

Contemplating Out Loud

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Thoughts on Coming Apart and the Coming Great Reset



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

Kit Webster

Reviewing the Bidding Thoughts and Theses

[Jump](#) to beginning of newsletter

New bullet point added to this summary, in green, below.

- In the early 1990s, I predicted a severe crisis in the US in the early 2000s - see [My Journey](#) for details of how those thoughts were developed, and a description of my predictions, essentially all of which have held up well. That crisis would result in a resetting of the country's financial system and financial institutions and therefore would profoundly affect all parts of the culture and all institutions, including government and military.
- The crisis would be precipitated by debt, deficits, entitlements and demographics.

[Market Charts](#)

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Thoughts From
the Archives

- The purpose of this web site is to Contemplate Out Loud about ways in which current events are reinforcing or contradicting my predictions. And to create a continual update of thoughts for the future.
- The Fed, Congress and the Executive Branch have now made that crisis inevitable and of a much higher magnitude than I anticipated.
- The crisis should be played out over the remainder of this decade. There will be a new world with a new financial system and a new culture under construction at the end of the crisis.
- The Fed has three alternative paths: inflation, austerity and default. For now, they have chosen inflation.
- We are deep into a multi-year end game and to the point at which things will generally become worse, faster, although nothing will move in a straight line.
- The Fed will likely continue on its current path until something breaks.
- When the Fed signals the end of raising interest rates, we will likely enter a new era of currency devaluation and yield curve control.
- Biden is significantly contributing to underinvestment in fossil fuels that will result in a multi-year energy crisis. He is attempting to cross the green energy chasm in two steps. We will get to the point where even leftists will treasure every drop of oil and every chunk of coal. I discuss this critically important issue, perhaps the most important issue we face today, in [The Energy Crisis](#).
- Biden made a major strategic error by confiscating Russian currency reserves.
- The last stimulus payment, and arguably the one before that, were major errors, contributing significantly to inflation, shortages and the increase in asset prices.
- Inflation is peaking - for now - and it will remain at a high level. In the long run, because of debt levels, there is no practical alternative to continued, elevated inflations - which will probably rise and fall in waves. Stagflation is my bet for the foreseeable future.
- There will be deflationary / disinflationary crosscurrents including demographics (retirement of Boomers, declining birth rates), and debt rationalizing and blowing up of debt, worldwide. Temporarily, we will have the interesting phenomenon of too much retail inventory as a result of overordering during supply chain issues and a slowing economy. Inflation is necessary; deflation /disinflation is the wild card.
- The economy is weakening - recession is probable, and there is definite slowing down at a fairly rapid pace. Actually, there is a good possibility that a recession has already begun. However, recessionary pressures may recede for a quarter or so.
- Housing is weakening.
- Ukraine is losing the war. It is not clear what Russia's next moves are. See [Ukraine](#).
- Russia may be winning the financial / energy war. Energy is so fundamentally important, and Russia has so much of it, while the US is burdened by extraordinary levels of debt, that Russia holds the better hand. The West's counter to that better hand is sanctions. Very high stakes poker. See [Ukraine](#).
- Europe will have very serious energy challenges this winter and may have to reach accommodations with Russia.

[Can Kicking End Game](#)

[Ukraine](#)

[Accumulated Quotations](#)

[MMT](#)

[What is Inflation?](#)

[UFOs](#)

[Roe v Wade](#)

[Global Warming](#)

[Sahil Bloom's Truths](#)

More Coming

- Food disruptions over at least the next year, primarily as a result of the Ukraine war, will be significant.
- Given the failure of US / Iran negotiations and rumors that Iran is very close to having an atomic bomb, what is Israel's next move?
- (7/15/22) The US dollar may have peaked, at least for now. We should be heading into a new financial regime.

Beth tells me, enough with the analysis, already. People want to know how you feel. I am not so sure about that, but if you are interested, I emote [here](#).

July 15, 2022

The single most exciting thing you encounter in government is competence because it's so rare. – Daniel Patrick Moynihan

Rapid advances in science and technology cast such a spell over man's conscious mind that it forgot the unpredictable forces of the unconscious. Once more we see people cutting each other's throats in support of childish theories of how to create paradise on earth. - Carl Jung

With censorship soaring and real reporting all but taboo, the major dailies have just one important function left: being a political signaling system - Matt Taibbi

Over the past 25 years, our leaders have intentionally constructed an Apocalypse Now world of proclamation and fiat, where our wealth has grown much faster than our economy...

The bill is due for their hubris, and inflation is here to collect it. And that is exactly what our Kurtzian leaders have done in the United States over the past 25 years. In their overweening pride, they have stolen what is not rightfully theirs to lift themselves and their people up to unnatural heights. Through monetary and fiscal policies that have pulled forward future growth and productivity into the present, they have not only stolen wealth and prosperity from our children and our children's children, but they have also created a political dynamic that has hollowed-out the Constitution and its attendant political norms. - Ben Hunt

Renewables actually lock in fossil fuels because they can't finish the job. - Lea Booth

A Lot To Cover This Week

I have added the ability to download past issues as pdfs, beginning with 6/1/22. The past issues link is in the upper, right-hand portion of the screen or you can click [here](#). I will maintain two months of history.

Markets

(Graphs updated)

Dollar may be peaking; bitcoin may be making a bottom. I think so, but none of this is confirmed. The dollar may have one more high; bitcoin one more low. If I am right, crude oil is in a significant down move that is scary on the recession front.

My Obsession with Energy

I have been involved with startups during my career. One aphorism around startups is, first you survive. What that means is that it does not matter that you desperately need people or a piece of hardware or a software program. If you have not found a way to survive, nothing else matters.

Energy is existential. When solving the energy problem, first you survive.

Once you get a couple of concepts down, it is not that complicated.

The problem is that we take cheap energy for granted, when it is actually an incredible miracle. From the ability to drill thousands of feet under oceans to being able to refine energy to being able to transport energy to every nook and cranny in the nation, it is simply remarkable.

Just being able to pay essentially nothing to have all the light you want would have been unthinkable and marvelous to all humans during all of human history until about 100 years ago. Much less being able to power two hundred horses of transportation and huge factories, creating hundreds of thousands of different goods.

Since we don't understand it, we make myriad, simple assumptions about energy that are false.

We need to think about and appreciate the concept that energy provides the foundation for and enables EVERYTHING.

Stop for a moment and think about a world without electricity or gasoline. Hint: the first thing that happens is that you starve.

A world without natural gas would collapse because of a lack of fertilizer necessary to grow food to feed almost 8 billion people.

Money is nothing more than a call on energy. What that means is that money is basically the ability to acquire things in the future. Those future things are ultimately dependent on energy. Therefore, in the end, money is a way to claim things that are enabled by energy. No energy, no things, worthless money.

We have gone through an age of some 70 years of incredible, unprecedented prosperity that will probably never

come again. Congratulate yourself for living at the pinnacle of human prosperity ... and then mourn for future generations.

What we have achieved is simply unsustainable. For the United States, it was due in a large part to circumstances after World War II. For the rest of the world, particularly the Western world, it was largely due to the rise of the United States.

Now, the trend is unwinding. The US is becoming crippled, natural resources are becoming depleted and the energy that was the key to success is now viewed as having the profound negative outcome of leading to global warming.

Short of nuclear fusion, there are no high-density energy sources to replace fossil fuels. (Nuclear fission is a partial solution.)

Wind and solar can only do part of the job.

Even the Energy Returned on Energy Invested for crude oil and natural gas is decreasing rapidly as we have to go "colder and deeper" to find oil. In the early days of oil, EROI for oil and natural gas was greater than 100:1. Today it is less than 8:1. It is estimated that 14:1 is required to run our complex society.

Therefore, the foundation of our culture, financial system and wealth is eroding. Our culture, financial system and wealth will therefore erode.

We need to look at this transition as a complicated problem with several constraints and significant trade-offs.

We are not doing that.

The problem is human nature, combined with democracy.

Humans have an average IQ of 100, so that nuance and complexity are lost on most people.

Politicians want to win votes, so discussions are at a 7th grade level, at times reaching all the way to 9th grade.

Humans have a short attention span, so that only urgent things capture their attention.

Therefore the, "we're all gonna die," message around global warming is used to create that urgency.

If it's urgent to eliminate fossil fuels and we are all going to die, we need to eliminate fossil fuels NOW.

Only, there are no effective alternatives to fossil fuels and will not be for decades (or perhaps ever), so we are creating a huge chasm - a period during which we will not have enough energy. And we are digging that chasm all by ourselves.

We are creating our own suffering.

We are caught between two truths:

1. Global warming is a significant challenge and using fossil fuels leads to global warming.
2. There is no alternative to fossil fuels for quite a few decades into the future.

By the way, we are not going to die, and global warming acts over long periods of time, which are discussions for another time. However, the sooner and more effectively we attack global warming, the better.

This is complex and it is nuanced and we are desperately in need of leadership to help us navigate the complexity, the nuance and the trade-offs.

Our current leadership and our prospective leadership are not only not up to the task, they are actively destructive.

There is no good answer. But we are currently choosing self-destruction, and it is highly likely that is the wrong answer.

The other issue is that a significant portion of energy and other natural resources are located in Russia. Now that Russia has adopted an aggressive, militaristic posture, the need to be intelligent and creative about energy is even more important.

Even if we did not have our debt, deficits and entitlements, we would be facing what could even be an existential crisis in energy.

That is why I am obsessed with energy.

We have a very big problem on our hands with no one in leadership having a clue.

We must transition from fossil fuels.

But first, we must survive.

Thinking About the Labor Market

The labor market is tight and people are changing jobs, demanding raises and demanding to work from home.

A recession will reverse some of this, but I want to be more strategic and look at longer-term trends.

Some time ago, we looked at this graph from Neal Howe, of *Fourth Turning* fame.



Basically, the Boomers, a huge generation of highly qualified workers, is retiring and being replaced by a smaller, inexperienced Gen Z cohort.

Structurally, this means, all things being equal, that labor will remain in relatively short supply and that productivity and innovation will suffer.

Look for underlying wage, and therefore price, pressure, and look for a resurgence in the power of unions.

Since all of this will be in the context of a country and economy in crisis, it is not clear what the net outcome will be.

This Is Not So Much Proof As A Cautionary Tale

This is the environmental, organic analogy to Biden's all-at-once energy transition policy. It may or may not be the right idea, but, even if it is the right idea, it must be implemented carefully by non-ideologues.

Faced with a deepening economic and humanitarian crisis, Sri Lanka called off an ill-conceived national experiment in organic agriculture this winter. Sri Lankan President Gotabaya Rajapaksa promised in his 2019 election campaign to transition the country's farmers to organic agriculture over a period of 10 years. Last April, Rajapaksa's government made good on that promise, imposing a nationwide ban on the importation and use of synthetic fertilizers and pesticides and ordering the country's 2 million farmers to go organic.

The result was brutal and swift. Against claims that organic methods can produce comparable yields to conventional farming, domestic rice production fell 20 percent in just the first six months. Sri Lanka, long self-sufficient in rice production, has been forced to import \$450 million worth of rice even as domestic prices for this staple of the national diet surged by around 50 percent. The ban also devastated the nation's tea crop, its primary export and source of foreign exchange.

<https://foreignpolicy.com/2022/03/05/sri-lanka-organic-farming-crisis/>

The Dollar - Challenge Accepted

SS, while being on the list for these missives, also has a separate group that I participate in where he makes interesting, challenging remarks. In the midst of those thoughts this week, he said

As for a collapsing of the US Dollar "IF" the Fed stops raising interest rates: I am going to go Marty Armstrong here and note that for that to happen the money has to have another instrument to flow into.

WHAT instrument would that be? Russian Ruble, NOPE.

Japanese Yen, it has severe problems of its own.

Euro, it is collapsing faster than the US Dollar.

Chinese Yuan, it has capital control issues AND now that the western world has decided it can unilaterally seize the assets of others it doesn't like any Western held Yuan could just be cancelled in the event of a US/China conflict.

Maybe Kit in his next report can reflect on WHERE money could go if it fled the Dollar at this point in time in the event the FED did not conform some's expectations as to continuing to raise interest rates. Personally I don't think the money has anywhere to flee to if it wants to leave the Dollar, just the opposite in fact. I see money in Europe (Euro's), GB (Pounds), and Japan (Yen) continuing to FLEE to the Dollar.

There are several points to ponder, but they all, I think, center around, "measured in terms of what?"

We have a bunch of fiat currencies, backed by nothing, issued by bankrupt (with the exception of Russia) states.

When you think about it, this may be the biggest, non-religious suspension of disbelief in human history.

In the US, you can exchange green pieces of paper worth literally nothing but believed in by billions of people for cars, commodities, haircuts and gold.

That's not quite true.

The US has a military and a bunch of grain and oil, so there is that. Fiat money is basically measured by its collateral, which are the assets, liabilities and management of various countries, relative to each other in a very complex calculation.

A quick summary of the dollar's advantages include:

- Habit and financial infrastructure
- It is legal tender in the US because it is mandatory that federal taxes are paid in it
- The petrodollar system still exists, although eroding at the edges. The grand agreement in the 70s that the US would guarantee the Saudis' security if they demanded payment in dollars still hangs in there.

- Everybody is devaluing their currencies so as to not give another country the advantage. We are back to the dollar's being the "cleanest dirty shirt."

The world is more-or-less trapped by the dollar.

But, we have extraordinarily mismanaged the dollar, so the dollar system has to implode and give way to another system.

There is nowhere to go and we have to go there.

So, the transition will be fun.

There are several theories as to what comes next.

First is a digital currency that will restore faith in the system.

Next is a commodity-backed currency, backed not only by gold, but also by other commodities. Fiat will go out of style for a while until governments start debasing the currency, again, which is what all governments do best. Tangible will be in.

Next may be the waystation to something else - currency blocks. Say, three standards used in different geographies. Ignoring issues with the euro, perhaps, say, the dollar, the euro and either the yuan or the yen.

EVERYONE wants off the dollar. Some for geopolitical reasons; some for economic reasons. So, we will get there.

But not today.

Today, as SS surmised, there is no answer to his question.

But, if I am correct, a new system has begun to evolve and it will evolve quite rapidly.

Just When You Thought It Was Safe To Go Back Into The Water

Global health authorities have always warned that the Marburg virus is a good candidate for a horrifying global pandemic because it can have a very long incubation period. The following information comes from the World Health Organization...

The incubation period (interval from infection to onset of symptoms) varies from 2 to 21 days.

Illness caused by Marburg virus begins abruptly, with high fever, severe headache and severe malaise. Muscle aches and pains are a common feature. Severe watery diarrhoea, abdominal pain and cramping, nausea and vomiting can begin on the third day. Diarrhoea can persist for a week. The appearance of patients at this phase has been described as showing "ghost-like" drawn features, deep-set eyes, expressionless faces, and extreme

has been described as showing "grotesque" drawn features, deep-set eyes, expressionless faces, and extreme lethargy.

All of that sounds terrible, but the next stage of the disease is truly nightmarish...

Many patients develop severe haemorrhagic manifestations between 5 and 7 days, and fatal cases usually have some form of bleeding, often from multiple areas. Fresh blood in vomitus and faeces is often accompanied by bleeding from the nose, gums, and vagina. Spontaneous bleeding at venepuncture sites (where intravenous access is obtained to give fluids or obtain blood samples) can be particularly troublesome. During the severe phase of illness, patients have sustained high fevers. Involvement of the central nervous system can result in confusion, irritability, and aggression. Orchitis (inflammation of one or both testicles) has been reported occasionally in the late phase of disease (15 days).

In fatal cases, death occurs most often between 8 and 9 days after symptom onset, usually preceded by severe blood loss and shock.

The largest previous outbreak of the disease was in 2005.

During that outbreak, 88 percent of the victims died...

The largest outbreak to date was in Angola in 2005, when 374 caught the virus and 329 died – a fatality rate of 88 percent.

A disease that has a death rate of way less than one percent ended up paralyzing much of the planet for months on end.

So what do you think will happen if the Marburg Virus becomes a true global pandemic?

Needless to say, the panic would be off the charts, and there is no cure and no vaccine...

Ben Hunt

I've been a Ben Hunt fan for a long time. He has written some of the most insightful articles I have ever read.

Lately, IMO, his writing has been good, but not of the off-the-charts quality it once was. Once you have said your peace, there are diminishing returns on profundity - fewer things to talk about.

Ben is back!

It is more than worth a subscription to [Epsilon Theory](#) to read his latest - *Hollow Men, Hollow Markets, Hollow World*. As a bonus, you get to read his older stuff, some of which is exquisite. The quotes at the beginning of this note are from that article.

At the time of this writing, natural gas is trading for \$6 per MM BTU in the US, \$50 (!!) in Europe, and \$40 in Asia. Arbitrage spreads like these are truly historic. As a reference, \$50 natural gas is roughly the equivalent of \$300 per barrel oil.

It's starting to get real, and Germany is at the bleeding edge

Head of German state where Putin served as KGB officer calls for end to sanctions

Austria is preparing to reopen a coal-fired power station that closed in 2020, over fears of Russian gas supplies being cut due to the war in Ukraine.

The Truflation rate today: 10.46% Truflation is an independent US inflation index that measures price inflation using big data.

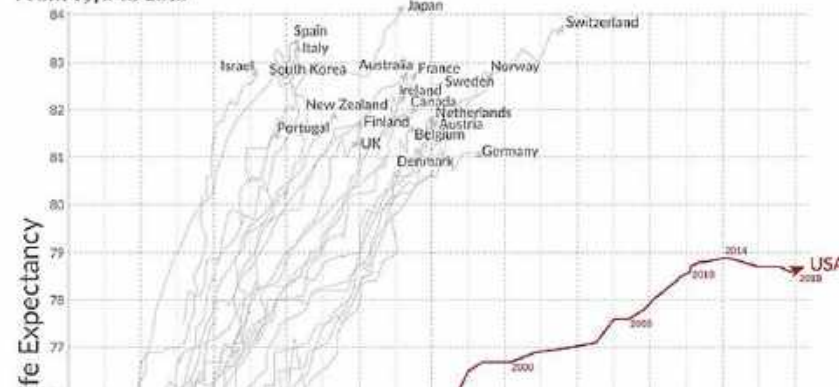
Kaiser Aluminum declared force majeure due to magnesium shortage for its aluminum can sheet.

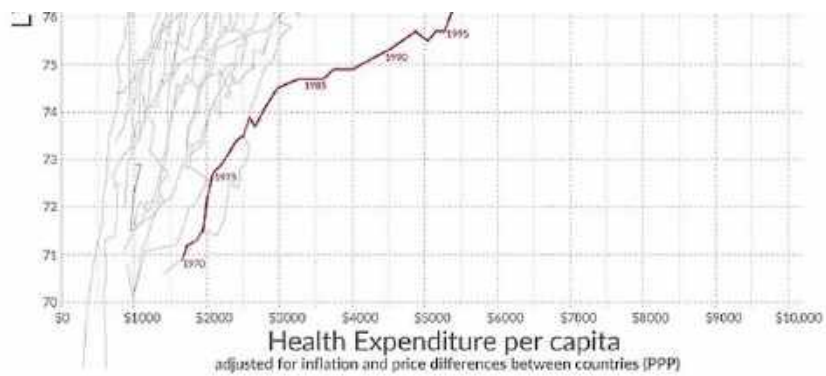
Despite claiming that "France has little dependence on Russian gas," President Macron announced that public lighting would be turned off at night to save energy.

Context

Life expectancy vs. health expenditure

From 1970 to 2018





Something To Do If Things Get Boring

U.S PRESIDENT JOE BIDEN - I WILL USE FORCE TO STOP IRAN GETTING A NUCLEAR WEAPON - TELEGRAPH

Magnificent

So, you probably know by now that I am a geek.

I have a love of astronomy and worked on a scientific project that went to the moon on one of the Apollo missions.

I literally teared up when the Hubble space telescope was launched. A beyond-incredible accomplishment that would lead to years of wonderful discoveries.

Its replacement, the James Webb telescope, has just transmitted its first pictures. I am not sure what the hierarchy of miracles is, but if Hubble was a miracle, James Webb [s miracle-er.

Here is a picture of galaxies taken by James Webb. Basically, every dot is a galaxy. The lines are distortions caused by gravitational lensing - light being bent as it goes past a massive object. The radiating dots are "nearby" stars. One of the orange dots is light from a galaxy that was emitted some 13.1 billion years ago - about a billion years after the big bang and some 8.6 billion years before the Earth was formed.





Here is a comparison of the same area from Hubble (on the left) with James Webb.



Seen At An Abortion Protest

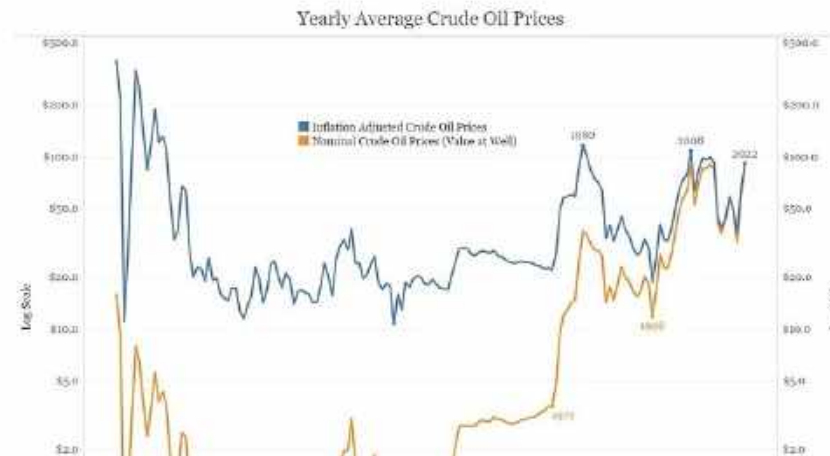
IF PREGNANCY IS GOD'S WILL THEN SO IS ERECTILE DYSFUNCTION

Seems vaguely ageist to me.

News You Can Use



Context





Sobering Thought

A United Nations report released Monday projects the global population will hit 8 billion by the end of 2022, and India will surpass China as the most populous country in the world as soon as next year. Although the world's population growth rate fell below 1 percent in 2020 for the first time since 1950, the report still projects about 9.7 billion people to inhabit the globe in 2050.

Maybe It Had Something To Do With Gluten

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"Something's just not right—our air is clean, our water is pure, we all get plenty of exercise, everything we eat is organic and free-range, and yet nobody lives past thirty."

This website is updated after market close each Friday and whenever there is significant news.

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