

**December 2, 2022**

**We live beyond our means on other people's dreams, and that's succeeding -  
Janis Ian, *Between the Lines***

**We have no Government armed with Power capable of contending with human  
Passions unbridled by morality and Religion. Avarice, Ambition Revenge or  
Galantry, would break the strongest Cords of our Constitution as a Whale goes  
through a Net. Our Constitution was made only for a moral and religious People.  
It is wholly inadequate to the government of any other. - John Adams**

## **Give Austerity A Chance**

### **Markets**

**Again, no change in outlook.**

**Crypto in general, and perhaps bitcoin in particular, are facing a potentially  
existential crisis.**

**Right at the time the charts indicate that we are approaching a major bottom in  
many crypto species, the FTX crisis, among others, is leading to a reevaluation of**

the entire space. Ponzi's are blowing up, regulators are beginning to move in, and reasonable questions are being raised as to what the point of it all is. Rarely have I seen as potentially an exciting chart as that of bitcoin. But crypto faces major, perhaps existential, change. Caveat emptor.

We may be reaching the end of the line for the stock market rally.

## The Scarlet Letter



"We live beyond our means on other people's dreams, and that's succeeding." -  
Janis Ian, *Between the Lines*

I'm dating myself by quoting Janis Ian. I thought she was an excellent songwriter, and Beth worries about my listening to such downer lyrics. Nobody remembers her anymore, but every now and then I listen to *Between the Lines*. You will be shocked to learn that I will be talking, again, about the hell of a fix we are in. But today, as a blind man in good standing, I want to describe the elephant from a slightly different perspective.

One of my primary premises is that you are the problem. You want cost-free goodies - you demand cost-free goodies. One of the primary weaknesses of a democracy is that voters can give themselves whatever they want. You believe that the government has a magic money machine. Politicians want to be voted into office, so they are happy to oblige. The result is trillion-dollar deficits as far as the eye can see and accumulated debt that cannot be serviced.

Last week, I wrote about reality intruding, and it is now beginning to intrude on the Ponzi scheme that is the US economy. The Fed has run out of road to kick the can down, so now it is turning to inflation to destroy demand and to erode the value of our gargantuan debt.

One of today's primary debates is whether this approach will work.

I think it will, kinda.

But mostly not.

I don't want to get into that debate here, but to think about what happens when/if it does not work.

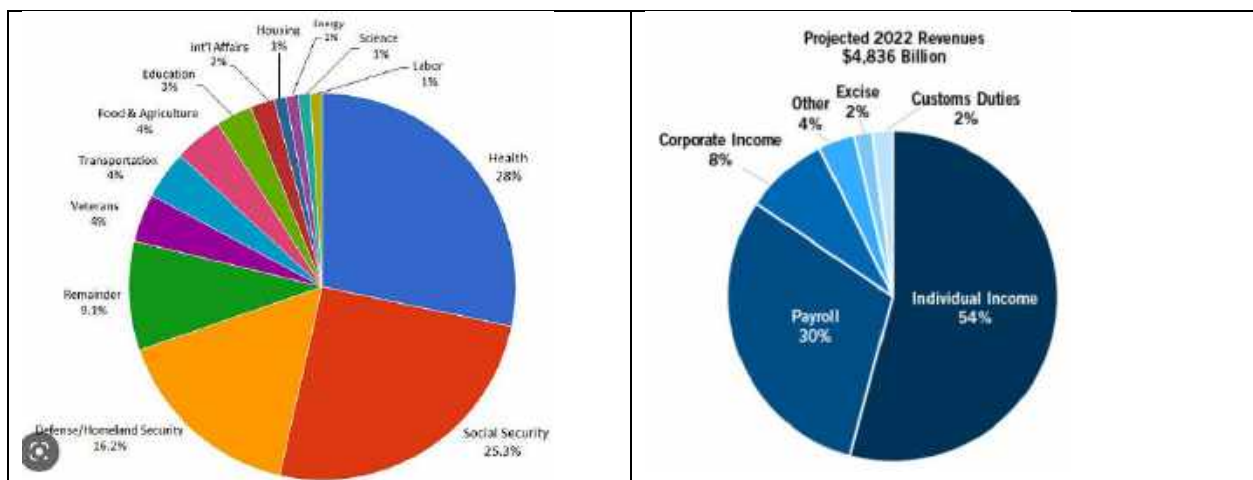
The other alternative is **Austerity**. You know, living within your means. That kind of thing.

Let's look at the raw numbers.

The government's fiscal 2022 ended in September. The federal government spent \$6.27 trillion and collected \$4.90 trillion in revenue, resulting in a deficit of \$1.37 trillion.

If we really want to live within our means, and there is exactly zero evidence of this, we would have to increase revenues and decrease expenses in some combination to yield \$1.37 trillion.

We would start from here -



One of the best descriptions of the US is that it is an insurance company with a military.

In the early 90s, at the beginnings of my contemplations, I came to a fundamental revelation that the country could not afford Medicare and Social Security without a major change in its tax system. Today, with Social Security and Medicare relentlessly increasing as Boomers retire, that realization is becoming, well, real. But in the meantime, benefits have increased and there has been no change to the tax system. In the meantime, the government has spent with abandon.

In fact, "Health," "Social Security" and "Defense," combined, absorb almost all the revenue, all by themselves.

Depending on how you count it, the US has \$31 trillion in debt (the alternative counting is \$41 trillion, not counting off-the-books obligations like entitlements). Interest costs, at 5% would be \$1.5 trillion, all by themselves. Note that interest did not show up as a separate category on this pie chart. The way I am counting things, interest expense in 2022 was \$497 billion.

**And, we are heading into a recession, which will result in an increase in governmental expenses and a reduction in tax collections.**

**The bottom line is that, all things being equal, we need to reduce our standard of living by an average of 22% in order to break even; more than that to begin to reduce the debt.**

**Things are not equal. In the short term, this is a best case.**

**Look for **Austerity** to become an increasingly frequent topic of conversation as interest rate increases reach their limit.**

**And, I'm afraid, it has been and continues to be my thesis that **Austerity** is inevitable - we will either do it, or the gods of economics will do it to us. Our standard of living is coming down.**

**We are simply in the final throes of denial.**

## **War, Energy and Food**

**The Biden administration has quietly approved plans to build a new crude oil terminal in the Gulf of Mexico off Texas, seemingly in contradiction to the president's climate agenda.**

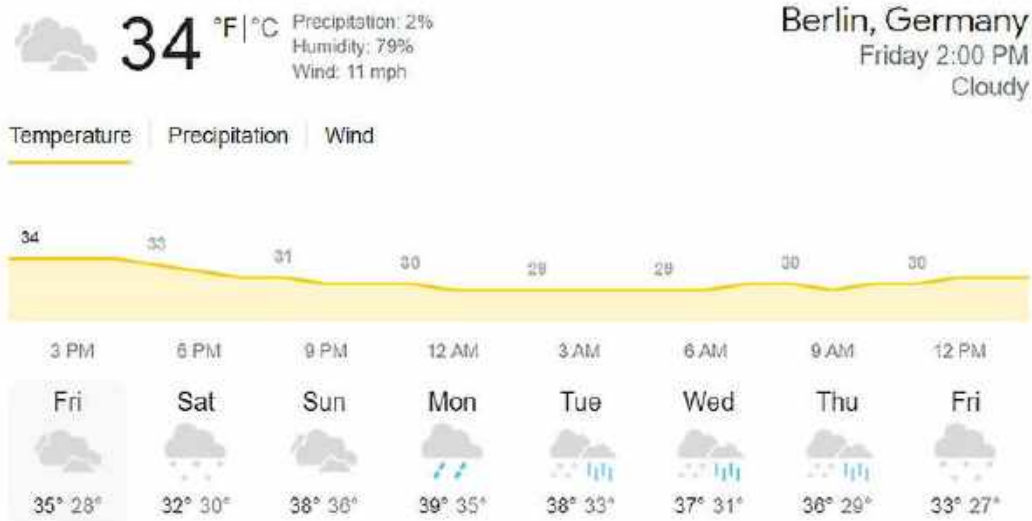
**The Department of Transportation's Maritime Administration approved the application for Enterprise's Sea Port Oil Terminal, one of four proposed offshore oil export terminals, on Monday.**

**According to the application, the port will be located offshore of Freeport, Texas. It will have 4.8 million barrels of storage capacity and add 2 million barrels per day to the U.S. oil export capacity.**

**In its 94-page decision, the Maritime Administration said that it had approved the application because the construction and operation of the port is "in the national interest and consistent with other policy goals and objectives."**

**"The construction and operation of the Port is in the national interest because the Project will benefit employment, economic growth, and U.S. energy infrastructure resilience and security," the administration wrote. "The Port will provide a reliable source of crude oil to U.S. allies in the event of market disruption and have a minimal impact on the availability and cost of crude oil in the U.S. domestic market."**

**German nuclear fleet in: -2022 4,1 GW -2021 8,2 GW -2019 9,6 GW -2017 10,9 GW -2015 12,2 GW -2010 23,3 GW -2007 24,0 GW -2003 24,4 GW -1998 25,7 GW -1994 26,4 GW -1991 27,3 GW -1990 29 GW**



**The Treasury Department announced Saturday it had granted a license to Chevron that will allow the California-based oil company to resume operations in Venezuela for the first time in years.**

**Norway postpones new oil and gas exploration licenses until 2025**

**Switzerland is facing challenges with its supply of electricity. Having electric cars during a power shortage can be a problem (emphasis in green is mine)**

**The Federal Council of Switzerland has therefore published draft legislation, which outlines four tiers of escalating measures to conserve electricity and avert potential blackouts. The first prescribes a lot of temperature restrictions for things like refrigerators and washing machines. The second includes more unusual rules, such as the demand that heating in clubs and discotheques “be set to the lowest level or switched off completely,” and that “streaming services ... limit resolution of their content to standard definition.” The third foresees cutting business hours, banning the use of Blue Ray players and gaming computers, **and also limiting the use of electric cars, which should be driven only when absolutely necessary.** A fourth and final tier mandates closure of ski facilities, casinos, cinemas, Theatre and the Opera.**

## **Tidbits**

**Kanye is running for president. “If it’s in God’s plan that part of my path is to be the governor then that’s fine, but my calling is to be the leader of the free world.”**

**Monkeypox has been renamed mpox after monkeypox was deemed "stigmatizing and racist."**

**SBF used a loophole in the Citizens United rule to donate \$37M of "dark money" to Republicans "I donated about the same amount of money to both parties this year ... I just didn't disclose the Republican ones bc the media would freak the f\*\*\* out"**

**Scientists have revived a number of "zombie viruses" which have been trapped in Siberian permafrost for thousands of years**

**San Francisco police are deploying killer robots.**

**Brutal**



**Russia's purchasing managers' index increased at its fastest pace in nearly six years, from 50.7 in October to 53.2 in November. (A rating below 50 signifies a contraction.) The growth was driven by new orders and helped spur an increase in employment. Russia's economy appears to be adapting to the tough Western sanctions regime.**

**The Supreme Court on Thursday said the Biden administration program to cancel student loans will remain blocked for now, but the justices agreed to take up the case in late winter.**

**BLACKSTONE'S \$69 BILLION REAL ESTATE FUND SAYS IT WILL LIMIT REDEMPTION REQUESTS AFTER BREACHING LIMITS THIS QUARTER**



## **Homelessness**

**I generally avoid discussions about homelessness because it is a hopeless issue, riddled with misunderstandings and a really hard problem. It is a complicated issue which will require very serious effort to address. So far, essentially without exception, cities have given it lip service at best - usually providing a little housing, here and there, and that's about it.**

**Now something interesting has happened. New York City has decided to forcibly incarcerate the seriously-mentally-ill homeless. Liberal New York City is taking this crucial first step. Maybe we are going to start to begin to be serious about this.**

**Or not. New York's approach will create a firestorm of opposition, lawsuits, etc. Homelessness is only partially about shelter. It is also, usually mostly, about mental illness and drug use.**

**I am only going to skim the surface, here, in a quick summary, speaking as a non-expert.**

**I see homelessness in the US as having four eras:**

**1. Families keep your mentally ill out of sight, those not out of sight are institutionalized, homeless stay out of sight or take advantage of charity, drug users get locked up.**

**2. Same as 1 except involuntary institutionalization became illegal and the mentally ill were basically put out on the street to fend for themselves.**

3. Conscience began creeping in, which reduced social pressure to stay out of sight so the homeless began congregating out in the open, close to drugs and places they could panhandle. Drug users were no longer locked up and often enabled. Continual harassment by the homeless ignored by the authorities.

4. The homeless have become a plague as well as a tug on consciences so that efforts have begun to address the problem. Beth does not go to downtown Austin by herself or even with a friend because of the accosting and harassment from homeless people.

The actual homeless fall into two broad categories: those temporarily down on their luck and those who choose homelessness.

The very difficult task ahead is to provide treatment for the mentally ill and incarcerate those who need it, and to provide shelter for the homeless homeless.

What to do about drug users is not clear. These are usually hard core addicts.

Counseling, of course, and probably incarceration as a form of forced detox. This one is hard.

Of course, the lines between the categories are blurred in that each person can fall into two or three categories simultaneously.

Europe has approached the problem with a "housing first" policy. Get the homeless into housing where they can be provided services.

Japan has taken a stricter approach through stricter treatment of the mentally ill and stricter drug laws.

We have done a poor job. Improving will require a lot of time and money. New York is taking the first, serious step I have seen. Someone needs to say that the emperor has no clothes.

## **Biden**

"I don't know about that" - Joe Biden's response to chants of "four more years."

From Ian Bremmer's daily email

But a poll taken in September found that just [35%](#) of Democrats and Dem-leaning independents want Biden to seek reelection, and it's hard to see why voters would change their minds on such a well-known politician.

So ... if not Joe Biden, who might carry the Democratic Party standard into the 2024 presidential election?

Vice President Kamala Harris is even [less popular](#) than Biden, and her 2020 campaign fizzled even before the first primary votes were cast. Most other recent Democratic presidential candidates – Pete Buttigieg, Sen. Elizabeth Warren, Sen. Cory Booker and others – appear more comfortable in the [faculty lounge](#) than on the factory floor, to paraphrase Dem activist



**Paul Begala, who argues that his party must have a leader with a common touch.**

**Gov. [Gavin Newsom](#) is an oft-mentioned potential candidate, but his image as a polished politician who leads deep-blue California may bother both pragmatic voters of the center-left and conservative independents on the right.**

**Who can rise above the Bolshevik vs. Menshevik internal Democratic Party debates over political correctness and identity politics to capture enough moderates and independents to beat a formidable Republican rival? Is there a candidate who can satisfy nearly the full spectrum of Democratic voters, as Biden did in 2020?**

**If Biden opts out, here are four potential candidates to watch.**

**Minnesota Sen. [Amy Klobuchar](#) – Representing the battleground state of Minnesota, Klobuchar remained a viable choice during the 2020 Democratic primaries for longer than most anticipated. Don't expect soaring speeches, but she has solid debate skills, and she's won votes from both progressives and moderates in her state.**

**Michigan Gov. [Gretchen Whitmer](#) – A potential emerging star who won reelection in purple Michigan by a comfortable margin. Like Klobuchar, she's plainspoken and comes from a Midwest swing state. But she's more charismatic than Klobuchar and has the governor's advantage of remaining untainted by Beltway Washington politics.**

**North Carolina Gov. [Roy Cooper](#) – Another purple state governor with a track record of winning tough elections. In North Carolina, his friendly image and moderate politics helped him win election (2016) and then reelection (2020) in years when presidential candidate Donald Trump won his state.**

**Arizona Sen. [Mark Kelly](#) – A former astronaut and navy pilot, Kelly is another purple state star with an affable image, sharp political instincts, and a willingness to challenge the orthodoxies of his party on tough issues like immigration. As the husband of former Congresswoman Gabby Giffords, who survived a bullet to the head during an assassination attempt, he can speak on gun control, one of America's most emotive political issues, from personal experience.**

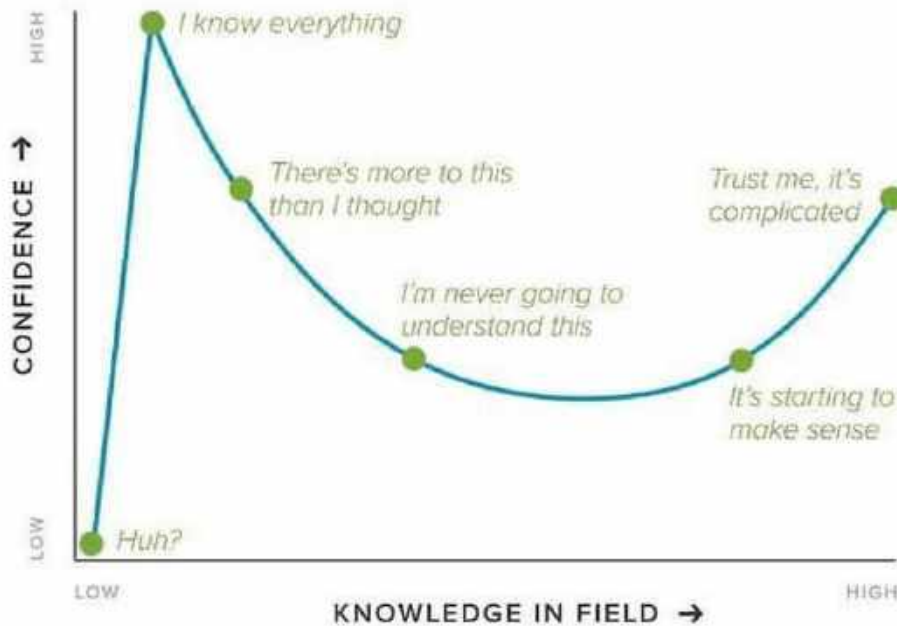
**There are other Democrats who could win centrist and independent votes, depending on the Republican Party's nominee. See Colorado Gov. [Jared Polis](#), Montana Sen. [Jon Tester](#), Illinois Gov. [J.B. Pritzker](#), and others. Until President Biden formally announces that he will or will not seek reelection, none of these potential candidates is likely to make a move. If Biden bows out, and any or all of these would-be successors jump in, it won't take long to discover their flaws and vulnerabilities.**

In the meantime, pressure will grow on Biden to make his intentions clear.

However, the sense I get is that Biden really wants to run.

## My Life In One Chart

The Dunning Kruger effect



## Sometimes It Rhymes

I have completed Mike Duncan's *Revolutions* podcasts on the Russian Revolution and on the French Revolution. If you want to learn about human nature in a relatively short period of time. Listen to these two series, and if you can only choose one, choose the French Revolution, which has it all. I have read about both, of course, but not for a long time, and listening to the podcasts stimulated a lot of thought.

Before he began his *Revolutions* series, Duncan did a series on the *History of Rome*, which is also excellent. His view, which makes a lot of sense to me, is that if you want to rhyme American history and Roman history, you do not look at the decline and fall of the Roman Empire, but at the collapse of the Roman Republic, culminating in Caesar's crossing the Rubicon. Why did a republic,

**which successfully succeeded kings and dictators, ultimately fall and yield to what would become the Roman Empire?**

**From an article by Duncan in the *Washington Post*:**

**... Some in the Roman leadership could see clearly by the 130s and 120s B.C. that this socioeconomic dislocation was becoming an acute problem. They could see that, out in the countryside, families were losing their land, and in the cities, grain shortages were leading to panic and starvation. These poor families were certainly not sharing the benefits of Rome's imperial wealth and power. So a new breed of popular reformers led by the Gracchi brothers, introduced laws aimed at restoring some dignity to those left behind — land redistribution, subsidized grain and a general reduction in the power of the senatorial oligarchy.**

**But most in the Senate resisted these efforts. More than anything else, the senatorial families remained narrowly focused on their own elite political rivalries and were obsessed with maintaining the balance of power inside the Senate. No one, for example, could afford to let a rival get credit for a popular land redistribution bill or a popular grain subsidy. The constantly revolving rounds of senatorial infighting wound up blocking all popular reform, risking the long-term health of the republic for a short-term political advantage.**

**This stubborn resistance to change opened the door to a darker side of popular resentment at the elites. When reasonable attempts at reform failed, populist demagogues were able to exploit the resentment, anxiety and desperation of burdened families. They promised to take land from the rich and redistribute it to the poor, offered free grain to the urban population and promised to prosecute senators for corruption. But these demagogues were much less interested in actually following through on these promises. It was not social reform they cared about but rather the acquisition of power. They saw popular anger simply as a means to an end.**

**This combative and increasingly toxic atmosphere led to the collapse of all of the unspoken rules of political behavior. Without these constraints, as the years passed, the issues at stake ceased to be as important as winning feuds built on mutual escalation and cycles of vengeance. Writing decades later, in the midst of the final civil wars that destroyed the republic, the historian Sallust reflected on the beginning of the end of the republic, noting, "It is this spirit which has commonly ruined great nations, when one party desires to triumph over another by any and every means, and to avenge itself on the vanquished with excessive cruelty."**

At first, this spirit of “any and every means” meant merely unprecedented political maneuvers and tactics. But as small deviations from the unspoken rules, called *mos maiorum* — “the way of the elders” — proved effective, the deviations became increasingly more extreme and treated as a necessary risk on the way to great rewards. The Greek historian Velleius Paterculus later wrote: “Precedents do not stop where they begin . . . no one thinks a course is base for himself which has proven profitable to others.”

Soon enough mere fraud, corruption and bribery devolved to armed street gangs literally fighting in the streets. These fights exposed the sad reality that all political power ultimately rests on brute force. A generation later, Pompey the Great would snap at magistrates who challenged him: “Cease quoting laws to those of us with swords.” Eventually all pretense of civility was dropped and Rome was engulfed by a series of destructive civil wars that destroyed the republic once and for all.

It did not have to be this way. After the imperial triumph of 146 B.C., reform was necessary. Had the Senate acted with foresight in the 130s and 120s, the republic might not have fallen a century later. Julius Caesar and Augustus both introduced a raft of reforms designed to do by autocratic fiat what the once-cooperative republican government had failed to achieve. Far from resisting such an autocratic takeover, many Roman citizens were thrilled the deadlock was broken and relief was on the way. One can only hope that we do not repeat the mistakes of history.

## CH Took My Musings On Road Signs One Level Higher

"It brings back memories of when B and I used to go out west to ski in Colorado or Utah where the DOT signs would say, 'Watch for falling rocks.' Are we supposed to stop the car and look up? Or just lean our heads out the window, but keep moving."



"In New England— or maybe it was Utah— the signs read 'Watch for fallen rocks.' I suppose that is closer to what the DOT intended for us to do, but you

know me. My mind wanders to rocks that have sinned, fallen from grace, backsliding Baptists, and/or alcoholics who have tippled."



(Kit) When I was getting images for this topic, I ran into the following sign, which could keep you amused for hours.



**Enabled Many Happy Childhood Hours**

