

Thoughts on Coming Apart and the Coming Great Reset



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

Kit Webster

**AI And Robotics-driven Deflation Are
Fundamentally Incompatible With Our
Debt-based Monetary System**

October 18, 2024

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 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 Contemplate

... we are now in an era of tactical research, with science curated to advance narratives over knowledge. - Roger Pielke Jr.

The cure for a fallacious argument is a better argument, not the suppression of ideas. - Carl Sagan

> Primary Ideas in This Week's Post

Kamala still ahead, within margin of error; Trump increasing lead in betting markets. If there are no surprises, it will all come down to turnout in a few voting districts.

Kamala interview on Fox was pretty much a non-event.

Interesting changes in markets projected for around the end of the year.

Energy crisis is still projected in a few years.

The Rise of the Robots is incompatible with our debt-driven financial system.

Quantum computing has always been like nuclear fusion energy - later in the future. China claims they have cracked the code.

Sweden has begun deporting immigrants.

SpaceX capturing the spent rocket was magnificent.

Big tech is lining up to run nuclear reactors to power their data centers.

Markets

[Updated Charts](#)

> No change in outlook. Significant market changes could be happening around year-end, after the election.

> Thought for the day



> AI and robotics-driven deflation are fundamentally incompatible with our debt-based monetary system

From Luke Gromen's excellent *Forest For The Trees* Newsletter:

Our present debt-based monetary system is fundamentally incompatible with AI and robotics doing what they are doing above [replacing jobs]. As consumer debts default and tax receipts fall, global Central Banks will be forced to either “fully reserve” global debt (print money and buy most of it), or to stand aside, let the system collapse, leaving only gold (and BTC[bitcoin]) standing. Gold and BTC likely outperform either way. Additionally, given what AI and robotics are doing above, the US and west’s present “shotgun approach” to immigration is fundamentally incompatible with domestic political stability in the US and in other western social democracies. When you import a bunch of labor, and then AI and robotics leave that labor with

nothing to do, you are left with political instability, via either austerity (hungry young males drive political instability) or inflation (welfare checks trying to prevent hungry young males from driving political instability)... Critically, the real value of western sovereign debt is fundamentally dependent on political stability...and western sovereign debt is the collateral underpinning not just the western banking system, but currency itself (every USD says "Federal Reserve Note" on it; a note is just a bond. Every USD is a 0% yielding bond of zero duration.) Bottom line: In our view, the most radically undervalued AI- and robotics plays continue to be gold and BTC.

(I started writing an Economics 101 article on money, growth, etc, but decided against it (you're welcome) and will (literally) simply address the problems of technology within a system that must grow or die.)

Let's examine some overly-simplified thoughts:

A financial system based on debt and fractional-reserve banking is inherently unstable, but it is a system that is tailor made for prosperity and consumption. Capitalism is inherently deflationary. Competition motivates companies to cut costs and drive prices lower to match or undercut competition.

This, in turn, drives innovation and technology - ways to do more with less. Technology is also inherently deflationary.

However, in a service economy, money printing and debt enable employment in a vast array of services.

In the past, the damage done by technology on, say, buggy-whip makers or telephone operators has been overcome by opportunities in other areas in a growing economy. Timeframes were such that, although there was pain, it was relatively small in the aggregate and cured over a small number of years. Technology has other effects. As high-tech jobs become a larger part of the economy, those jobs grow from a relatively-fixed pool of those with the IQ and the training to tackle them.

We are now in a period in which AI and robotics will arguably displace jobs at a much faster rate than new jobs can be created. AI is coming for professionals, such as legal assistants and computer programmers.

In the extreme, and as an overstatement, the economy will segment into basic services, such as hair cutting and lawn care, which will also be ultimately at risk from robotics, people who feed and create AI and robotics things, and people on the IQ and creative spectrum that AI and robotics cannot attack.

This will all take years; probably not decades.

But the ultimate question is, how do you create a culture in which the majority of its participants are either unemployed or under-employed? Robots can create the things, say shirts, but few will have the income to buy the shirts. People will not have the income to pay the debts they have incurred. People will not be able to pay the taxes required for government to pay the debt it has incurred.

We will have to create a culture, government and institutions that incorporate AI and robotics, but the old world, particularly its debt, may not survive.

And with what will humans occupy their time and find meaning in their lives?

Monumental changes coming, and we will explore them as we go.

(I have dived into AI and am beginning to learn and go beyond simple prompts. I will share thoughts as they occur.)

Short Takes

> Kamala things

An actual post on X from the Harris campaign - who knew that crypto was a black thing?

HARRIS-WALZ POLICY

Kamala Harris will create an Opportunity Agenda for Black Men

- ✔ Provide 1 million loans that are fully forgivable up to \$20k for Black entrepreneurs and others to start a business
- ✔ Support education training, and mentorship programs that lead to good-paying jobs for Black men, including pathways to become teachers
- ✔ Protect cryptocurrency investments so Black men who make them know their money is safe
- ✔ Launch a national health initiative focused on the illnesses that disproportionately impact Black men
- ✔ Legalize recreational marijuana and create opportunities for Black Americans to succeed in this new industry

Still ahead in polls, but still within the margin of error. - betting markets have Trump increasing his lead. If there are no surprises, it will all come down to turnout in a handful of voting districts.

SNL skit: "Kamala:" My campaign has raised a billion dollars." "Host:" Why are you not winning by a landslide?

I have mentioned that the search on X is to find cases Kamala personally prosecuted. They have now found 8.

One indication of how close Democrats think the race is - Kamala's willingness to be interviewed by Bret Baier of Fox News. It turned out to contain very little new information, except that Kamala said, "My presidency

will not be a continuation of Joe Biden's presidency, and like every new president that comes into office, I will bring my life experiences, my professional experiences, and fresh new ideas. I represent a new generation of leadership." She did not give any examples. Rumors are that she is in negotiations about appearing on Joe Rogan.

Seems she's guilty of plagiarism.

Walz said, "I don't even know what a venture capitalist does."

> Trump things

Going to appear on Joe Rogan.

The main union for Border Patrol agents endorsed Trump.

At one rally, he and the audience just listened to music for 40 minutes.

One recent theme has been going after "the enemy within," including Pelosi.

Trump is selling something called the World Liberty Financial token, that is non-transferable.

> My uncharitable, simplistic, summary descriptions of the candidates - a chance to alienate every reader in one paragraph -

Harris - leftist lightweight

Walz - doofus

Trump - principle-free, crude, authoritarian wannabe

Vance - cunning, in an LBJ kind of way, but on a smaller scale - relatively sharp, and will sell his grandmother

> My summary positive descriptions:

Harris - not Trump

Trump - some of the things that he will break need breaking

(Beth wanted some good news in here. According to my thesis, we are descending into chaos and reorganization. Therefore, most trends, most of the time, will be negative. Nothing moves in a straight line, but the overall trend is negative. She asked, who would I like to be president? I couldn't come up with anyone. We, almost of necessity at our point in the trend, have an empty bullpen. I said I wanted someone who was sharp and understood politics - who could stand toe-to-toe with Putin and play chess with Xi. I don't

know him well at all, but Josh Shapiro seems like he could be ok. People like Newsome or DeSantis would be better than what's on offer. We are sending in either a lightweight or a loose cannon to lead our nation. Their selection of advisors will be absolutely critical, and god help us if Congress is not divided or of the opposite party to the president. If Harris sticks with DEI or Trump with loyalists, as is likely, we will be in a terrible position. So, no good news, I'm afraid. Only hope, as I mentioned in a recent posting, that whoever is elected will rise to the occasion.)

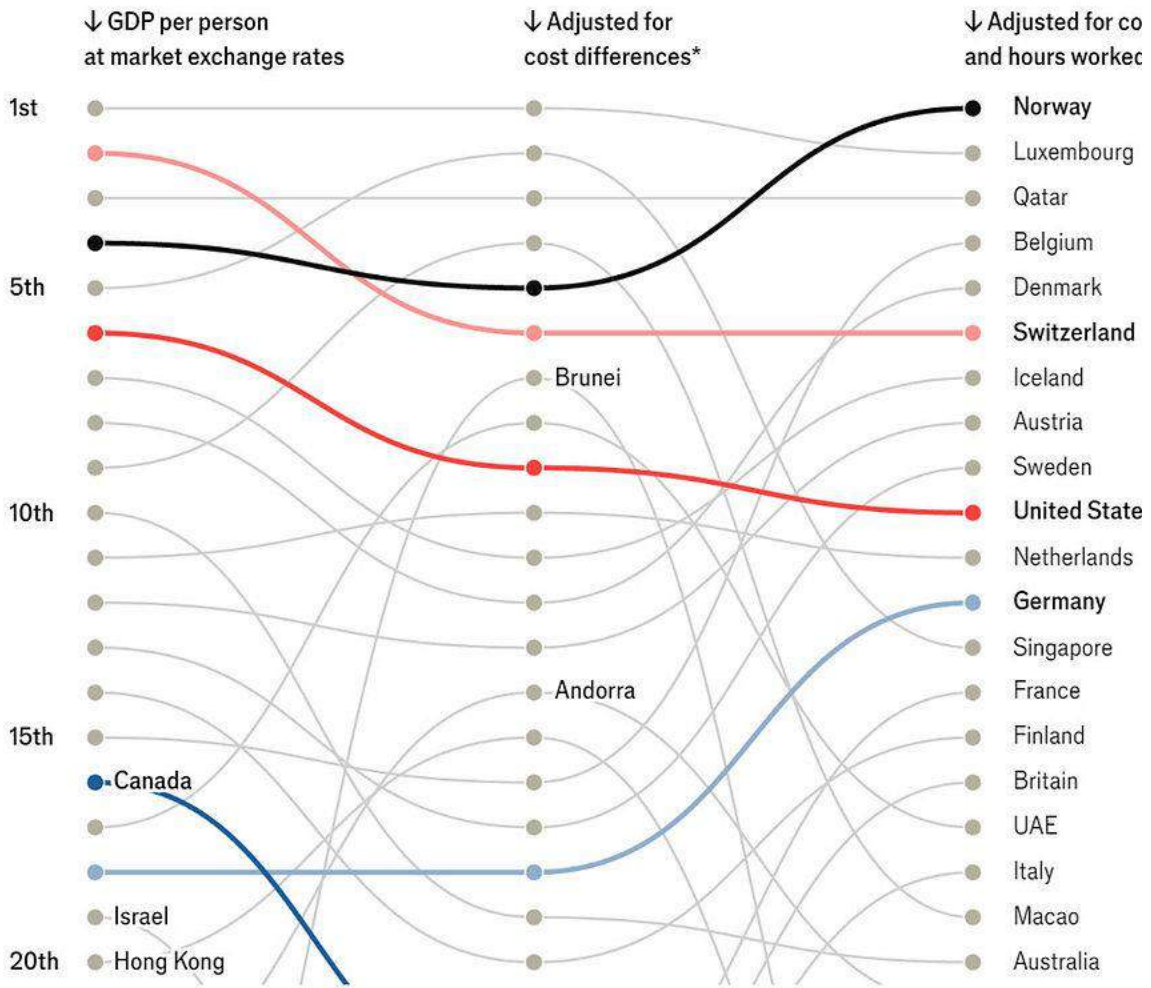
> My prayer - please do not let either party control Congress, unless the President is from the other party.

> There he goes again. (Just prior to the election) Biden forgives student loan debt for more than one million public service workers.

> Wealthiest countries by three different measures - *The Economist*

Top countries ranked using three GDP measures

2023, \$, current prices



*At purchasing-power parity

> Really, really big. I did not think we were this close. If quantum computers can begin breaking encryption, the whole world of secrets becomes transparent.

Chinese quantum computer just cracked multiple SPN [Substitution-Permutation Network, military grade] algorithms. This is way bigger than cracking the ENIGMA code. The future of encryption is at stake. (*Quantum Insider*)

> The FBI stealthily revised violent crime statistics higher. Still not accurate due to non-reporting by some major cities and under-reporting due to cops not arresting and DAs not prosecuting.

> Swedish immigration minister: "Sweden is heading towards negative migration. We expect more exits than entries in 2024. This is a first in 50 years." They have begun a deportation program.

> The number of administrators in public schools has risen by 95% since 2000, while the number of students is only up by around 5%.

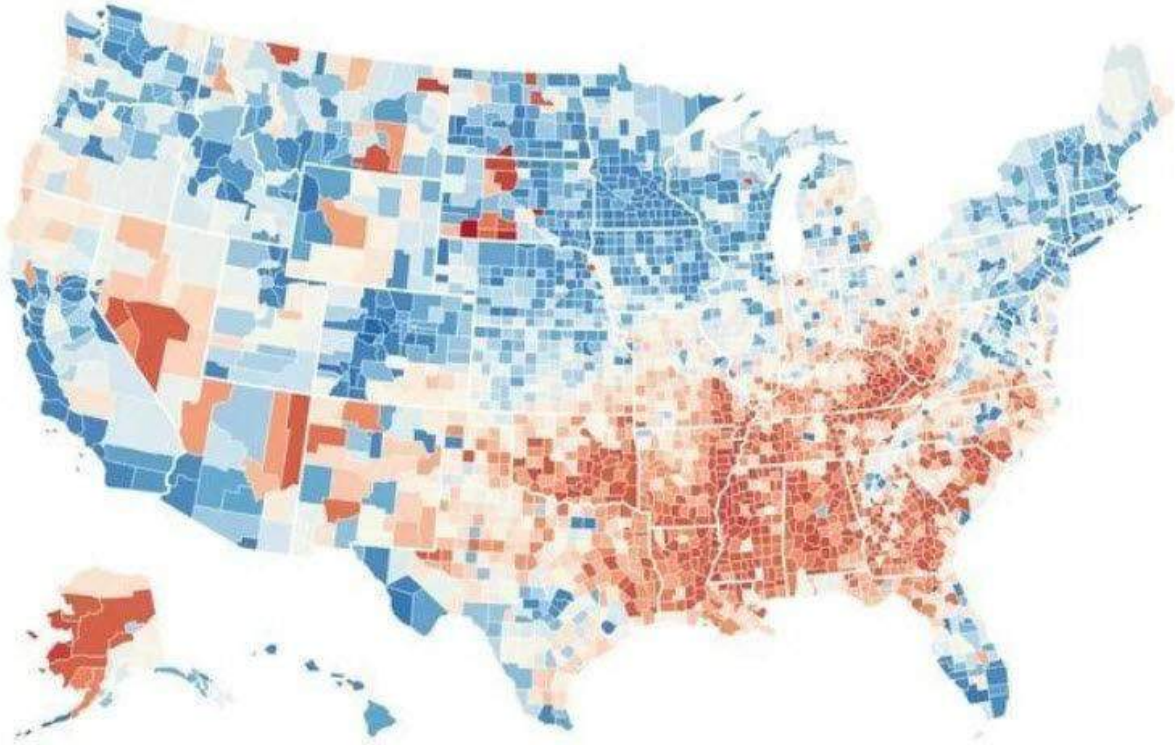
> Astounding, magnificent accomplishment as SpaceX captures its rocket for reuse.



So, don't live in the South or in Alaska; do live in big cities -

Life Expectancy in America

Average age at death



Map: Jeremy Ney • Source: GHDX • Created with Datawrapper

> Worthy of thought, particularly to those interested in authoritarianism - Harvard Harris poll

Row %	Favorable (NET)	Unfavorable (NET)	GAP
U.S. Military	82%	10%	72%
Police	75%	19%	56%
FBI	57%	33%	24%
Facebook	55%	34%	21%
Ukraine	53%	27%	26%
Israel	53%	26%	26%
U.S. Supreme Court	51%	38%	13%
Department of Justice	49%	38%	11%
Fox News	48%	41%	7%
NATO	48%	30%	18%
Black Lives Matter	45%	43%	2%
CNN	44%	43%	1%
X (formerly known as Twitter)	43%	35%	8%
MAGA Republicans	40%	43%	-3%
MSNBC	39%	38%	1%
Campus protesters	25%	57%	-32%
Palestinian Authority	20%	50%	-30%
China	20%	64%	-44%
Antifa	17%	50%	-33%
Hamas	14%	65%	-51%

Definitely not on my Bingo card -

Judge in the UK rules that calling a man bald is sexual harassment.

> Using Latin names for plants could be racist, the University of Michigan has warned, in guidance to prevent the influence of colonial “power structures” on visitors.

It Ain't Easy Being Green

> Peer-reviewed paper -

Our results show limited evidence for a warming surge; in most surface temperature time series, no change in the warming rate beyond the 1970s is detected despite the breaking record temperatures observed in 2023.

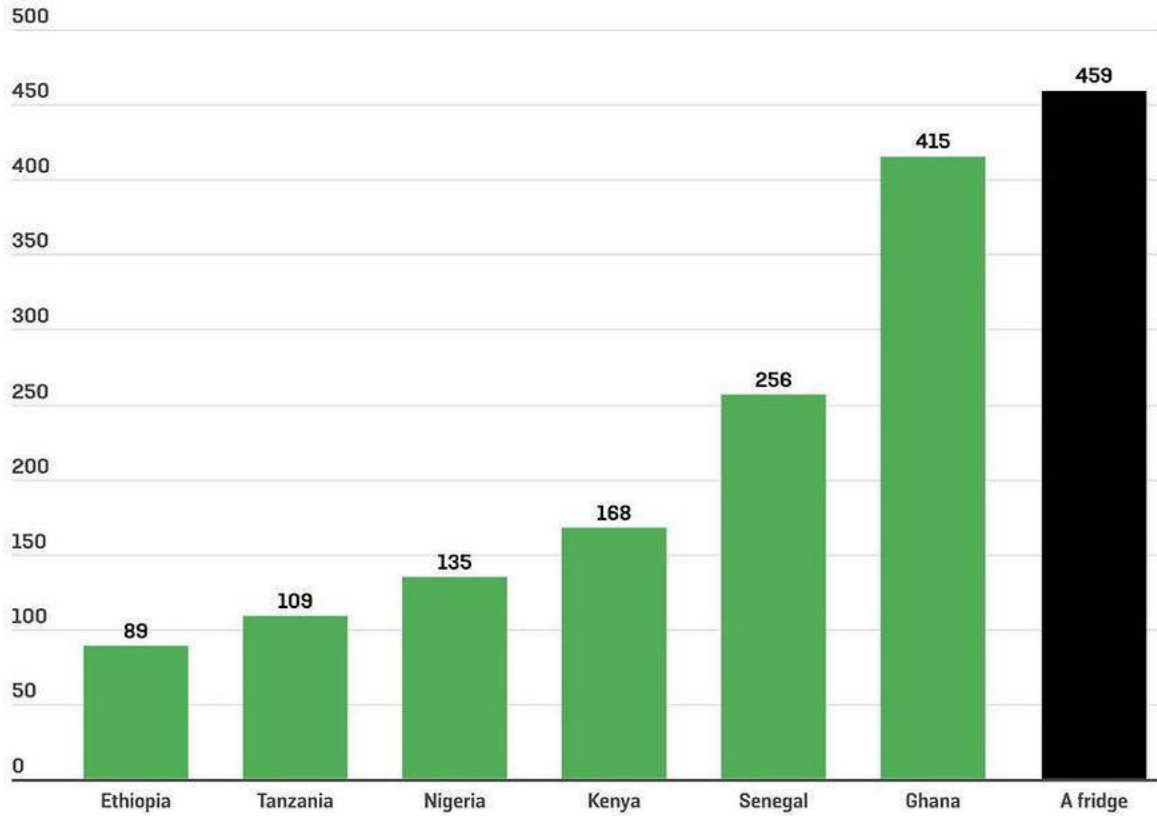
> Google has struck a deal with California's Kairos Power to buy energy from 6-7 small nuclear reactors (SMRs) to power its AI data centers. The news follows similar moves by Microsoft and Amazon. The company hopes this will help it meet the growing energy needs of AI and cloud storage while keeping a low-carbon footprint. The first reactor should be running by 2030, with the rest online by 2035.

> One of my theses is that there will be an energy crisis within the next few years. Erik Townsend had Dr Anas Alhajji on MacroVoices podcast to discuss the state of energy. I recommend the podcast if you are interested in the current goings-on, including geopolitical goings-on, in the fossil fuels markets. However, they ended the podcast with a discussion of how the coming energy crisis will unfold. I have included that excerpt from the podcast at the bottom of this post.

I still think this is serious.

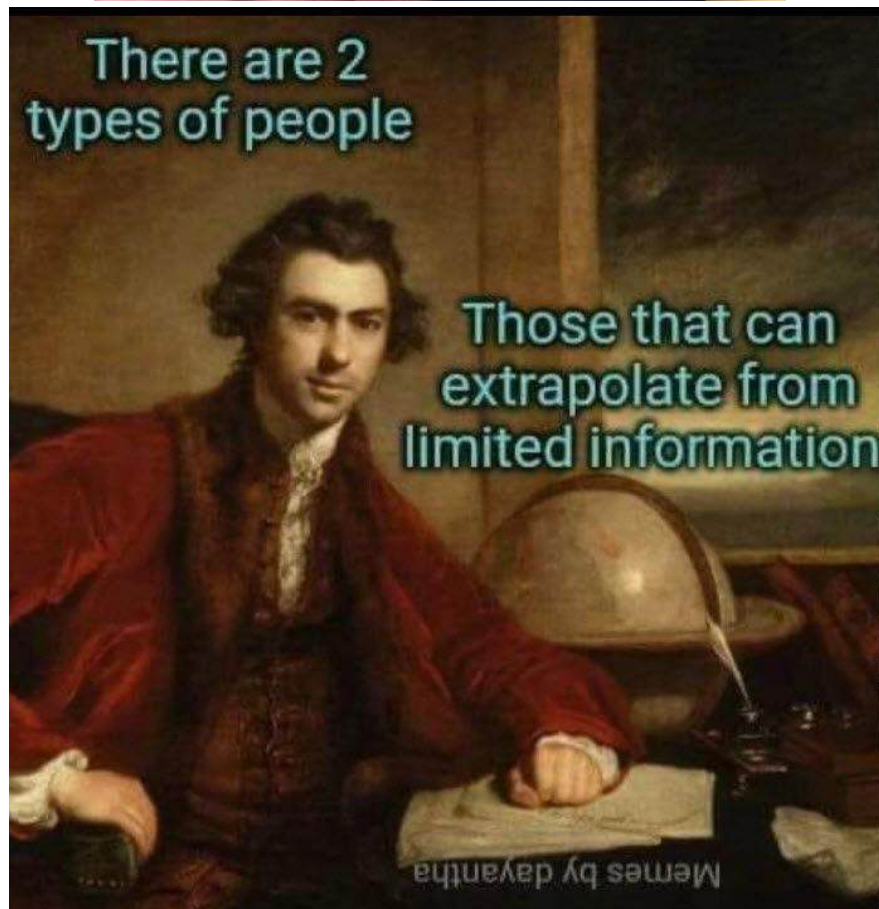
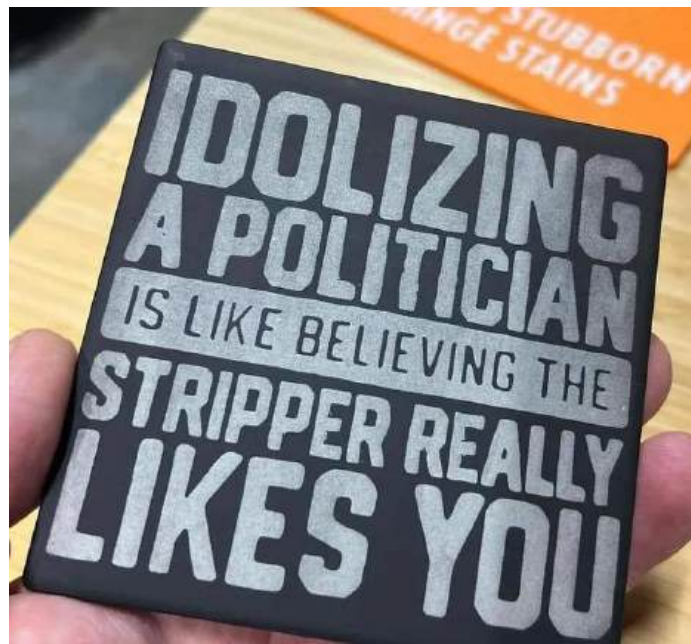
Energy Use Per Person in Africa vs. a Typical American Refrigerator

Annual kilowatt-hours of electricity consumed per capita, 2017



SOURCE: INTERNATIONAL ENERGY AGENCY AND ENERGY FOR GROWTH HUB

Miscellany

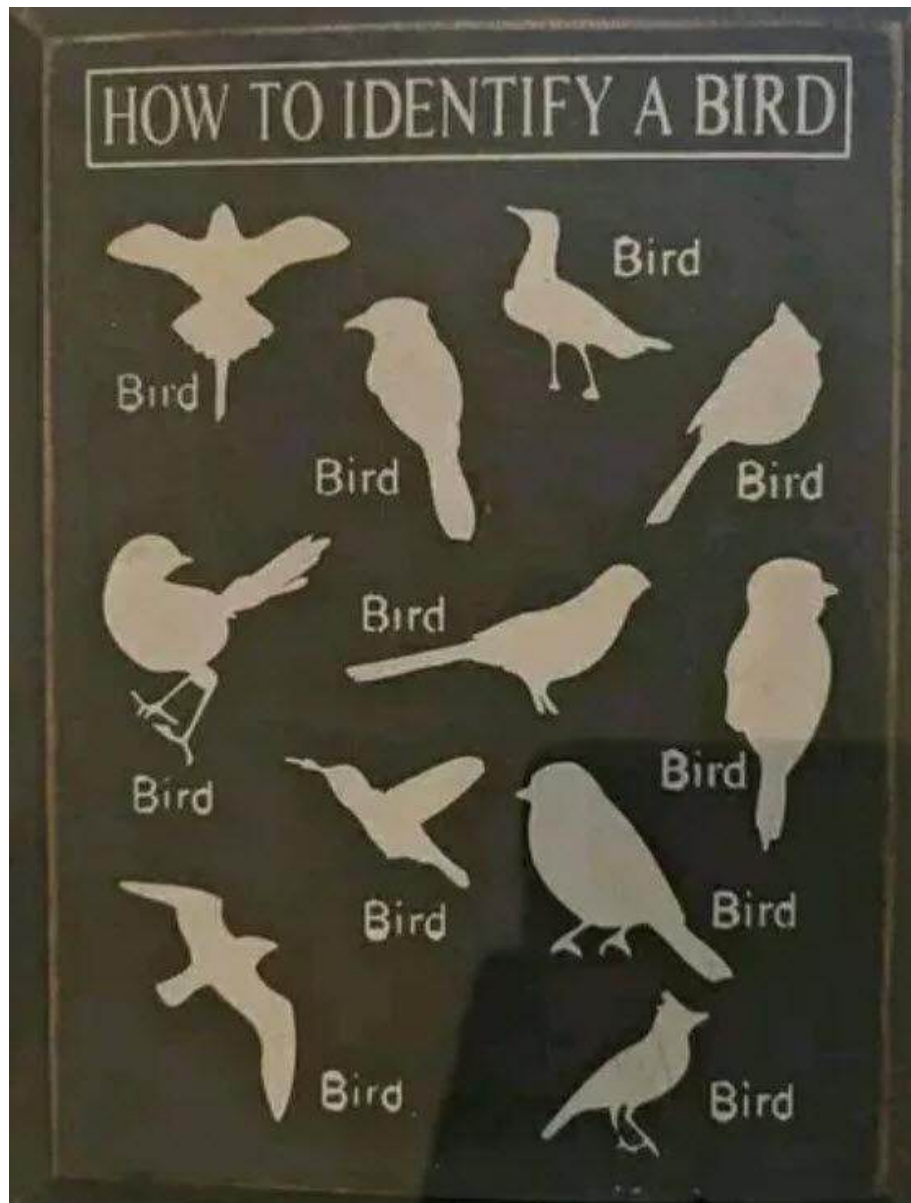


Finally, a truly great idea for my funeral -

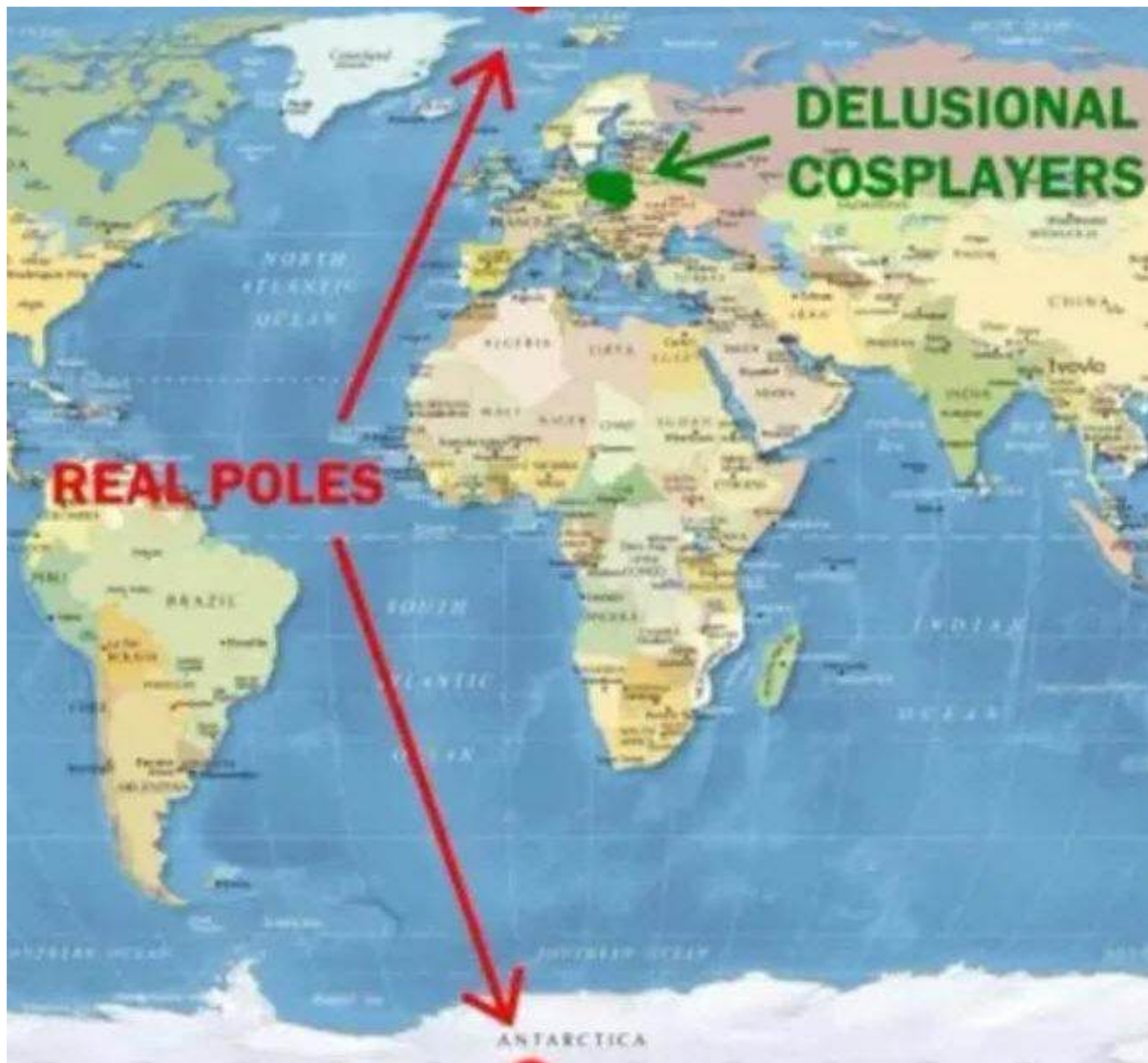
At my funeral can someone dress
in all black with an umbrella and
watch from a distance so my
family thinks I had something big
and mysterious going on



Now for some whimsy -



It gets worse - I promise I'll stop -



Excerpt from MacroVoices Podcast

Erik: Let's talk a little bit longer term now, because I have a really big question mark in my mind. I'm extremely profoundly bullish crude oil prices in the late 2020s and the reason for that, you and I have discussed at length in prior interviews, so I won't rehash it here. Listeners just put Anas' name into the search box at macrovoices.com, in our past interviews, we've talked quite a bit about supply imbalances that would cause both Dr. Anas and I to feel extremely bullish in the late 2020s about a supply demand imbalance that just

won't be able to deliver enough crude oil to the world. But as much as I have strong conviction about that view, Anas, I can't decide what happens between now and then. What's your outlook for that bridge period between, let's say that hopefully, there's at least a slowing down of the geopolitical tensions. We don't take ourselves all the way to nuclear self-annihilation, and we're still here in a few years. How do you see it going for the oil market, until we get to that late 2020 scenario where you and I both agree prices have to go up.

Anas: We have new development to report, Erik. The first one is ExxonMobil released its, supposedly, its outlook to 2050. It's really not an outlook, it is more than a PR document, replying to the International Energy Agency and to the head of the UN by saying, okay, you guys want us to stop today investing in oil and gas. So here is what's going to happen if we stop investing today. And if you look at that scenario and the Exxon outlook, it's extremely scary, especially in the medium term, because all of a sudden, you have a complete collapse of the world economy, with unemployment going through the roof, etc., if we stop investing. But that exercise that Exxon did, told us exactly what you and I talked about even couple of years ago, that we do need trillions of dollars of investment, whatever the future demand for oil is. Even if we have a decline in demand in the future, we still need trillions of dollars to invest to meet that demand, simply because we have decline rates, and we have to compensate for those decline rates. So that's on one side, but Exxon basically stated something else that's very important. They said, look, historically, decline rates basically were between 4% and 5% per year, and that's the average for the world. The IEA came in later and said, because of shale, because the decline rate in shale is higher, the average decline rate for the world is 8%. Exxon is coming in right now and saying, look, because of lack of investment, the decline rate is 15%, so you can see where the crisis is. We have a serious problem. And if banks stop financing oil and gas, and various private equities stop financing it, and all those organizations like Rockefeller and others stop financing it, how are we going to meet that demand? Then, OPEC came up with an outlook. They revised their outlook, and we're very lucky to see this is the third revision by OPEC, and it's very close to our outlook that we produced two years ago, where they said, look, there is no decline in oil demand, not in the medium term, not even in the long term. But here are the problems. They built on Exxon outlook, and they said, we need, like, \$17 trillion in the base case to meet oil demand by 2050, 17 trillion dollars. And we don't have that amount to invest like \$650 billion every year.

We've been at \$400B to \$500B recent years. So we are short already in terms of investment. The other issue is, none of them, basically, are counting for the fact that the demand for electric vehicles is declining, which means that more demand for gasoline and diesel. They are not counting for the fact that probably the segment of electric vehicles is already saturated, and therefore all those rosy pictures about the whole world adopting electric vehicles is not going to materialize. Now we see a shift in some countries to hybrid. India, for example, they are back to CNG, compressed natural gas, which is kind of like really, everything is going in the wrong direction for those who are claiming that electric vehicles are going to be widely adopted. And if you look at various forecasts, I mean, we are in 2024 but if you look at various forecasts, they are talking about 240 million vehicles by 2030, that's electric vehicles. 240 million. And now we are at the end of 2024, and we have only 50M and that's after we used all the easy resources, after we used all the cheap resources, everything that was cheap, cheap, cheap, cheap, cheap. So what is next? So you are absolutely correct that there will be a time when we have lack of investment on one side, and we are going to be hit by increasing demand because of the failure of green policies. And there will be this mismatch, and that mismatch where the energy crisis is going to hit and then everyone start waking up, but it's too late by that time. So even medium term, we have serious problems because of that.

Erik: Anas, now I'm going to throw another monkey wrench into this, which is, I think there's a really big question mark of what would happen if we lost a major refinery. And the reason I say I think that's a big deal is, look, for all the reasons we've been discussing, there's not only a government disincentive against any new investment, but if you talk about justifying a refinery build, that is one gigantic piece of CapEx that has at least a 50 year payback. If the entire world has agreed, almost all Western governments are allied together to put this industry out of business sooner than the payback period on a new refinery, then how in the world could you possibly expect to finance building a new refinery? It can't happen. So it seems to me like if we lose one, we're screwed.

Anas: Luckily, we have some sane people in Asia and the Middle East who were building refineries and above their capacity, realizing that in Europe and the United States, those refineries are going to close, so they can take their market share. So the idea, and this is kind of very strange idea, I mean, once you think about it, you see where our politicians are taking us. They don't want

to import electric vehicles from China, they don't want to import everything needed for the batteries. They don't want to import solar panels. They don't want to import the parts for wind turbines, and they are imposing all those kinds of tariffs, etc. While they are busy with all the things, in the future when oil demand continue to increase and we need the products, we are back to China, because they have the largest refining capacity. So ,you can see where those politicians are missing the point that, okay, you are...

Erik: So let me see if I've got this straight, Anas, you're saying you start with China doing a better job than we've done of making electric vehicles cheap and available and affordable. Tesla makes an amazing vehicle, but they're not cheap. If you look at the Chinese electric vehicles, they're accessible and affordable to everyday Americans. Well, we can't have that, so we're going to put these outrageous tariffs on them that are going to prevent the adoption of those Chinese electric vehicles. Because we could never reward China for doing something like, oh, I don't know, solving energy transition and climate change for the whole planet. Don't credit them for doing something good in that regard. Instead, we'll punish them in a way that denies access to those vehicles to Americans, to the point where we still have gasoline powered vehicles. But if we lose a refinery, we don't have the gasoline. So, we have to become dependent, not only for manufacturing, but also refining. To take crude oil that you produce in the United States, put it on a ship and send it to China to be refined. They will drive it from the port to the refinery using an electric truck, because that's not tariffed and outlawed there. They will eventually send the finished gasoline back to the United States where we can burn it, thanks to our politicians making this all economically efficient for everyone. Is that, am I getting the general picture right here?

Anas: You are absolutely right, and we are already seeing it with the Russian sanctions, right? The same procedure, exactly the same that Russia sends its crude to China and India instead of Europe, when Europe is just in Russia's backyard. So they pay for the extra shipping, and then China and Russia refine that oil and they send it back to Europe as refined products. It's the same story.