

Thoughts on Coming Apart and the Coming Great Reset



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

Kit Webster

"There are decades where nothing happens; and there are weeks where decades happen." We are having some of those weeks.

January 31, 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

Our choice is not a Fed that bows down to politicians or not. The choice is a country that is dependent on China to make its weapons & medical supplies for it or not. - Luke Gromen

> Primary Ideas in This Week's Post

The number of things Trump is trying to do is just astounding. The empire will strike back, but these have been times for the history books - both good and bad. Love him or hate him, he has been very imaginative in rethinking what is important.

We survived FDR as proto-dictator; there is hope for surviving Trump's authoritarianism.

Speaking of revolutions - DeepSeek has turned more than the AI world upside down.

Since the stock market and the dollar have already turned down, all that remains for a significant adjustment to the markets is for bitcoin to top for the intermediate term and for bonds to top. Both should do so shortly.

American students' reading level, not impressive to begin with, continues to deteriorate. This is no way do build a foundation for the knowledge economy.

Rubicons

I want to follow up on last week's comments on crossing the Rubicon by saying that FDR came as close to being a dictator as we have experienced,

he did many unconstitutional things, and he crossed a Rubicon that forever changed the country, for better and for worse. And, we got through it and prospered. What was an extraordinary change seems normal now because we have adjusted to it - we don't know any other way. However, it's safe to say that our Founders and Honest Abe would not even begin to recognize the government we have today - my guess is that their reactions would be some combination of bemusement and horror. The Fourth Turning is not necessarily only about disintegration - it is about disintegration and, hopefully, rebirth. I am still grappling with what the form of that rebirth could be, and I have no idea. However, make no mistake. We have crossed a Rubicon into an era of authoritarianism and oligarchy. Biden led the way, but was an amateur. This new era is only two weeks old, so there is no way to forecast the ebbs and flows of the future. One thing is for certain - there will be much litigation. But this is uncharted territory for both the US and the world. A Pandora's box, containing both good and bad this time, has been opened. I think the next Rubicon shows up when and if the Supreme Court rules one way and Trump decides not to comply.

Hang on.

Also an interesting note on Caesar's crossing of his Rubicon. There was a power struggle going on in Rome that included Caesar. He was subject to arrest for various perceived and real crimes while he was Governor of Gaul. He crossed the Rubicon with his army for several reasons, one of which was that he did not want to be arrested and his army gave him protection. His plan was to be elected Consul, which position had immunity from prosecution. He was elected Consul, which gave him his platform from which to further accumulate power.

DeepSeek

Last week I noted that the Chinese had released an AI model called DeepSeek and that it could be a big deal. Now with a little perspective, let's sort things out, understanding that there is still a lot we do not know.

I've been taking a deep dive into AI lately, trying to get myself up the learning curve.

The Large Language Models, or LLMs, of AI, such as those used by ChatGPT, are gargantuan databases, sometimes having trillions of entries. Very simplistically, AI looks at every word (I will not go into other areas such as images) that exists - anywhere those words can be found and input into a computer. Those words, tokens is the term that is used but there is not quite a 1-to-1 relationship between a word and a token, are then associated with a series of numbers that describe that word and its meaning and relationship to other words. When you access an LLM, the system is, simplistically, just looking for the next word that should come after the one you just used. All of this data crunching, both to create the LLM and to use it when you, in essence, ask it a question via what is known as a prompt, uses gargantuan amounts of computer power (read, Nvidia chips) and gargantuan amounts of electricity.

AI is so useful and powerful and future uses would require so much compute power and electricity that the major players, such as Microsoft, Google and OpenAI, were planning on huge data centers, perhaps having their own natural gas or nuclear electricity generating systems.

By investing as much as \$100 million in each LLM, these companies were creating assets for which they could charge fees. Their futures were bright as demand for AI grew exponentially.

And then DeepSeek, a Chinese company, appeared, essentially out of nowhere. They had an LLM that was almost as good as that used by, say, ChatGPT, that cost only \$5 million to train. And they made it open source, meaning it was free for anyone to make a copy and to use. By clever use of software and algorithms, DeepSeek took a completely different path. (It has the "guardrails" of most LLMs - if you ask it, for example, about Tiananmen Square, it will not answer. Everybody is politically correct in their own way - protecting us, you see.) And, rumors are floating around that it trained on OpenAI's data - I, for one, would be shocked to learn that the Chinese are guilty of theft.

Literally overnight all the investment in chips and creating LLMs looked compromised. If anyone can get a free LLM from DeepSeek, why invest \$100 million in an LLM and why pay for Nvidia's expensive GPUs (Graphics Processing Units)? One venture capitalist called this a "Sputnik moment."

The good news is that AI can now be used at low cost by startups and other companies. Innovation will flourish.

The first reaction was, oh, shit. Now, companies and investors everywhere are digging into the details to see what an AI strategy, given the existence of DeepSeek, would be. Several US AI companies are including DeepSeek in their model offerings.

As an aside, I have used it. It is ok and seems to be a hell of a deal at \$5 million.

In the meantime, I am wondering why DeepSeek did this.

Nothing happens in China without being part of an overall strategy. Nothing this big happens without Xi's approval. There is no profit motive here - it is free and open source. Big, bold moves.

Again, I have no idea, but it seems that this move:

- is in your face - China rules!
- undermines a major area of technological superiority of the US. - China rules!
- has the potential to destroy, or at least impair, major Western companies.
- tells Trump that China has its own responses to tariffs.
- shows that the US's lead in AI through sanctions has essentially disappeared.
- all the data input goes back to China.

Again, we will learn more over time.

For now, understand that this could be - probably is - a big deal.

Then, Alibaba announced its Qwen model for visual recognition, etc. that it says outperforms DeepSeek.

It's on!

Markets

Updated Charts

> No change in outlook

Uh-oh - Jim Cramer just said "Bitcoin is great to have in your portfolio"

So, You Say You Want A Revolution?

Babylon Bee - Exhausted Media Begs Trump To Take A Day Off

Lenin famously said, "**There are decades where nothing happens; and there are weeks where decades happen.**" We are having some of those weeks.

> The number and magnitude of changes in a short time are just staggering - here is a brief summary from Louis-Vincent Gave -

These past few weeks have been momentous:

- The Biden pre-emptive pardons made a mockery of the rule of law
- The Trump Greenland/Canada/Panama tirades blew up the belief that the US is a kind and accidental hegemon
- The threat of seizure of Colombia's assets re-enforced what was already known: that US assets are safe depending on who owns them, which passport the owners hold, and whether that country is not in the crosshairs of the US state department.
- Deepseek undermined the belief in US tech supremacy and unassailable moats.

Trump stops aid to foreign abortion providers.

- the LA fires, the USD 200bn+ of damage, and the reveal of Californian bureaucratic incompetence
- the taking down of the Chinese great internet fire-wall which allowed users from anywhere to sign up to Douyin (Chinese TikTok) and Xiaohongshu, suddenly triggering exchanges between Chinese people and people all over the globe.
- the launch of the Trump and Melania meme coins
- the non-imposition of tariffs on day one of the Trump presidency

> The Interior Department says the Gulf of Mexico is now, officially, the "Gulf of America."

> Trump revokes Biden's executive order stipulating a 50% EV target for all new vehicle sales by 2030.

> Trump fires at least 14 independent inspectors general - probably illegal.

> Aid to Ukraine stopped as part of an action to freeze all foreign aid, except to Egypt and Israel.

> Irony - with Hunter's pardon, he has no Fifth Amendment right to avoid testifying against himself.

> Trump: "Any teacher or official that suggests to a child that they were trapped in the wrong body they will face severe consequences"

> Is Trump hedging on the JFK files? Quoted by Pippa Malmgren - "Having made the finding that it is in the public interest for the government to make a "full and complete release" of all JFK assassination records, the President could have simply directed the Archivist to remove all redactions in the assassination records in its possession and make them available to the American people. Instead, paragraph 2(a) of his order instructs the Director of National Intelligence (DNI) and the Attorney General to work with the Assistant to the President for National Security Affairs (the National Security Advisor) and the White House counsel to develop a plan for the releasing the records within 15 days. Moreover, the order did not revoke the prior Biden orders postponing disclosure nor invalidate the Transparency Plans so that they remain in effect." From "Does President Trump's JFK Classification Order Contain a Loophole for the Intelligence Community to Exploit? From Lawrence P. Schnapf from JFK Facts jfkfacts@substack.com

> Trump signed an executive order directing a review of FEMA.

> Trump suggests that Gaza basically be abandoned and Palestinians moved elsewhere.

> More than half of people aged between 13 and 27 said they believe 'the UK would be a better place if a strong leader was in charge who does not have to bother with parliament and elections,' according to The Times. A third agree the country would be better off 'if the army was in charge'.

And almost half think that 'the entire way our society is organised must be radically changed through revolution'.

> The White House budget office, via a two-page memo on Monday, ordered all grants, loans, and federal assistance to be paused. This led to chaos and a court order staying the pause. The White House then rescinded the order.

> Google Maps is changing the Gulf of Mexico to Gulf of America, but users in Mexico will continue to see its original name. Other countries will be presented with both names.

> The acting attorney general fired more than a dozen prosecutors who worked on the special counsel's investigations of Trump.

> Trump announces plans to impose tariffs on foreign computer chips and pharmaceutical producers outside the US, and said "if you want to stop placing the tariffs, you need to build plants in the US."

From the first press briefing - From President Trump directly: An update on the New Jersey drones.

After research and study, the drones that were flying over New Jersey in large numbers were authorized to be flown by the FAA for research and various other reasons. Many of these drones were also hobbyists, recreational, and private individuals that enjoy flying drones.

In time, it got worse due to curiosity. This was not the enemy. (Kit- sounds good to me - they've never lied to us before.)

Trump admin halts \$50 million (!) earmarked by Biden for condoms in Gaza. Questions have arisen as to whether this budget entry actually existed.

> Trump administration to offer all 2 million federal workers the chance to take a "deferred resignation" with a severance package of eight months of pay and benefits. 5-10% of the workforce is estimated to quit, which could lead to around \$100 billion in savings.

> President Trump signs executive order to prohibit chemical and surgical mutilation of children in the U.S.

> Cartel gunmen open fire on US Border Patrol

Man pardoned by Trump over Jan 6 is shot dead by police in traffic stop.

> Trump proposes Iron Dome for US like the one that provides protection for Israel.

> Donald Trump says he's directing the opening of a detention center at Guantanamo Bay to hold up to 30,000 migrants in the U.S. illegally.

> The Laken Riley Act was signed into law. The Laken Riley Act expands the list of criminal acts that trigger the mandatory detention of an illegal alien, including adding crimes such as burglary, theft, larceny, shoplifting, or assault of a law enforcement officer, or any crime that results in death or serious bodily injury to another person.

> Trump signed an executive order on Monday reinstating military personnel who were discharged for refusing COVID vaccinations.

> From *The Hill* - President Trump signed an executive order to prohibit federal funds from going to K-12 public schools that teach critical race theory (CRT) or gender issues.

The order, which could quickly face legal challenges, “prohibits federal funding of the indoctrination of children which includes radical gender ideology and critical race theory in the classroom.”

The Education secretary and Defense secretary — for schools run by the defense department — are ordered to create a strategy for ending “indoctrination in K-12 education” within 90 days.

> Homeland Security Secretary Kristi Noem said on Wednesday that the Trump administration will cancel funding to nongovernmental organizations (NGOs) that facilitate illegal immigration.

> He said he would cancel visas of foreign students for sympathizing with Hamas.

> The Trump administration told top F.B.I. officials to retire or be fired in the coming days.

> Trump confirmed Thursday that he will announce 25 percent tariffs on Canada and Mexico, and 10% on China, this weekend.

> From Nellie Bowles at *The Free Press* -

The White House Correspondents’ Association is one of the last good clubs in journalism—elitist, secretive, full of arcane traditions, and for the last few years, determined to protect Joe Biden from questions. It’s a journalistic group that cares a lot about who gets to sit where, and for that reason and others, TGIF has long admired it. And now Trump’s press team is exploding it. Now it will be a new MAGA briefing room. It’s Dan Bongino’s house now.

Steve Bannon’s War Room has a White House correspondent (I’m completely serious). And the Trump press team is inviting new media outlets to apply for access—reader, you can apply here. This is wild. Before, one did not simply apply; one was invited. It was a proper private club. Think wooden panels, think Scotch, think ink. Now think Hooters and a BA in communications.

Credit where it’s due: The Trump press team is restoring press passes to the 440 journalists whose passes Biden revoked. You might think, Wait, Joe Biden revoked 440 press passes? No one ever mentioned this assault on the freedom of the press until now? Well, yeah. Tune in for more with Karoline Leavitt, the youngest and blondest press secretary the White House has ever seen. You can tell she ran the Kappa Gamma social schedule like the Marines. And now she’s ready to clap back on the Jim Acostas of Trump’s second term, she’s ready to air Biden’s dirty UFO laundry, and she is throwing open the briefing room gates to every “independent” “journalist” (me) out there.

> Trump admin has mandated that all federal employees must remove pronouns from their email signatures by 5PM today.

Short Takes

> Think about it. There are not enough dish washers and water heaters in the whole world to get LA up and running for years, much less PVC and lumber.

> How are the sales of Hunter Biden's paintings going?

> The definition of insanity is not learning the lesson of price controls - A new broadband law is going into effect this week in New York state requiring internet provider to offer low-income residents access to monthly broadband rates of \$15 for 25Mbps or \$20 for 200Mbps. As a response, AT&T has decided that it no longer plans to offer its 5G home internet in the Empire State and will begin notifying users about the decision on Wednesday.

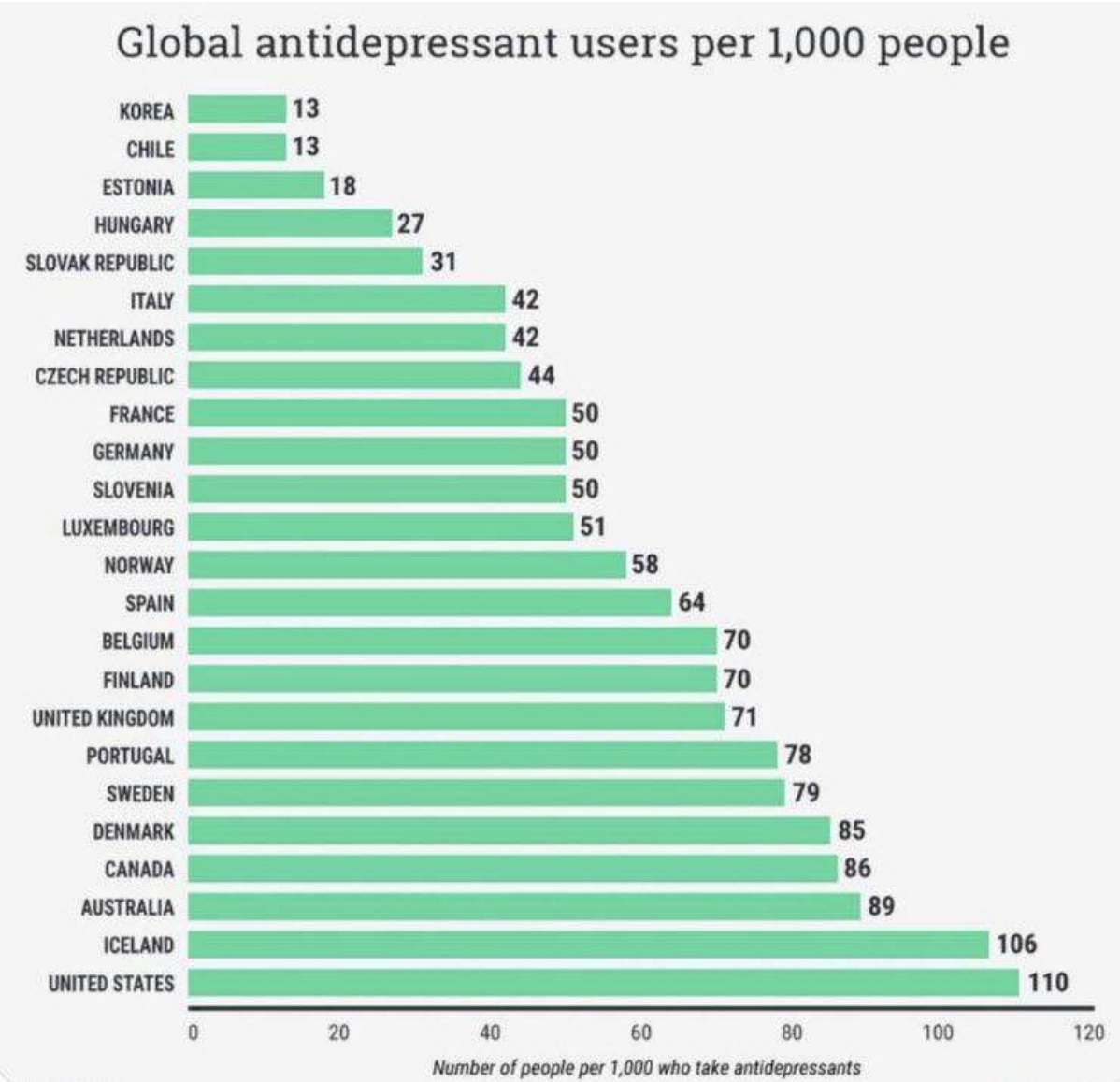
> This Chinese Deepseek R1 AI LLM is a big deal. China spent little or nothing, relative to what it takes in the US, to create a very capable LLM. If AI is the next big thing, including national security, the Chinese are ahead. Also, the billions of dollars we are spending on AI models is too much by as much as two orders of magnitude.

Oxford and Cambridge to move away from 'traditional' exams to boost results of minorities

Universities considering open-book tests and take-home papers in bid to close achievement gap between students from different backgrounds

> Electric vehicle owners don't pay gas taxes. States are imposing higher registration fees to make up the revenue and a federal tax could be coming.

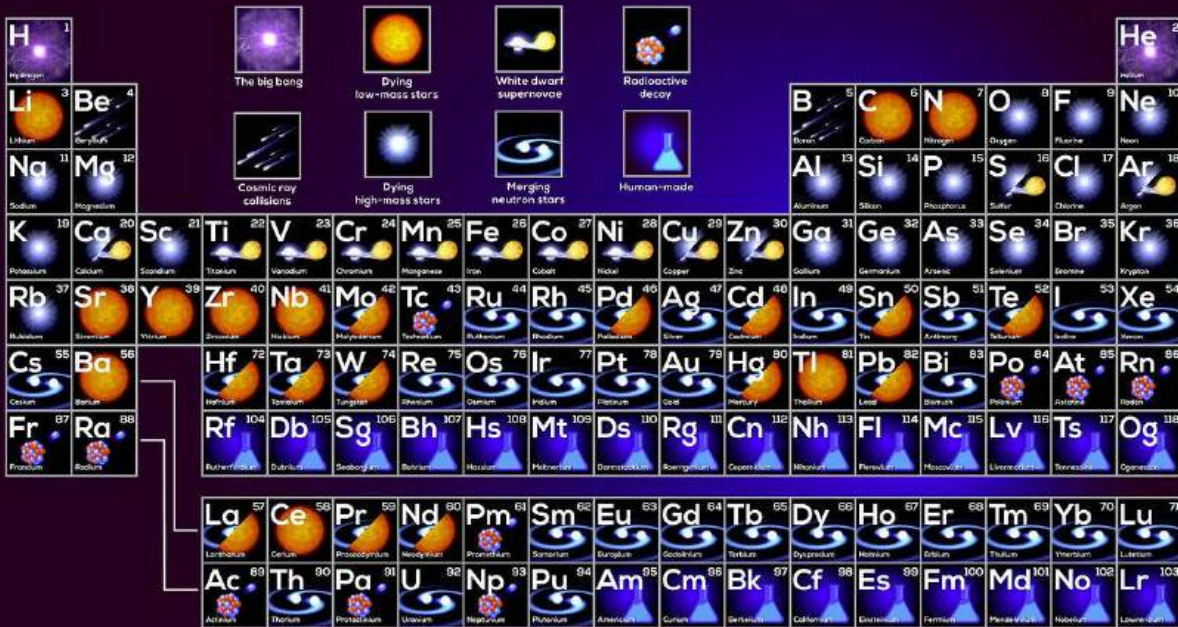
> No, really, everything's fine -



Huh? - Groundhog Day is almost here and PETA wants to replace Punxsutawney Phil with a vegan reveal cake.

> We are literally all made of starstuff. Once upon a time, billions of years ago, stars formed all the elements from the hydrogen and helium created during the big bang, exploded, sent the elements out into the universe, and here we are. This is a chart of the types of stars that created the various elements.

ORIGINS OF THE ELEMENTS



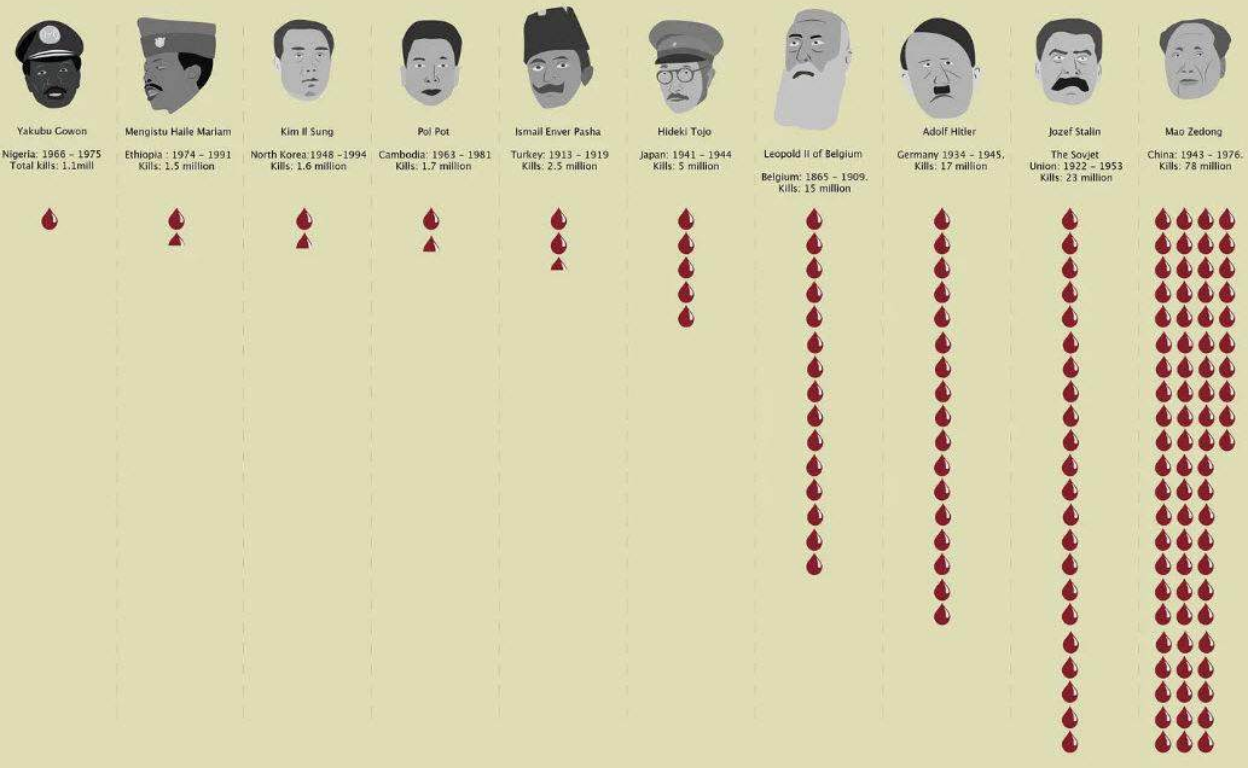
This periodic table depicts the primary source on Earth for each element. In cases where two sources contribute fairly equally, both appear.
Credit: Jennifer Johnson/NASA-SVS

> This is big - from *The Wall Street Journal* - The reading skills of American students are deteriorating further, according to new national test scores that show no improvement in a yearslong slide. The 67% of eighth-graders who scored at a basic or better reading level in 2024 was the lowest share since testing began in 1992, results from a closely watched federal exam show. Only 60% of fourth-graders hit that benchmark, nearing record lows. The declines started before the pandemic, continued during it and have persisted since. While the lowest-achieving students fell further behind everyone else, the slides were broad, affecting students across different states, school types, races and economic backgrounds.

Which dictator killed the most people?

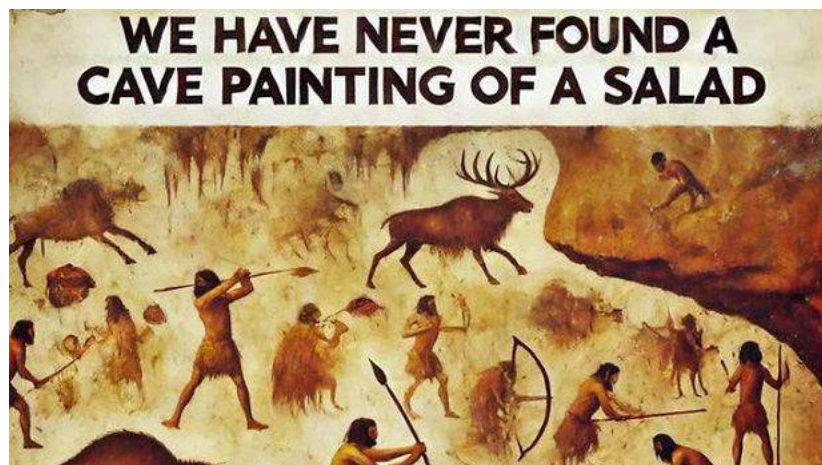
 = 1 million people

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Miscellany

Here's one I can get behind



give a man a fish and he'll eat for a day, push a man into a volcano and the sun god will ensure a bountiful harvest this season