, including Ms. Harris," responded Peskov. Putin likes her "contagious, expressive laugh."

John McCain's son said he will support Kamala Harris in November.

Liz Cheney said she will vote for Kamala

Relative sanity - Harris released her tax policy on Wednesday. In it, she distances herself from Joe Biden by endorsing a lower capital gains tax increase than the president. Her proposal attempts to win over the business community and wealthier Americans by only taxing investment income for Americans earning more than a million dollars a year at a rate of 28%, far below the 39.6% proposed by the president.

> Trump things -

He's talking about military tribunals with regard to something or the other.

Now we're gonna legalize marijuana.

He thinks the 6-week restriction on abortions is too tight.

He will release Epstein's client list (the man has a death wish).

Alexa would not discuss Trump as a political candidate, but presented Kamala in glowing terms.

Trump proposed a government efficiency commission under Musk and a 10% corporate income tax rate for companies that made things in the US.

> "The idea that someone on Labor Day weekend believes they know the result over two months out is insane. The last two presidential elections were determined by less than 80,000 votes, combined, in just a few states, out of 150 million votes cast. We are in a 50-50 country in so many ways, and the nature of the electoral college makes it very difficult for either candidate to run up the score in the states where they are most popular. The reasonably high floor of both candidates (45-46% by my analysis), but also the reasonably low ceiling of both candidates, makes this an election that will most likely, once again, be settled by thin margins in just a handful of states (and within those, by just a handful of counties)." - David Bahnsen

> Hunter pleads guilty in his tax trial. It's complicated and the judge does not have to accept the plea, but it is interesting.

> I have attached a pdf of the paper, *How Complex Systems Fail*. Since our democracy and our financial system, among others, are complex systems, it is well worth a read.

> The quiet trade war - from *CNN Business* -

China's latest curbs (on antimony) follow a wave of such restrictions introduced since last year.

In December, China banned the export of technology to make rare earth magnets, which came on top of a ban already in place on exporting technology to extract and separate the critical materials.

Beijing has also tightened exports of some graphite products, and imposed restrictions on exports of gallium and germanium products widely used in the semiconductor industry.

> US home insurers lost \$15.2 billion last year.

> A federal appeals court in New Orleans ruled that illegal aliens do not have the right to bear arms under the Second Amendment, due to the fact that they are not American citizens.

I'm offended, affronted, hurt and feel attacked and unsafe -

In a move that has upset students, alumnae and faculty, Sweet Briar College announced earlier this month that it was changing its admissions policy and will no longer accept [male] applicants.

The small women's college in rural Virginia has never had an admissions policy specifically for [male] students but has evaluated and admitted [male] applicants on a case-by-case basis.

The new policy holds that an applicant must confirm 'that her sex assigned at birth is female and that she consistently lives and identifies as a woman,' according to Sweet Briar's website.

> Immigration things - Following up on my thoughts on immigration -

When the Swedes have had enough, you know you've gone way too far -

Sweden Deputy PM Ebba Busch announces "Islam needs to adapt to Swedish values otherwise you are NOT WELCOME IN SWEDEN" She said "Muslims who do not integrate should leave the country. Sharia law doesn't belong here" "You will not be given asylum, you should leave"

From a Substack by Peter Imanuelsen -

The top court in the EU just ruled that Hungary shall be fined a whopping €200 million AND a daily €1 million penalty for refusing to open their borders and for having deported people.

Hungary has been one of the few countries in Europe that has not followed the open borders agenda, and now they are being punished for it.

"The ECJ's decision to fine Hungary with 200M euros plus 1M euros daily(!!!) for defending the borders of the European Union is outrageous and unacceptable" said Hungarian Prime Minister Viktor Orbán.

Hungary has refused asylum seekers from staying in the country while their asylum applications are being processed.

People who want to seek asylum in Hungary have to do so at their embassies in neighbouring countries and people who try to cross the borders are stopped.

From the *Wall Street Journal* discussing the right's victory in German elections with words that also pertain to the US -

Antiestablishment populism is on the rise in Europe, fueled not just by migration and economic and security fears, but by a deeper trend: Eroding confidence in governments' ability to overcome those challenges.

> Turkey would like to become a member of BRICS. We are choosing sides and the other side just scored a biggie.

> Oregon rethinks its drug laws - From *The Guardian* -

Oregon's first-in-the-nation experiment with decriminalizing drugs will expire on Sunday as a new law taking effect will once again make it a crime to possess small amounts of hard drugs.

The new recriminalization law, HB4002, will give those caught with illicit drugs – including fentanyl, heroin and meth – the choice to either be charged with possession or treatment, which includes completing a behavioral health program and participating in a “deflection program” to avoid fines.

Personal-use possession would be a misdemeanor punishable by up to six months in jail. It aims to make it easier for police to crack down on drug use in public and introduced harsher penalties for selling drugs near places such as parks.

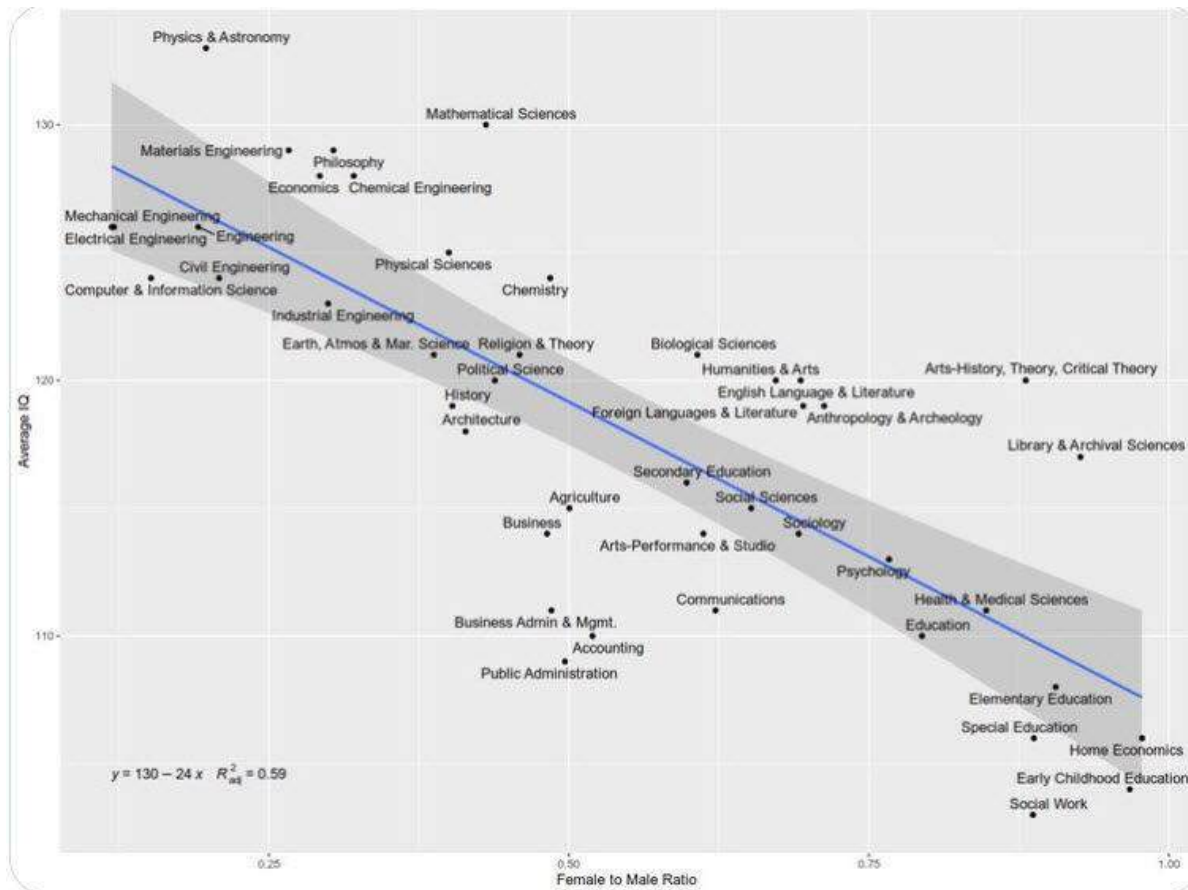
> "Power corrupts ... " *The New York Times* -

Prosecutors say that corruption is rising in California cities as one-party rule, inattentive voters and weakened news media have reduced the traditional checks on power.

> Norwegian reparations in the *Free Press*, and another term bites the dust -

In a move to “decolonize the curriculum,” professors at the University of Nottingham in Britain have dropped the term Anglo-Saxon. The course in Viking and Anglo-Saxon Studies will now be titled “Viking and Early Medieval English.” It poses the question: How far back does decolonization go—and how much do Norwegians owe Brits in reparations?

I have questions - College majors by average IQ and gender ratio -

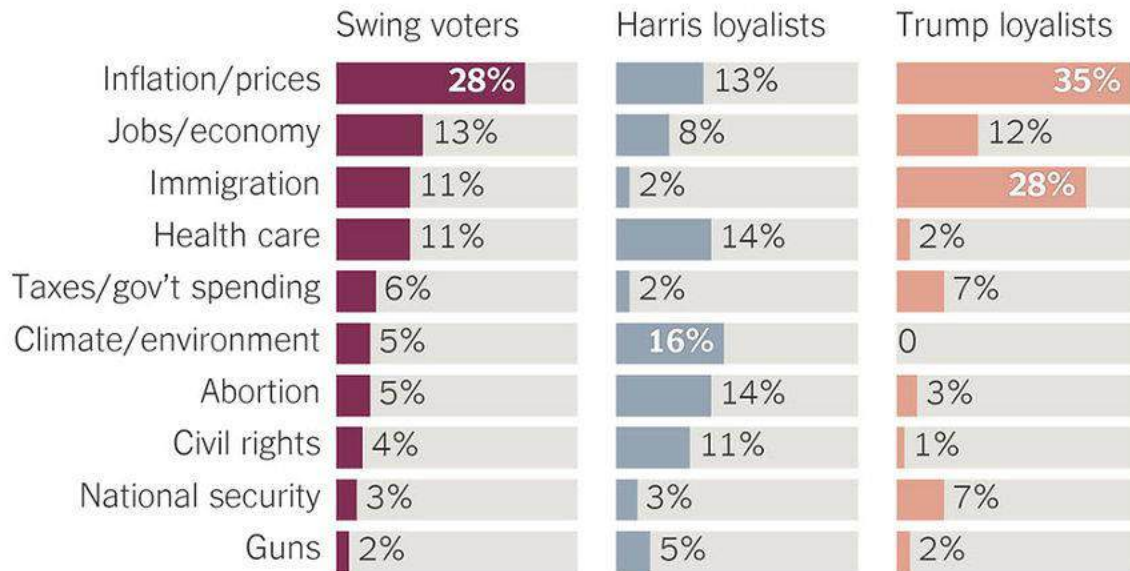


News you can use - in Estonia, it is illegal to play chess while having sex.

Portugal's divorce rate is 91%, followed by Spain at 85%, Luxembourg at 79% and Russia at 73% (the US is 45%, lowest is India at 1%)

> Interesting - "neither abortion nor immigration matters to as many swing voters as economic issues do." (Beth says that abortion is a much bigger issue but that women are reluctant to bring it up.)

What is the most important issue to you?

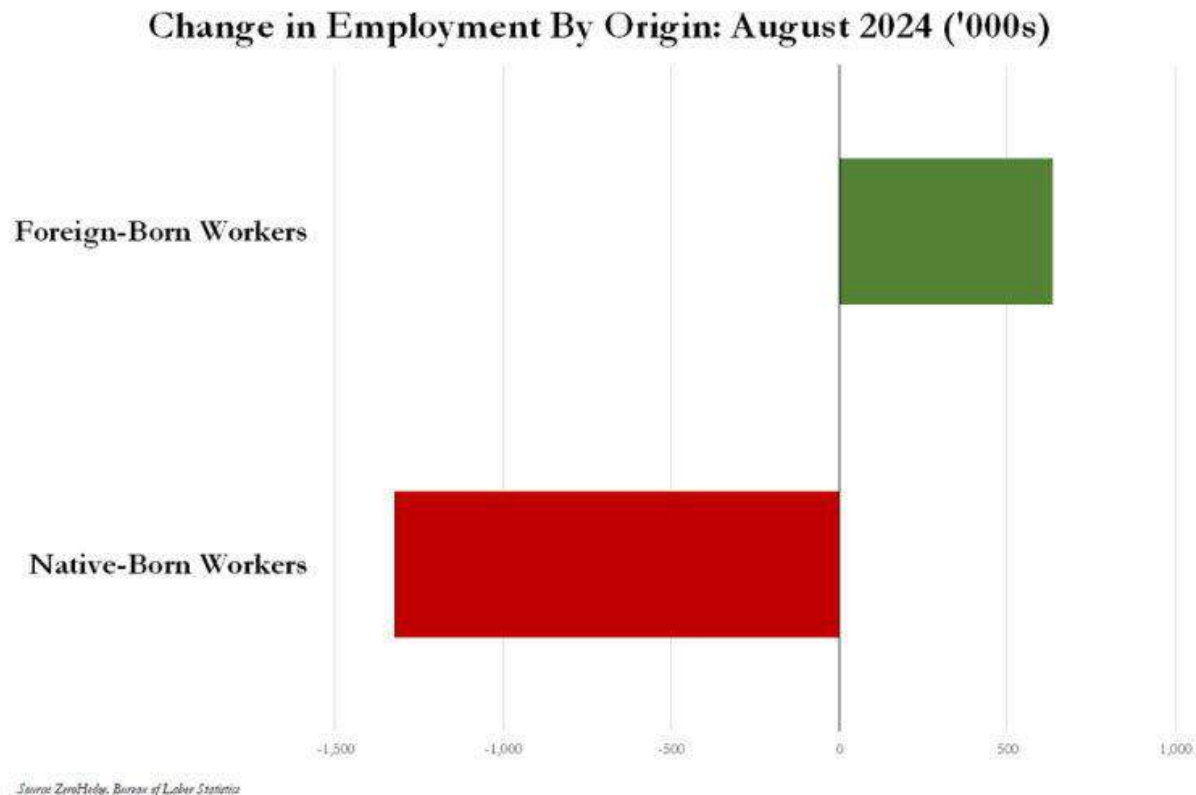


Shows all answers given by at least 3 percent of registered voters

By The New York Times | Source: Economist/YouGov nationwide polls, Aug. 2024

- > Sanctions, which were never very effective, continue to deteriorate -
In the second quarter of 2024, EU member states imported more natural gas from Russia than from the United States — for the first time in almost two years

> Nothing to see here, move along –



It Ain't Easy Being Green

> No good deed goes unpunished -

For decades, farmers across America have been encouraged by the federal government to spread municipal sewage on millions of acres of farmland as fertilizer. It was rich in nutrients, and it helped keep the sludge out of landfills.

But a growing body of research shows that this black sludge, made from the sewage that flows from homes and factories, can contain heavy concentrations of chemicals thought to increase the risk of certain types of cancer and to cause birth defects and developmental delays in children.

> According to new real-world driving data from the European Commission, plug-in hybrids produce roughly 3.5 times the emissions official estimates suggest. The difference is largely linked to driver habits: people tend to charge plug-in hybrids and drive them in electric mode less than expected.

> Global material use has tripled in five decades, with plastic consumption accounting for 30% of our waste.

Miscellany

Nah - definitely virtue –




The Babylon Bee  @TheBabylonBee · 3h ...

Man Unsure If He's Becoming More Virtuous With Age Or Just Too Tired To Sin buff.ly/3yWBWZk





No Context Brits 

~~No Context Brits~~

Say something nice about the United Kingdom



Arup Roychoudhury

~~Arup Roychoudhury~~

You guys created the largest number of independence days around the world.

I just thought this was hilarious –



The Babylon Bee 🐝 @TheBabylonBee · 1h

After Dismissing Warnings From His Mother, Tucker Carlson's Face Is Now Stuck That Way buff.ly/3szMeeC



> Excerpt from a [MacroVoices](#) podcast with Viktor Shvets - a high level look at our Fourth Turning - Very good insights -

It depends on the policies we pursue. And again, if I go to my writings and the latest book, basically what I'm saying, there are policies that you can design in order to lower the pressures. When I compare it to 1930s, I was saying, look, in 1930s the choice was not between freedom and slavery. The choice was how much freedom do I need to sacrifice, in order to avoid the most extreme outcomes? And in 1930s, the choice was between communism, fascism and constrained democracy. All of them tried to address the same problem, inequalities, lack of opportunities, lack of possessions, whatever. It's exactly the same problem. And all of them, whether you were communist or a fascist in those days, or whether you were New Deal liberal, it doesn't matter. In all cases, it was all about the government. So, whether you're a communist, expanding the government, whether you're Taft expanding the government, whether you're Franklin Delano Roosevelt expanding the government, the government was the

answer. The only question was, extent to which the government should spread, extent to which its influence should spread, how much free space should be left for people, for private markets, for private businesses. That was the difference. So, the communists said, no free space, we're getting rid of property rights. We're getting rid of discussion, no debate, no politics. Okay, that's one answer, but we're promising you fairness, although that wasn't true, but that's what they promised. If you think of fascists, they said, okay, you can keep your property, but we will determine what we're going to do with it. And by the way, we're getting rid of all the politics along the way. And again, we promise you more fair environment and maybe even longer term, faster growth. The genius, in many ways, of FDR is that he found the middle ground. Yes, some freedoms were lost. Yes, new agencies came up. Yes, the government reach had increased, but political rights were preserved. Most of the freedoms were preserved. Private sector in private space was preserved. We're kind of facing that same environment. The sort of labels might be different. We're no longer talking about fascists, the communists. But the idea is the same, how do we essentially reestablish society? How do we stabilize societies? What will be the role of government in those societies? You know, in 1937, they published this book, *Planned Societies: Yesterday, Today, Tomorrow*. And contributions were from Joseph Stalin, from Benito Mussolini, from New Deal economists, from American sociologists. And the interesting thing, when you read it, all of them agreed that liberal free market philosophy was led to devastating outcomes. And all of them agreed that the government rule will increase. The only difference between Joseph Stalin or Benito Mussolini or New Deal guys was a degree, extent to which, so the question then becomes, as we go forward, the government tentacles are expanding. The government influence is already expanding and has been for a considerable period of time. Societies are already becoming more conservative, just like they were in 1950s with UN American Activities and the rest of it, so societies are becoming more conservative. Societies are now penalizing more aggressively any behavior that is outside acceptable norms, much more so than societies did 10, 15, 20 years ago, so we're already moving in that direction. So the question is, how far do we need to move for societies to stabilize? Because if societies stabilize, then the "yet" is not going to come through, and we actually will land straight from 1930s into 1950s and bypass 1940s along the way