

Thoughts on Coming Apart and the Coming Great Reset



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

Kit Webster

Themes and Theses

Why I'm Contemplating Out Loud

(Initially formulated in the early 90s, following decades of reading history, philosophy, religion, 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 now at the beginning 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.

There will be what Strauss and Howe calls a First Turning . It will be constructed out of the physical infrastructure, wealth, energy sources, thoughts and values in the culture at the time. At this point in time, those components are unknowable. We can anticipate that the next future will be increasingly chaotic. We can anticipate that there will be destruction, and then reconstruction from some level. We cannot yet anticipate the form of the reconstruction or the level from which it will begin.

(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 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 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.

(Added in 2025) China has won - at least for the next 5-10 years. The US is dependent on China for the materials it uses to create defense items. We literally cannot fight China without China's help. China's industrial base is impressive; the US has to rebuild. China is out-innovating the US. China is turning out more engineers and scientists than the US by far. This does not mean that China does not face challenges - demographics perhaps being its primary challenge. The US military remains stronger than China's, but in an age of drone warfare, that statement means less than it has historically. The US still has bargaining chips and will need to use them to maintain any kind of status quo.

(Added in 2025) AI has the potential to profoundly affect human culture. However, AI faces several significant hurdles, including the demand for massive amounts of electricity, which may not be available, and a cultural revolt against its existence. Since it could be existential, and since China is pursuing it, the US has no alternative, at least in the short term.

(Added in 2026) Maneuvering for control of critical materials will be a primary driver of geopolitics for at least the next decade.

Keep These Two, Conflicting Ideas In Your Head At The Same Time

February 27, 2026

Quotes to Contemplate

“I am like you. I’m a 960 SAT guy. I can’t read.” - Newsome to a black audience in Georgia

Summary of Primary Thoughts To Contemplate In This Issue

The US system is broken. Trump is both an abomination and a glimmer of hope that we can change before a crash.

AI has existential implications - we are just at the beginning and robots as everyday human replacements have yet to come. It is just that powerful. However, political opposition and a lack of electricity will hinder its progress in the West - but not in China.

One way to augment the clickbait and bias of the news is to take a look at what prediction markets have to say.

Markets

Updated charts

Stablecoins could turn out to be a very big deal. If and when we get further along, I will discuss how they work. In the meantime, keep them in the back of your mind and read about them whenever the subject comes up.

Luke Gromen: No one is discussing the very real risk that China can outcompete the US in AI and robotics, nor considering what could happen to US corporate profits and employment if China did. No one is asking what happens to the highly-levered US and global financial system if/when AI drives US unemployment “too high” (6-8%)?

Always listen to Lyn Alden - [Thoughtful Money](#)

Keep These Two, Conflicting Thoughts In Your Head At The Same Time

We are living in the middle of a trolley problem. You know, those moral dilemmas where a trolley is coming and you are manning a switch. On one path there is a baby and on the other are three old people. Which path will you choose? How about a baby on one and your spouse on the other?

There is method in Trump's madness - and, yes, there is a high level of madness together with interesting method. You have to hold these two, conflicting thoughts in your head at the same time.

Actually, tariff implementation may be a microcosm of the Trump approach.

- Hit 'em in the mouth.
- Sit down and talk.

- **Throw your weight around.**
- **Extract concessions addressing real problems.**

And the US has a LOT of real problems - see my Themes and Theses, above, which just hit the high points.

- **Huge debt, deficits and entitlements.**
- **Critical strategic dependence on China, which is outflanking the US in almost every category.**
- **Financialized economy that really produces very little that's tangible. As a corollary, our educational system produces few people who can do anything tangible.**
- **An aging, dying population that is taking all of the strategic and practical, eg welding, skills with them.**
- **The global order is changing from US dominance to the emergence of a challenger in China and pesky interlopers like Russia, Brazil, Turkey, Poland and Saudi Arabia. Pax Americana is over. China is in ascendance - at least for a while.**

(AI is coming, but is not an actual threat, yet.)

I am not even close to being a Trump supporter, but, along with grift and corruption, and no small measure of heavy-handedness, he (or maybe Bessant) does at least begin to understand the perilous condition of our country.

Get those two, conflicting thoughts into your head.

In a complete overstatement to make a point, he is both an abomination and perhaps the only person who has a shot at correcting the country's disastrous course.

Continuation of the status quo will certainly lead to disaster.

So, you modify Google's old motto - move fast and break things - and relentlessly beat people over the head, while skimming off the top.

You have to radically change the rules of the game and you have to use whatever weapons are at hand. And you have to move fast because midterm elections are coming and if you win those, the next presidential election is coming. That's all the time you have - about ten seconds to revamp a culture and foreign relations.

Actually, you can't revamp anything - there is not enough time - it's just too big - but you can make a start.

What are your two best weapons? Military and economic strength. Since the US is economically fragile, I'm using the term, economic strength, in the sense that we buy a LOT of stuff and can use that to our advantage. Another major, fortuitous situation is that Congress has neutered itself, so that everything Trump wants to do is either doable or a scrimmage with the courts. (I actually believe this is profoundly tragic - one of our foundational institutions is failing us. However, from Trump's perspective, it is fortuitous.)

A general discussion around this topic would take more electrons than I have, so let's take a look at tariffs. Tariffs are the lynchpin of Trump's policies. The Supreme Court's ruling against one legal basis (among several) for Trump's tariffs correctly threw a spanner in the works. Trump made a bet that the cost of reversing his tariffs would be so large by the time the Supreme Court got around to it, they would not strike them down.

He was wrong.

It is, however, critical to understand that for Trump's efforts to succeed, he MUST have the cudgel and sweetener of tariffs.

So, there will be tariffs, as best as he can create tariffs.

- Tariffs to promote onshoring and friend-shoring of manufacturing.**
- Tariffs to extort investment in the US.**
- Tariffs to reduce the trade deficit.**
- Tariffs to gain access to critical materials.**
- Tariffs to influence geopolitical behaviors.**

I don't want to get carried away. Trump's "tariff dividend" and his talk about replacing the income tax with tariffs in an era of massive deficits are simply, unmitigatedly bonkers. Even if his method has some logic to it, he could end up shooting himself in the foot (that's as far as I will go with mixing metaphors).

One of the challenges Trump will face is that the likely, primary legal basis for the new tariffs only lasts for 150 days before expiring, unless Congress weighs in.

The US and the international community will be shocked by his actions, and the resulting instability as everyone grasps for a new international order.

I don't necessarily like or agree with much of what he is doing.

But something has to be done.

Otherwise, my predicted outcomes are actually pretty much a slam dunk.

And, we really, really don't want me to be right.

When you change the rules of the game - good or bad - a system will reorganize itself around those new rules. The world will begin new trade patterns. China will get its soybeans from Brazil; countries will begin to trade one-on-one instead of with the US, kinda like shopping at mom-and-pop stores instead of WalMart. It's not efficient, and the whole world will suffer a decrease in their standards of living. It turns out that free trade and comparative advantage really are very important. However, the devil is in the details and China's dominance when being an adversary at the same time are a major inhibitor to free trade - as are Trump's tariffs.

In the end, I'm afraid Trump, by angering Democrats, will hasten the breakdown of our country. I fear that his Hail Mary will fail. Our downward momentum is so great that anyone would have failed, and many of Trump's actions are counterproductive and infuriating. Democrats do not begin to understand our underlying, fundamental problems, and will, if they come to power, revert to their old ways, ignoring the reasons Trump was elected in the first place, and fulfilling my prophecies.

But, it's worse than that.

They could / probably will take vengeance on all things MAGA, significantly upping the ante on the underlying civil strife.

And there we will be.

Ian Bremmer -

"But the point of IEEPA (the tariff basis struck down by the Supreme Court) was never really the tariff wall. It was the unilateral power it conferred on the president.

Under IEEPA, Trump could wake up and impose 50% tariffs on Brazil because its Supreme Court was prosecuting his friend Jair Bolsonaro, with no congressional authorization, no formal investigation, and no bureaucratic process to support a national-interest rationale. He could threaten European allies with levies if they interfered with his Greenland ambitions. He could threaten them against companies whose executives spoke out against him and grant exemptions to businesses that helped build his ballroom. He could function as a kind of economic central planner – moving rates overnight to punish enemies, reward allies, squeeze negotiating partners, and reshape entire industries, all from a single emergency declaration he could invoke and extend without limit. This is what made IEEPA different from any other tariff tool (or policy tool, for that matter) in American history. In Trump's hands, it was an instrument of unchecked executive power – a way to entrench the "Rule of Don," where favor and punishment flow from one man's will rather than law or process.

The alternative tools can rebuild most of the tariff wall, but they can't restore what Trump actually lost with IEEPA. Section 122 is time-limited – up to 150 days without congressional reauthorization – and imposes a uniform global rate that leaves no room for country-specific punishment or selective exemptions."

So, You Say You Want A Revolution?

(I use em dashes as part of my writing style. I will explicitly note any use of AI throughout this newsletter. If there is no AI-note, you can assume it is either my writing or a quote from a news source.)

> Another Chinese [robot video](#) to scare the crap out of you.

> We are so screwed - Kamala Harris: "We have so many stars in our party. There are so many stars. And let's not be afraid of them. You talk about [Zohran] Mamdani... [Jasmine] Crockett... I mean we have so many stars."

> I quit quoting Trump and Harris because it was all so stupid. AOC is now in the same category - not so much actually stupid or ditzzy, but relentlessly uninformed and clueless (she does, however, as she will tell you at the drop of a hat, have a degree in economics). I will probably write about her, but will not quote her except within longer articles. If you can see it, then you don't need me; if you can't see it, there is nothing I can do to help. She is the Marjorie Taylor Greene of the left, only with slightly less of an edge.

> Headline at Military.com that pretty much sums up our times - particularly if you add that many of the missiles' parts came from China (thanks to reader CH) –

Denmark Is Buying US Missiles to Defend Greenland From the United States – Yes, Really

> 11 million fewer foreign visitors to the United States last year compared with the year before. The U.S. was the world's only major travel destination with a decline in international tourists.

> New court documents released Friday show JPMorgan Chase told President Donald Trump a month after the January 2021 breach of the U.S. Capitol that the bank was closing his accounts.

> Trump set a trap for Democrats in the State of the Union Address: 'If you think you should be supporting American citizens over illegal immigrants, stand up.' No Democrats stood up.

Cheap trick.

Tone deaf reaction.

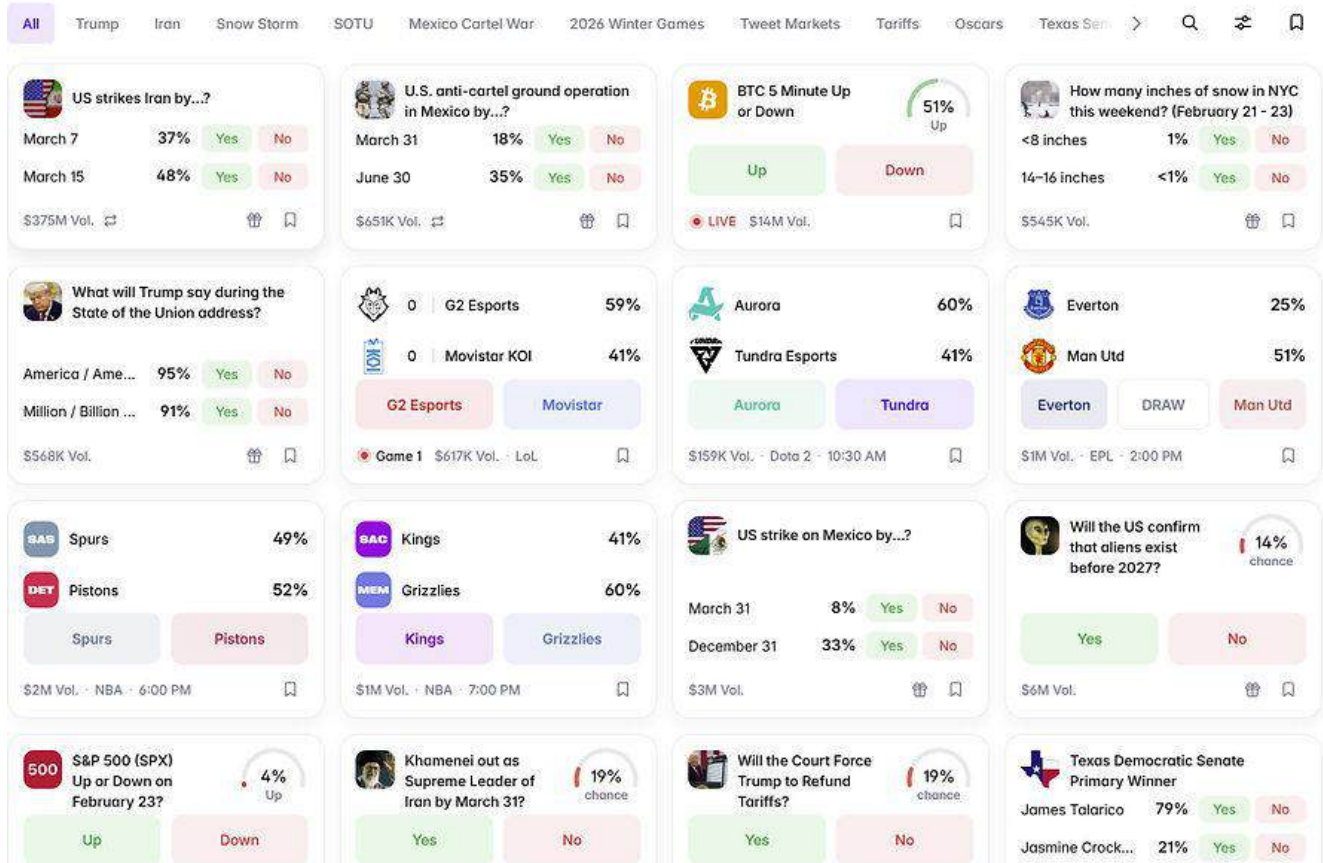
But the Democrats also did not stand for the mother of the Ukrainian woman who was stabbed recently. Trump did not ask anyone to stand - it was spontaneous. I do not understand that reaction by the Democrats. That stabbing was one of the most deeply sad acts I have seen and is not a Republican thing.

Polymarket Summarizes The State Of The World For You

On the one hand, prediction markets are just another form of gambling. On the other hand, they give you an indication of the market for an idea or for an event happening.

Let's take Polymarket as an example.

Here is the home page when I brought it up as I was writing this article last Monday. You can bet on almost anything.



It is a wonderful reality check on the news.

Khamenei out as Supreme Leader by March 31? 17% odds. That means that the market is saying that any US strike will not take him down, nor will it lead to a successful internal uprising.

Texas Senate Democrat race? Talarico way ahead of Crockett. This one is particularly interesting because classic opinion polls have Crockett ahead.

Aliens are in the news - probably nothing there since the prediction is that the US will not confirm their existence before 2027.

Tariffs – Again

"A tariff that adds \$10 to the price of a tire does not necessarily mean that the price of a tire in the shop goes up \$10, but it may mean that there are no tire-shop employee bonuses at the end of the year, that

employees are expected to take on additional work at no additional pay, or that the tire store owners decide to wait another year to have the shop painted and the parking lot resurfaced. The guy who owns the local restaurant that used to be a favorite of the tire shop manager will not be conscious of the fact that a tariff schedule is the real reason the manager takes his family to dinner there once a month instead of two or three times a month—and that the commercial painter and the guy who owns the asphalt company are not making up the difference but instead are cutting back, too—but he will notice that it is a little bit harder to come up with the money to send his kids to summer camp this year." - Kevin Williamson

"For those who think it important for the Nation to impose more tariffs, I understand that today's decision will be disappointing. All I can offer them is that most major decisions affecting the rights and responsibilities of the American people (including the duty to pay taxes and tariffs) are funneled through the legislative process for a reason. Yes, legislating can be hard and take time. And, yes, it can be tempting to bypass Congress when some pressing problem arises. But the deliberative nature of the legislative process was the whole point of its design. Through that process, the Nation can tap the combined wisdom of the people's elected representatives, not just that of one faction or man. There, deliberation tempers impulse, and compromise hammers disagreements into workable solutions. And because laws must earn such broad support to survive the legislative process, they tend to endure, allowing ordinary people to plan their lives in ways they cannot when the rules shift from day to day. In all, the legislative process helps ensure each of us has a stake in the laws that govern us and in the Nation's future. For some today, the weight of those virtues is apparent. For others, it may not seem so obvious. But if history is any guide, the tables will turn and the day will come when those disappointed by today's result will appreciate the legislative process for the bulwark of liberty it is." - Justice Neil Gorsuch as part of his opinion overturning Trump's tariffs.

Short Takes

> Last week, I wrote about voter ID. I decided not to include this list but to argue from first principles. However, a what-about list can be useful.

Key Situations Requiring ID:

- **Travel:** Boarding commercial aircraft (REAL ID required by May 7, 2025) and entering secure federal facilities.
- **Employment:** Verifying identity and authorization to work (Form I-9).
- **Financial Transactions:** Opening bank accounts, cashing checks, or conducting large wire transfers.
- **Age Verification:** Purchasing alcohol, tobacco, lottery tickets, or entering age-restricted venues (bars/clubs).
- **Healthcare:** Checking in for doctor appointments or picking up prescriptions.
- **Legal/Official Actions:** Applying for a marriage license, birth certificate, or passport.
- **Security & Access:** Entering nuclear power plants, military bases, or secured government buildings.
- **Services:** Picking up mail, renting, or buying property.

This last week's blizzard gave rise to the following - "New York, which requires no ID to vote, tells residents they need two forms of ID (and Social Security card) to become volunteer snow shovelers."

For me, this is all pretty straightforward. However, consistency and rationality are not the primary factors in human decision-making. You can be Clinton and violate me too principles and be fine; you can identify as a lot of things and be pretty much ignored, but gender is very special; the requirement for id is ubiquitous, except for voter id; you can be Bernie Sanders and be a multimillionaire socialist; you can be Donald Trump and violate norms at will.

AI

Reader RG asked my views on AI, since I am spending a lot of time with it and thinking about it. Here is my reply:

Since I work with AI and clients every day, I have some very summary thoughts fwiw:

1. This is early days. AI has just emerged. Everyone is guessing. Pick your favorite metaphor - the Wright Brothers have just taken their first flight at Kitty Hawk. Landing on the moon is coming. We are marveling at what turned out in retrospect to be a very primitive craft.
2. This is really, really powerful. Unless you have worked with it beyond asking it questions or writing papers, you have only a limited basis for understanding. Capabilities like Claude Code and Open Claw are incredibly powerful.
3. If you extrapolate linearly, which is probably not a good idea, what you come up with is a world in which AI relentlessly replaces jobs. Once you add robots into the mix, you can come up with scenarios in which most jobs are replaced in, say, a decade. Dave says that the future belongs to humans who can use agents. I agree with that, but that is only one step toward a world in which humans are needed, but very few, as agents and robots become autonomous.
4. One of the implications of AI is that people should move to physical jobs, such as plumbing and welding. However, in, say, 5-10 years, robots will begin coming for physical jobs.
5. The implications for humans are profound. One of the implicit significant decisions of life is, how do we occupy our time? A loss of employment creates a huge vacuum. There are those who say that this will be good because we can fill the time being artistic, reading etc. Perhaps I am cynical, but I do not see that most humans want to do this. We are facing having to completely redefine what it takes to be human. Elon says we will need to have the government basically pay everyone their "wages."

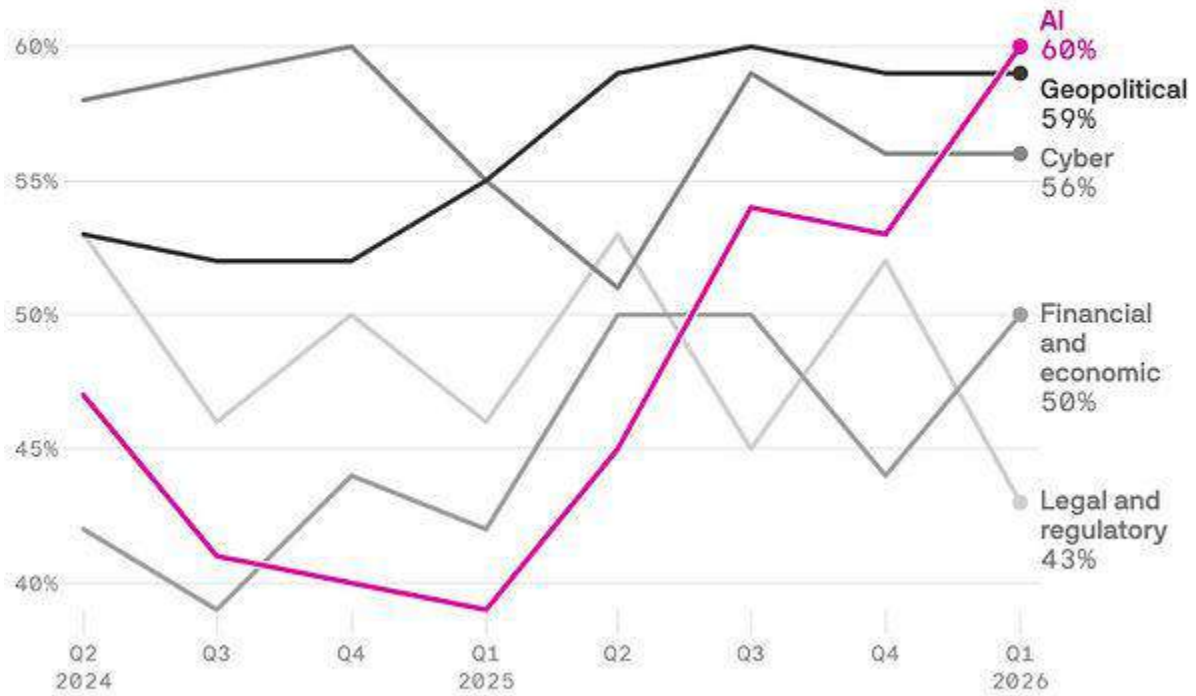
- 6. The answer is to stop. Just stop - this is an existential process. That's not going to happen for several reasons, not the least of which is that the Chinese will not stop and we cannot afford for them to win the AI race.**
- 7. Whenever thinking about nonlinear, chaotic systems, linear extrapolations are what are not going to happen, so it is important to consider emergent properties and unintended consequences.**
- 8. There is a strain of thought that what we are actually facing is not so much complete replacement as a gap during which humans are increasingly replaced, followed by a period during which new jobs are created. That this is not so different from other technological changes, but the time frame is so sudden that it will take a while to adjust. I think there is some truth in this, but only some.**
- 9. Humans will react. When job loss becomes obvious, there will be political resistance. It is not clear that this magnitude of a revolution over a short period of time is socially acceptable in the West.**
- 10. Incredible amounts of electricity are required. Incredible amounts. The West will have difficulty generating that amount of electricity, which will limit AI's impact. We are in a race in which we have one hand tied behind our backs.**

But, I am having the most fun I have had in decades.

Gallery

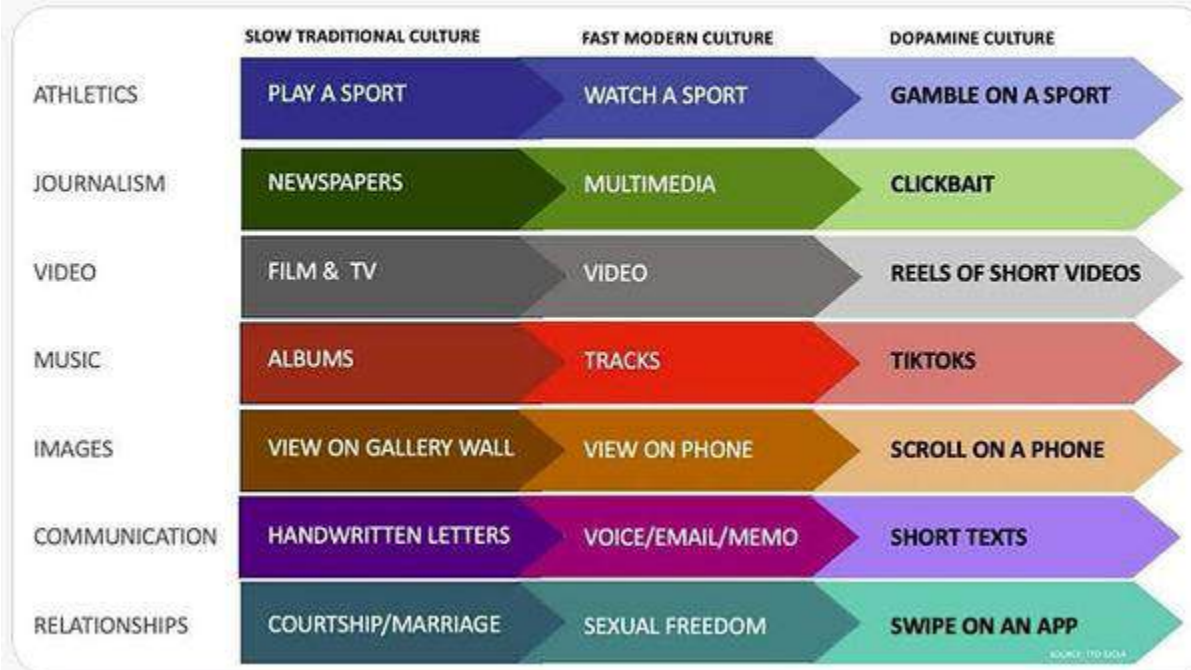
Share of CEOs who say select risks will have a high impact on their industry

Quarterly survey of Fortune 500 CEOs, most recently of 142 CEOs conducted Feb. 3-16, 2026



Data: Conference Board and the Business Council; Chart: Jacque Schrag/Axios

The rise of Dopamine Culture



Miscellany

