

October 20, 2023

Unpacking Kissinger

If you don't like Pax Americana, then you really won't like what comes after it fails. -
Keith Weiner

Markets

Updated Charts

No change in outlook - I am having to adjust for bonds going down more and gold going up more than I anticipated. That might indicate things are going awry.

An omen of things to come in the US? - ARGENTINA'S MAIN STOCK INDEX CLIMBS MORE THAN 5% TO RECORD HIGH - TRADERS

We are seeing financial reporting by banks that they are effectively insolvent because of the US Treasuries they are holding. Higher interest rates mean lower bond prices which mean losses for banks. Only the banks do not have to mark the bonds to market, so we get to pretend that everything is ok. And it pretty much will be until a number of people want their money at the same time.

The teaser for a podcast asks, is a generational bear market for bonds ahead?
Absolutely.

The more-or-less 60-year-cycle has turned, so there are 30-ish years to do before the next bottom.

Foreboding

I don't know about you, but I am increasingly uncomfortable about simultaneously:

Depleting the strategic petroleum reserve

Depleting our inventory of weapons and ammunition in Ukraine, even though I support those efforts

Depleting our inventory of weapons and ammunition in Israel, even though I support those efforts

Two carrier groups in the Eastern Mediterranean

Our lack of a manufacturing base to support war

China's continual saber-rattling about Taiwan

Short Takes

I have no idea where to put this

Pew (2020): "Has a doctor or healthcare provider EVER told you that you have a mental health condition?" % saying yes:

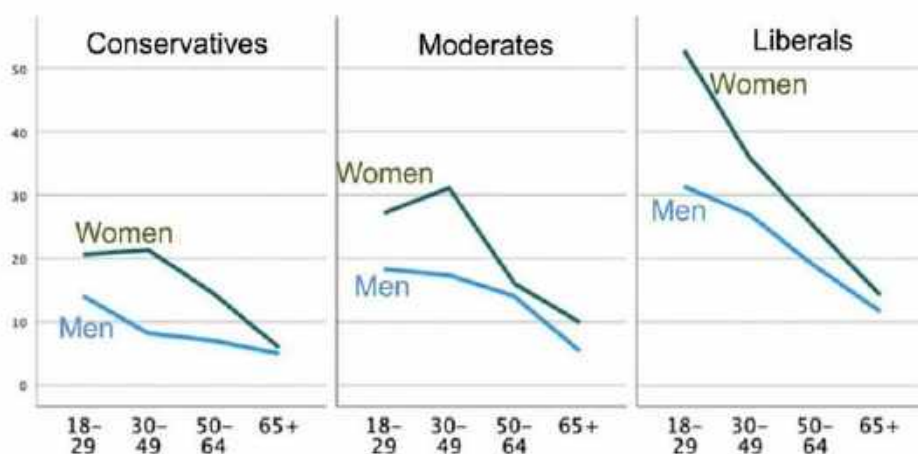


Figure 1. Data from Pew Research, American Trends Panel Wave 64. The survey was fielded March 19-24, 2020. Graphed by Jon Haidt.

I might be able to get behind this - Harvard has paid a nonbinary Latinx academic to "decolonize Harvard," which, he says, is a "settler-colonial, genocidal, and Eurocentric institution" that must be "abolish[ed]."

"Ram raiding" is rising in the Bay Area as thieves use stolen cars to break into businesses.

The title for my article on Israel-Hamas last week should have been, There Are Always Barbarians At The Gate.

Let's see, I can protest the Hamas thing, or ... Clemson students protest removal of tampons from men's restroom

**Maybe the ultimate ability to hold two, conflicting thoughts in your head at one time - Sign at protest,
"LBGTQ stands with Palestine."**

Sounds right to me - 2023 study: "Our thesis is that a primary cause of the rise in mental disorders is a decline over decades in opportunities for children and teens to play, roam, and engage in other activities independent of direct oversight and control by adults."

Some bars are just really low - 'Silent Walking' trend has Gen Zers leaving iPhones at home to go for walks

It's a very strange world we live in - The Biden administration has warned U.S. banks and other financial institutions that they can't reject illegal immigrants' credit applications based solely or predominantly on their immigration status.

The Biden team created a Truth Social account

Between this and jumping the gun on the hospital rocket attack, it seems the *New York Times* may be entering tabloid territory.

The New York Times

OPINION
GUEST ESSAY

Exxon Mobil's Pioneer Acquisition Is a Direct Threat to Democracy

Oct. 18, 2023, 5:03 a.m. ET



How I think about things like the hospital bombing in Gaza.

I use decision trees a lot.

When I first heard that Israel had attacked a hospital, it didn't smell right. It smelled very wrong. The whole world is watching and they are going to bomb a hospital? Highly unlikely.

Now, I always factor in maybe a 10% chance that people are crazy or that some pilot went rogue, so you never say never. But there was a high probability that Israel did not bomb the hospital.

Since whatever happened came from the air, a lot of other alternatives became improbable, including a Hamas false-flag operation. I think a false-flag operation makes a lot of sense, actually, but against a hospital? Highly unlikely.

Which left me with no reasonable alternative, other than something within Gaza went awry.

So an Islamic Jihad rocket misfired and hit a hospital. Another low-probability event.

I am left with nothing but unlikely outcomes - Israeli gone rogue and wayward missile - and cannot even guess, awaiting evidence.

(European intelligence is reporting 10-50 deaths, as opposed to the 471 reported by Hamas; US intelligence is estimating 100-300. The real number is actually almost beside the point.)

Israel presented some pretty good evidence and US intelligence is backing them up, but, given the charged political environment and the ability to fake anything, I am probably somewhere around 80% convinced.

(I still don't understand why it took Israeli forces so long to respond to the original invasion.)

There is a lot to think about in [this address](#) by a former Saudi intelligence chief.

Props to Biden - he and his administration are handling tricky and dangerous foreign affairs adroitly, so far.

If you are looking for a wonderful demonstration of human nature that is a dramatic continuation of liberals not condemning Clinton for Monica and conservatives putting up with Trump's outrageous behavior and rhetoric, we have countries, individuals and institutions coming to the defense of the Palestinians without mentioning the Hamas outrage.

Yay team!

Go! Fight! Win!

As the sainted Grouch Marx is said to have said, "Those are my principles, and if you don't like them...well, I have others."

A Stanford prof has decided we don't have free will. He probably doesn't understand the irony that he had no choice but to say that. Or that I had to say that he had to say that.

Yet another, brand-new concept, anonymously signing a letter - More than 400 congressional staffers anonymously signed a letter urging Congress to back a cease-fire.

Greta is branching out (she took this down, not because of Palestine, but because evidently the octopus is a Nazi symbol for Jews controlling the world). The fun continued when, according to the *Bee*, Israel responded that the materials Palestine used for its rockets were not sustainable.



Former Secretary of State Henry Kissinger says it was a "grave mistake" for Germany to allow so many migrants in, warning that it creates a "pressure group" in a country — just as Germany has seen pro-Hamas celebrations in the streets.

It's complicated.

Lots of trade-offs.

No good answers.

Let's dive in.

What is the best way to put together a society?

Depends on your objectives.

Once you understand objectives and trade-offs, you have accomplished 90% of the analysis of any situation.

Kissinger is correct, if what you want is an as-stable-as-possible-a-society (societies do not come in a completely-stable flavor.)

There are others that value Diversity or have some compassion for the less fortunate in other countries. Or who enslave and import a foreign culture. Or who need specific skills or just labor. The primary challenge then becomes assimilation - remember the "melting pot?" Otherwise, at some point, you will, not may or probably, but, given human nature, you will have conflict.

We have conflict. Germany has conflict. Sweden has passed the tipping point. Japan does not face this challenge.

Is the conflict "worth it?"

Let's unpack my introductory sentences and see if we can find out.

What is the "best" society? The answers beg the questions of objectives.

Even if you have a homogenous society, say all white, Anglo-Saxon Protestants (or Han Chinese or Hutus), you will still have two sexes, lord knows how many genders, old, young, liberal, conservative. Room for much disagreement and conflict - the American Civil War was largely between groups of white Christians. However, it is one culture, so let's call them the WASPs.

Now you add another culture. It can be Irish, black, Chinese, Mexican. You still get sexes, genders, old, young, liberal and conservative, but now you layer on a different culture - a different set of values and assumptions about the way the world works; about your relationship to god.

Therefore, we need to think about tribes, from the Spanish and the Incas to the Hatfields and McCoys to Hutus and Tutsis to blacks and whites.

Tribes are going to clash ... unless one tribe assimilates the other.

It is difficult for us to understand how much the Irish were loathed in the 1800s and early 1900s. Dirty, filthy, uncouth Irish. They were lice-ridden and called vermin. But, as generations passed, the Irish began to blend to the point that my mother-in-law, Patty Joan O'Rourke, looked, sounded and acted (more or less) like an average American. Nobody thinks much about Irishness anymore, except on St. Patrick's day. My friend, Lars, has a German accent, and still has some Germanic tendencies, but he is, for better and for worse, now an American.

Blacks, not so much. (Jews are a different story - a mostly assimilated group that maintains its distance in significant areas.)

Some blended; most did not, and many did not want to. The tribes remained largely separate and therefore would clash

This is not the blacks' fault. They did not want to come here in the first place, and they have pride in their culture, which many want to maintain. So, many of them "code switch:" act white when with whites and black when with blacks.

But it is an issue, when combined with the inner-city problem and abject racism, means that there will unfortunately continue to be conflict.

We forced blacks to be here. What about people of different cultures who want to come here?

Pretty much the same story. Skin color, accents and appearance will always be an issue, germinating from tribe and the "Other," but for Asians and Hispanics it is much less than for blacks because the Asians and Hispanics are generally assimilating. First generations hang onto what they know in a strange land. Over generations, they begin to mostly let go.

The Venn diagrams of blacks and whites overlap in several areas - religion and democracy, for example.

The Venn diagrams of Islam and the West just barely intersect. Islam knows the right way to live and it is not the West's way. Allah told them, so there can be no discussion. Sweden is finding this out as crime and no-go zones proliferate. Once some critical mass of a foreign culture exists, it begins throwing its weight around and can be effective in an open, Western culture.

Many Muslims do not want to assimilate, and that is understandable.

But, it leads to conflict because values and laws are very different.

Which then leads to Diversity.

You know I am skeptical about US-style Diversity. It is an exclusive cool-kids' club for virtue signaling, primarily among liberals about blacks and gender.

However, it is a virtue made of necessity. You have multiple cultures and society needs to be stable, so we all have to get along. One way to do that is to declare Diversity as a good thing and have everyone give it at least lip service - or else.

In spite of my cynicism as to its implementation (my Bingo card for any TV show includes at least one interracial couple and one homosexual relationship), this approach has real merit and is, in the end, very important. We are set up for conflict under the best of assumptions, so we need to take steps to mitigate that conflict as much as possible. This leads to silliness, such as when the government and health agencies bent over backwards to not discuss the Chinese lab origin for Covid. They did not want to add fuel to any bigotry or resentment that might exist, so the truth must be sacrificed. For our own good, you understand. Or when the media and government went out of their way to not say "Islamic extremist." But in the main, our emphasis on real diversity normalizes and provides exposure to the Other, which seems to be the primary way that conflict can be mitigated. In my opinion, the importance of exposure to the Other cannot be overstated. Hence, the at-least-one-homosexual-and-at-least-one-interracial-couple rule for TV.

Then, again, people really are bigoted and really do look for scapegoats.

We are just in an awkward situation.

First, because we have multiple, irreconcilable cultures.

And then, because human nature is constantly aware of and looking for the Other as humans assemble themselves into tribes.

So, if you want a stable society, or as stable a society as possible, don't let the Other in.

If you have compassion or want laborers or have a history that includes the Other, you are in for conflict.

You just are.

We are not all going to get along, at least not anytime soon. Neither worshipping Diversity nor singing kumbaya will get it done. They will help us make progress, but the problem is fundamental.

For every person that makes peace with their Other, another child comes into the world, wired to be suspicious of the Other.

Perhaps the biggest challenge we are now facing, besides the inner cities, is the dumbing down of our historical culture to accommodate the lowest common denominator, both in education and with regard to crime. This will not end well. Oddly enough, opinion polls show that the US is the least racist it has been in its history, and race is front-and-center of every interaction and decision.

Not Islam, yet, but they have not reached critical mass. Germany, France and Sweden are facing the conflict with Islam within their societies.

In the end, different countries had to be created for Hindus and Muslims in India. Serbs and Croats are still at it. And we see how Muslims and Jews are getting along.

So, we can pass laws, cancel, riot and accommodate, but the problem is not going away.

In my opinion, the best approach, which is not a solution, is to normalize the Other as much as possible, and live and let live. Including those people outside the bounds of current Diversity - say, the religious right, or Asians. Actual violent behavior, not speech, should be forbidden and punished, and equality of opportunity enforced. If somebody hurts your feelings, you will just have to deal with it - get back to the days of, "sticks and stones may break my bones, but words will never harm me." Equality of outcome is pernicious and destructive. Living-and-letting-live isn't in the cards, either.

People are migrating to rich countries and it will be difficult.

And, there we are - in the midst of a grand experiment.

There is this old joke about a traveler who asks how to get to a destination. The answer was, if I were you, I would not start from here.

War, Energy and Food

The situation is even worse for African countries that want to pursue their energy independence by developing their own hydrocarbon resources. Banks and international lenders such as the World Bank and the International Monetary

Fund have made it quite clear they would not be lending for oil and gas development.

Taiwan - A just released poll in United Daily News has 74% of all respondents favoring increased interaction with the mainland. 60% favor the status quo, and there is a drop in those favoring Taiwanese independence from 29% to 25%. DPP policy positions do not favor more interaction with China, don't really endorse the status quo, and won't walk away from independence.

More interesting to Beijing as well as Tokyo and Washington were the reveals. If there was to be a fight with the mainland, 70% of Taiwanese between the ages of 20-29 say they are not fighting, 54% of all ages saying the same, and 46% of all Taiwanese believing the US will not come to save Taiwan.

The US military has ordered 2,000 soldiers to prepare to be deployed to Israel, where they may provide medical and advisory support to Israeli forces. This potential deployment is in addition to the 2,000-strong force of sailors and Marines the Pentagon said was sailing toward the Eastern Mediterranean on Monday.

The US is beginning to think about starting to refill the Strategic Petroleum Reserve.

It Ain't Easy Being Green

The New York state authorities have rejected a request by Orsted, BP, and Equinor for raising the price of electricity in future power purchase contracts featuring offshore wind energy.

Offshore wind developers have been pressured by rising raw material and component costs, and higher borrowing costs, which has cast doubt over the viability of many projects. Indeed, Reuters reported that some projects planned for the waters off the coast of New York may need to be reconsidered in light of the authorities' decision. "Sunrise Wind's viability and therefore ability to be constructed are extremely challenged without this adjustment," Orsted told Reuters.

Hydrogen is complicated and not really that attractive, but it's another thing we are going to do, I guess - "It is extremely disappointing to see the Biden administration provide funds for hydrogen hubs which will be based on fossil fuels," Cornell University ecology professor Robert Howarth told Newsweek.

The conflict inherent in liberal, green politics - everything within this Tweet clearly has to be done in a serious effort to decrease emissions - From X ("Labour" is the UK's Labor or liberal party):

If labour is serious about averting catastrophic global heating, their 300,000 new homes plan is deeply problematic. Building a typical UK house causes 50 tonnes of CO₂. People need homes so... There are approx 1.2m more homes than households in England: 2nd homes, investments etc. Labour should take robust action to bring as many as possible into full use, acknowledging that we're facing a global emergency. Labour should 'bulldoze' through emergency building standards to:

- make homes zero carbon in use within say 2 years (was supposed to happen in 2016)
- drive down embodied carbon in construction fast with progressively tightening limits, above which heavy taxes apply...

Amazon and other major companies from Walmart to Apple face growing consumer, investor, and regulatory demands to reduce carbon emissions.

Suppliers are often the biggest component in total emissions, yet niche manufacturers and contractors face financial and resource limitations.

Supply chain partners, which in Amazon's case include third-party sellers, unable to meet climate change standards can risk losing business.

International Energy Agency - Our new report on the world's electricity grids is out! The 1st-of-its-kind, country-by-country analysis shows that to meet energy & climate goals, we need to add or replace 80 mln km of power lines by 2040. That's the size of the entire global grid built over the past 100 years.

"It is unrealistic to completely phase out fossil fuel energy," Xi, who will represent China at COP28 in Dubai in November, told ambassadors in Beijing ahead of the climate summit.

And: "China is also building or planning to build some 366 gigawatts (GW) in new coal generation capacity"

China said it plans to restrict exports of some graphite products on national security grounds. The mineral is used in the manufacturing of batteries, fuel cells and lubricants for the machinery, defense and aerospace sectors. The U.S., South Korea, Poland and Japan are among the top importers of Chinese graphite. This comes after the U.S. announced earlier this week restrictions on the sale of U.S.-made semiconductors to Chinese companies.

Miscellany

The original patent for toilet paper from 1891 shows the correct rolling direction, in case you still had some doubts.

