

2016 Year in Review: A Clockwork Orange
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Background: The Author

“The easiest thing to do on earth is not write.”

~William Goldman, novelist

I never would have believed it—not in a million years—but it happened: the Cubs won the World Series, and The Donald is our new president. Every December, I write a Year in Review¹ that’s first posted on Chris Martenson’s website *Peak Prosperity*² and later at *Zero Hedge*.³ What started as a few thoughts posted to a handful of wingnuts on Doug Noland’s Prudent Bear message board has mutated into a detailed account of the year’s events. Why write this beast? For me, it puts the seemingly disconnected events that pass through my consciousness, soon to be lost forever, into a more organized and durable form. Somebody said I should write a book. I just did. In a nutshell, this is a story of human follies and bizarre events. There are always plenty of those. Let others tell the feel-good stories.



Figure 1. Malcolm McDowell as Alex in *A Clockwork Orange*.

I try to identify themes that evolve. This year’s theme was obviously defined by the election, which posed a real problem. I struggled to detect the signals through the noise. Many of my favorite analysts from whom I extract wisdom and pinch cool ideas spent the year trying to convince the world that one or more of the presidential candidates was an unspeakable wretch. I was groping for a metaphor to capture our shared experiences,

rummaging through Quentin Tarantino scripts and Hieronymus Bosch landscapes for inspiration. “Rise of the Deplorables” was tempting. Then it clicked. The term “clockwork orange” is a Cockney phrase indicating a bizarre incident that appears normal on the surface. The phrase was commandeered as the title of a 1971 dystopian film in which Malcolm McDowell’s character Alex is brainwashed by being forced to watch the most grisly and horrifying of spectacles (Figure 1). For us, it was the 2016 presidential election, which created a global mind-purging brain enema. The horror! The horror! (Oops. Wrong movie.)

I knew in January that by mid-November we would be unified by our collective distrust of the Leader of the Free World, who would be surrounded by a dozen chalk outlines corresponding to political corpses that *nobody* wished to resurrect. I have done my best to *not* marinate you—too much—in tales of sociopathic felons or stumpy-fingered, combed-over letches. I do, however, eventually enter the Swamp.

By way of introduction, my lack of credentials—I am an organic chemist—has not precluded cameos in the *Wall Street Journal*,⁴ the *Guardian*,⁵ *Russia Today*,^{6,7,8} a plethora of podcasts,¹ and even a couple investment conference talks. Casting any pretense of humble bragging aside, let’s just post this year’s elevator résumé and a few endorsements to talk my book.

“We live in a world where some of the best commentary on the global financial markets comes from a frustrated chemistry professor.”

~Catherine Austin Fitts, former Assistant Secretary of Housing, former Dillon, Reed & Co., and current president of Solari⁹

One of the high-water marks was sharing the spotlight with Mark Cuban in a *Wall Street Journal* article by Ben Eisen on nouveau gold buggery:¹⁰

“Dave Collum . . . has been adding to his holdings of physical gold this month, citing, among his concerns, negative interest rates and the growing refugee crisis in Europe. ‘I’m getting apocalyptic,’ he said.”

~Ben Eisen, *Wall Street Journal*

Podcasts in 2016 included *Wall St. for Main St.*,¹¹ *Macro Tourist Hour* (BTFD.TV),¹² *The Kunstlercast*,¹³ *Five Good Questions*,¹⁴ *FXStreet*,¹⁵ and, of course, *Peak Prosperity*.¹⁶ Dorsey Kindler, of a small-town newspaper, the *Intelligencer* (Doylestown, PA), interviewed me about college in an article titled, “The New McCarthyism” and, in an ironic twist, was soon thereafter fired and his content purged.¹ An interview for the *Cornell Review*, a right-wing student newspaper considered a “rag” by the liberal elite, probed college life and the new activism.¹⁷ A cross-posting at *Zero Hedge* got the Review’s click counts soaring.¹⁸ Finally, I chatted on local radio about real estate, the bond market, Hillary, and other rapidly depreciating assets.¹⁹

“If you reflect on Prof. Collum’s annual [review], you will realize how far removed from the real world and markets you are. This is a huge deficiency that all of you must work on correcting.”

~Professor Steve Hanke, economist at Johns Hopkins University, in a letter to his students

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Part 1

Part 2

For historical reasons, the review begins with a survey of my perennial efforts to fight the Fed. I am a fan of the Austrian business cycle theory and remain hunkered down in a cash-rich and hard-asset-laden Bunker of Doom (portfolio). The bulk of the review, however, is really not about bulls versus bears but rather human folly. The links are as comprehensive as time allows. Some are flagged as “must see,” which is true only for the most compulsive readers. The quote porn is voluminous: I like capturing people’s thoughts in their own voices while *they* do the intellectual heavy lifting.

I try to avoid themes covered amply in previous reviews. Some topics resolve themselves. Actually, none ever do, but they do get boring after a while. Others reappear with little warning. Owing largely to central banking largesse, the system is so displaced from equilibrium that something simply has to give, but I say that *every* year. We seem to remain on the cusp of a recession and the third, and hopefully final, leg of a secular bear market that began in 2000. Overt interventions have kept the walking dead walking. The bulls call the bears Chicken Littles and remind us what didn’t happen. One of my favorite gurus reminds us of a subtle linguistic distinction:

“Didn’t is not the same as hasn’t.”

~Grant Williams, RealVision and Vulpes Investment Management

I finish with synopses of books I’ve read this year. They are not all great, but my limited bandwidth demands selectivity. They are all nonfiction (to varying degrees). I don’t have time to waste on *50 Shades of Garbage*.

Sources

"As for the national press corps—the Fourth Estate—it has been compromised, its credibility crippled, as some of the greatest of the press institutions have nakedly shilled for the regime candidate, while others have been exposed as propagandists or corrupt collaborators posturing as objective reporters."

~Pat Buchanan, syndicated columnist and senior advisor to presidents

With some notable exceptions, the mainstream media has degenerated into a steaming heap of detritus that is so bad now that it gets its own section. A congenital infobesity has morphed into late-stage disinfobesity. Enter social media—the fever swamp—to fill the void. As we shall see, however, all is not well there either. I sift and pan, looking for shiny nuggets of content that reach the high standards of a rant. Shout-outs to bloggers would have to include Michael Krieger, Charles Hugh Smith, Peter Boockvar, Bill Fleckenstein, Doug Noland, Jesse Felder, Tony Greer, Mike Lebowitz, Mish Shedlock, Charles Hugh Smith, and Grant Williams. News consolidators and new-era media include *Contra Corner*,²⁰ *Real Vision*,²¹ *Heatstreet*,²² and *Automatic Earth*.²³ A carefully honed Twitter feed is a window to the world *and* the road to perdition. My actions speak to my enthusiasm for Chris Martenson and Adam Taggart at *Peak Prosperity*.²⁴ However, if you gave me *one* lens through which to view the world, I would have to choose *Zero Hedge* (or maybe LadySonya.com).

"You really should be keeping a journal because you are living through momentous times."

~Chris Martenson, *Peak Prosperity*

On Conspiracy Theorizing

"I stopped believing in coincidences this year."

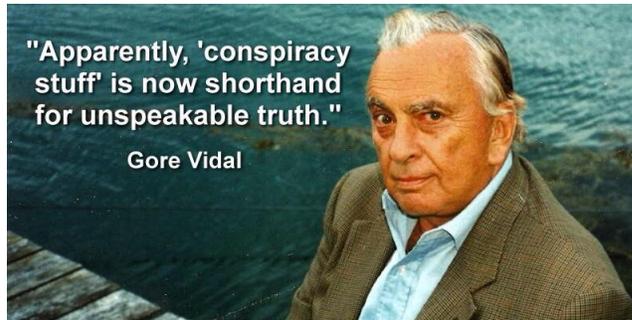
~Scott Adams, creator of *Dilbert*

Every year I shout out to conspiracy theorists around the world. I am not talking about abductions by almond-eyed aliens with weaponized anal probes (which *really* hurt, I hasten to add) but rather the simple notion that sociopathic men and women of wealth and power conspire. Folks who could get through 2016 without realizing this are imbeciles. I am talking totally blithering idiots. Markets are rigged. Government stats are cooked. Interest rates are set by fiat. Polls are skewed. E-mails are destroyed. Cover-ups abound. *Everybody* has an agenda. Watch this d-bag at one of the neocon think tanks—somehow so stupid as to not realize he's being recorded—talk about how false-flag operations are commonplace.²⁵ Meanwhile, the media conspires to convince us to the contrary. The folks who really piss me off, however, are the glib intellectuals—Nassim Taleb calls them “intellectuals yet idiots” (IYIs)—who suggest that conspiracy theorists

are total ret*nds.²⁶ (Saved by the asterisk, which baffles the sh*t outta me why that works.) Does it seem odd that the world's most prominent detractor of conspiracy loons, Harvardian Cass Sunstein,²⁷ is married to neocon Samantha Power,²⁸ one of the great conspirers? It does to me, but I am susceptible to such dietrologie.

“Popular opinions, on subjects not palpable to sense, are often true, but seldom or never the whole truth.”

~John Stuart Mill



Many will try to shut down open discussions of ideas displaced from the norm by using the word “conspiracy” pejoratively. Their desire for the world to be normal is an oddly child-like cognitive dissonance. In that event, lean over and whisper in their ears, “Keep your cognitive dissonance to yourself, dickweed” while gently nudging them in the groin with your knee. Now, let’s pop a few Tic Tacs, grab a clowder, and get on with the plot, but first . . .

Trigger Warning If this review is already too raw for your sensibilities, please stop reading. Nobody is making you squander your time on a socially marginal tome of questionable merit. Better yet, seek professional help.

Investing

“If you pay well above the historical mean for assets, you will get returns well below the historical mean.”

~Paraphrased John Hussman

Read that over and over until you understand it. Changes in my 2016 portfolio were more abrupt than those from other years but still incremental. I resumed purchasing physical gold in 2015 after a decade-long hiatus. In 2016, I bought aggressively in January (the equivalent of half an annual salary) and continued incremental buying throughout the year (another half salary). My total tonnage (OK, poundage) increased by an additional 5% of my assets. My cash position shrunk by about 5% accordingly but remains my largest holding. I am in *no* rush to alter the cash position. For a dozen years, I have been splitting my retirement contributions into equal portions cash and natural gas equities.

The latter keeps failing to attain an approximate percentage goal of 25–30% of my assets owing to market forces. My approximate positions are as follows:

Precious metals etc.:	27%
Energy:	12%
Cash equivalent (short term):	53%
Standard equities:	8%

The S&P, despite a late year rally incorrectly attributed to the Trump victory, appears to be running on fumes or, as the big guns say, is topping. The smart guys (hedge fund managers) continue to underperform, which means the dumb money must be overachieving (blind nuts finding squirrels). This is never a good sign.

“We should all own cash, because it is the most hated asset.”
 ~Jim Rogers, Rogers Holdings and Beeland Interests

“The great financial success stories are people who had cash to buy at the bottom.”
 ~Russell Napier, author of Anatomy of the Great Bear (2007)

“Cash combined with courage in a time of crisis is priceless.”
 ~Warren Buffett, Berkshire Hathaway



Figure 2. Performances of GLD, SLV, XAU, XLE, XNG, and S&P.

After a few years of underperformance resulting from the oil and gold drubbing, large gains in the gold equities (60%), gold (6%), silver (15%), generalized energy equities (10%), and natural gas equities (48%) shown in Figure 2 were attenuated by the huge cash position to produce a net overall gain in net worth of 9%. This compares to the S&P 500 (+10% thanks to a hellacious late year rally) and Berkshire Hathaway (25%, wow). (Before you start brain shaming me, that same cash buffer precluded serious percentage losses during the hard-asset beatings in the preceding years.)

The most disappointing feature of the year was in the category of personal savings. I have managed net savings every year, including those that included paying for college educations. This year, however, began poorly when my gold dealer got robbed and lost *my* gold. My losses paled in comparison to his; he committed suicide. I discovered maintenance needs on my house that got really outta control, and a boomerang adult child ended up costing me a bit. All told, I forked over 50% of my annual salary these unforeseeables, which turned overall savings negative (-20% of my salary) and eroded a still-decent annual gain in net worth. Oh well, at least I have my health. Just kidding. I have a 4 centimeter aortic aneurysm, am pissing sand, and have mutated into Halfsquatch owing to congenital lymphedema (Figure 3). (I live-Tweeted a cystoscopy—likely a first for social media.) I have to keep moving here to finish before I pass my expiration date.



Figure 3. Sand and Stump.

In a longer-term view, large gains in total net worth (>300%) since January 1, 2000 are still fine. I remain a nervous secular precious metal bull and confident equity secular bear. I intend to put the cash to work when Tobin's Q, price-to-GDP, price-to-book, and Shiller PE regress to and through the mean. When this will occur is anybody's guess, especially with central bankers determined to make me pay for "fighting the Fed." I will start buying after a 40% correction brings the S&P to fair value, keep buying as it drops

below fair value, and wish I had saved my money by the secular bottom. We return to all this in Broken Markets.

Here's what my dad taught me: you need cash at the bottom to buy up cheap assets. Few will have cash because you have to go to cash at the top, and precious few have the capacity to shake recency bias and exit positions that have performed well. Just like a toaster, your sell order has only two settings: too soon and too late. My far greater concern is that bear markets are as much about time as they are about inflation-adjusted price. The Fed is determined to burn the clock. *Nobody* wins if we imitate Japan's 25-year lost decade.

“Time takes everybody out. It's undefeated.”

~Rocky Balboa

U.S. Economy

“The word ‘maximum employment’ has this connotation that everything is good in the labor market, but everything is not great in the labor market.”

~Loretta Mester, president of the Cleveland Federal Reserve

Unemployment is at 4.9%—what's not to like? Economists have even claimed the “labor market is getting tight.” I scoff. The labor participation rate shows that 38% of working-age adults are not working (Figure 4). Apparently, 33% of working-age adults are neither employed nor unemployed. Hmmm . . . even that's a little optimistic given that only 50% of adults are employed full-time. The millennials are getting whacked by the boomers who refuse to die (sorry, retire).

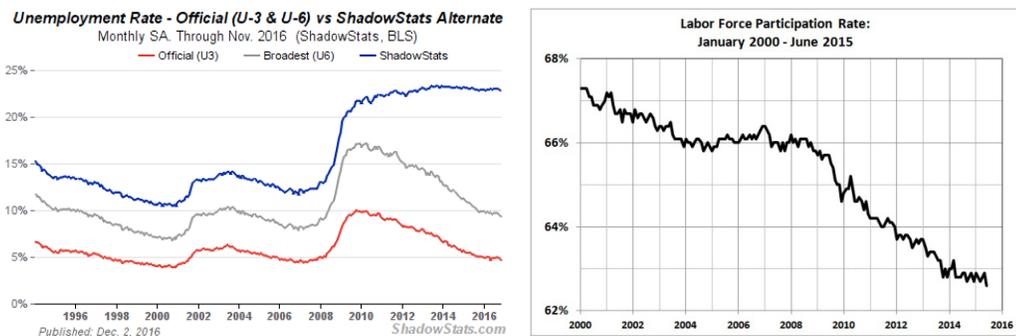


Figure 4. Unemployment (left; official stats in red; Shadowstats in blue) and labor force participation rate (right).

The wealth for middle-class households has dropped 30% since 2000;²⁹ One in five kids lives in poverty,³⁰ 46 million folks are on food stamps;³¹ 20% of the families have *nobody* employed³² (despite the 4.9% number); and almost 50% of all 25-year-olds are living with mom and dad unable to translate that self-exploration major into a job.³³ Half of all

American workers make less than \$30,000 a year.³⁴ The once-industrial-juggernaut Rochester of Kodak/Xerox fame has more than 30% of residents living in poverty and another 30% living with government assistance.³⁵ Very Detroit-like but without the Aleppo motif.

You can see it in the micro if you drill down. Deindustrialization has been occurring steadily since the late 90s.³⁶ The mining industry lost more this year than it made in the last eight years.³⁷ Sales of industrial-strength trucks have been “dropping precipitously.”³⁸ Sales in general are looking very '09-ish. Factory orders and freight shipping (Cass Freight Index) have been dropping for two years.³⁹ Catherine Mann of the OECD says that “In terms of actual trade growth, it is extremely grim.” The CEO of Caterpillar finally cashed in his chips after 45 contiguous months of dropping sales.⁴⁰ Commercial bankruptcies are up 38% year over year,⁴¹ whereas 62% of Americans have less than \$1,000 in savings.⁴² It seems unlikely the consumer will be buying bulldozers and 18 wheelers in the near future.

“This turns out to be the deepest and most protracted growth shortfall on record for the modern-day global economy.”

~Stephen Roach, Yale professor and former chairman and chief economist at Morgan Stanley

The economy is in the weakest post-recession recovery in half a century despite protestations to the contrary by Team Obama.⁴³ The 2%-ish growth rate since '09 *feels* like a recession, especially given specious inflation adjustments to get 2%. There isn't a wave of job cuts yet, but some signs are worrisome. Cisco Systems laid off 20% of its workforce.⁴⁴ GE cut 6,500 jobs.⁴⁵ Despite gains in non-GAAP earnings, GE's GAAP earnings—the non-fabricated earnings—plunged.⁴⁶ Intel dumped 11% of its workforce but faked a win by dropping its assumed tax rate by 7%.⁴⁷ This tactic smacks of the same old financial engineering, but maybe it is headed for nonprofit status. One bright spot: the \$15 billion vibrator industry is set to grow to \$50 billion,⁴⁸ satisfying consumers in a manufacturing–service industry combo.

Speaking of stimulus, what the hell went awry? The Feds drilled the rates to zero (creating a ginormous bond bubble; *vide infra*) to encourage consumers to do the one thing they cannot afford to do—consume. Global central bankers have cut rates every 3 days since 2008 according to Grant Williams.⁴⁹ The central bankers dumped tens of trillions of dollars—trillions with a “t” that comes right before gazillions with a “g”—into the global economy. The answer is simple and foreshadowed above: once you blow up a credit bubble, you cannot force consumers to spend. Have ya heard people talking about pulling equity out of their houses lately? Didn't think so. That numbnut idea proffered by the incoherent Alan Greenspan left consumers with the same houses and twice the debt while poverty-stricken old age looms large.

“If a consumer buys a boat today with money made available through a low-interest loan, that’s a boat he won’t buy next year.”

~Howard Marks, Oaktree Capital and Three Comma Club (billionaire)

“The decline of the middle class is causing even more economic damage than we realized.”

~Larry Summers, speaking for himself with the royal “we”

How could the economists have been so wrong? I have a remarkably simple theory: their models are wrong. They suffer so badly from Friedrich Hayek’s “fatal conceit” that they have become functional nitwits. That’s the best I’ve got. One could argue we have a secular economic problem. As a nation, we exploited cheap labor overseas through immigration during the 16th–20th centuries. The immigrants worked like dogs, got paid squat, and saved so furiously that it became a lot more than squat. Thomas Sowell explains this brilliantly in his writings.⁵⁰ For the last few decades, however, we exploited cheap overseas labor by exporting jobs. They too worked like dogs, got paid squat, and saved furiously. But that wealth is not here; it’s over there (pointing east). Will new and improved trade policies solve our (U.S.) problems? I don’t think so. As long as there are folks overseas willing to work harder for less, we have some correcting left to do. With that said, I am a free-trade guy and particularly like the trade agreement painstakingly crafted by Mish Shedlock:

“Effective immediately, all tariffs and subsidies, on all goods and services, are removed.”

~Mish Shedlock (@MishGEA), blogger

How about some more Keynesianism? Former economist Paul Krugman, whose op-eds read like episodes of *Drunk History*, would say we simply haven’t done enough. (Paul: you have done more than enough.) Modern-day Keynesianism has mutated way past Maynard’s original idea into an unrecognizable metaphysical glob of thinking that boils down to the notion that government knows how to spend better than the private sector does. Is this the same government that included Anthony Weiner, Rick Santorum, and Barbara Boxer?

Here is Keynesianism I could live with. Government should spend as little as possible, but there are legitimate roles to be played. Imagine if governments at all levels would simply act like financially interested parties—as a collective, not as slovenly greedy, bribery-prone individuals—and buy necessary goods and services when they are cheap and stop buying when the private sector has bid them up. We would get maximum bang for the tax buck. It would also quite naturally achieve the much ballyhooed counter-cyclicality. But, alas, the moment they start talking “stimulus,” the pay-to-play crowd turns it into a fiasco. As my dad once said, “Never ask government to do anything they don’t have to do, because they will do a terrible job.” Words from the wise.

Broken Markets

“I don't think a single trader can tell you what the appropriate price of an asset he buys is, if you take out all this central bank intervention.”

~Axel Weber, former head of the Bundesbank

“My thesis now is that central banks believe they can prop up asset prices through a downturn in the business cycle.”

~@TheEuchre

Whomever @TheEuchre is, I think that is a provocative alternative theory of Fed motivation. Moving along, we seemed to be on the cusp of a recession last year with a number of valuation indicators pointing to a +40% correction simply to regress to the mean. In the absence of such a correction (check) and the absence of explosive growth (check), we are still looking over the precipice (check). Luminaries like Stanley Druckenmiller, George Soros, Sam Zell, and Bill Gross are calling for a zombie apocalypse at some unknowable future date. Paul Tudor Jones appears to be wrapping up in a way that smacks of Julian Robertson's Tiger Management hedge fund liquidation in '99. Harvard's Martin Feldstein says asset prices are “dramatically out of line.” Credit Suisse sees analogies to the tech bubble, whereas Ned Davis Research suggests, “on a revenue basis, U.S. stocks are as expensive as they have ever been.” Chart guru Doug Short created a simple model that averages four common equity valuation techniques (Figure 5). Based on his analysis, the market is 76% overvalued compared with the average dating back to 1900. (Note: a 76% overvaluation is regressed to the mean by a 43% correction, which will be as pleasant as baptizing a cat.)

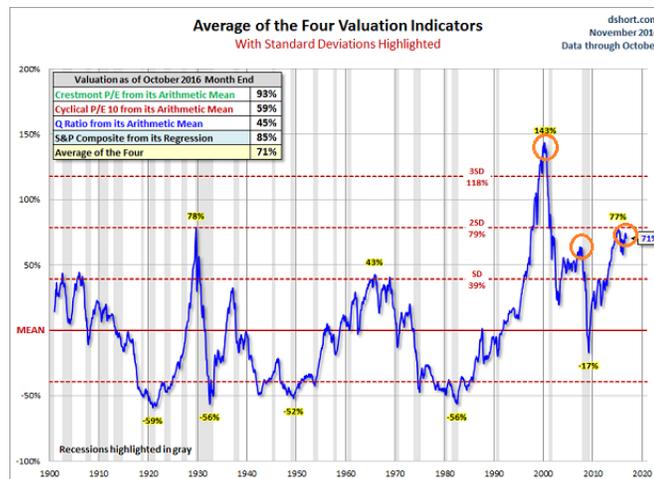


Figure 5. Doug Short composite valuation model.

At these valuations, a few shanks at the start of the year were scary, but soon the markets entered the tightest 40-day trading range (2.27%) in more than 100 years—the Horse

Latitudes.⁵¹ There were a few goofy IPO crack-ups but they stayed subclinical. Even flash crashes raised only a few eyebrows. Knee-slappers elsewhere included a crash of the British pound in the forex markets in under a minute owing to Brexiteers⁵² (vide infra) and a 6.7% crash in China in less than a minute.⁵³ The misnamed Trump rally—misnamed because it began three days before the election—left some serious skid marks, elevating the market 8% in only a few weeks. This was a short squeeze in conjunction with . . . I don't really know.

It is suggested that central banks and programmed investing have pushed a wall of money at the markets. This credit-based splodge corresponds to debts to be paid back later, but who cares? Over 10,000 mutual funds and exchange-traded funds (ETFs) are feeding off only 2,800 issues on the NYSE. There are now almost twice as many hedge funds as there are Taco Bells⁵⁴ (which won't be growing under a Trump presidency). I get a little confused as reported outflows in both equity funds and money market funds argue the contrary. (Even these claims are confusing given that buyers necessarily match sellers; *vide infra*.)

"[I]t's monetary policy we demonstrate is driving everything. And yet here too, there are worrying signs of what may become a breakdown."

~Matt King, Citigroup

Stock buybacks—in many cases leveraged stock buybacks—continue to levitate the markets. For those not paying attention, companies borrow money to buy back shares to prop up share prices, which serves the dual role of maximizing year-end bonuses and wards off balance sheet crises. Now my head hurts. Baker Hughes announced a \$1.5 billion share buyback and \$1 billion of debt issue. In the first half of 2016, S&P 500 companies “returned” 112% of their earnings through buybacks and dividends.⁵⁵ Returned? There is some evidence that buybacks may be subsiding. When they stop buying shares at all-time highs—“buying high”—and their investment unwinds while crushing corporate debt persists, companies will be doing “dilutive share issuance” at fire sale prices—“selling low.” For now, corporate balance sheets hold the dumb money.

“The corporate sector today is stuck in a vicious cycle of earnings management, questionable allocation of capital, low productivity, declining margins and growing indebtedness.”

~Stanley Druckenmiller, former head of Duquesne Capital and rock star

There are instances of generic idiocy emblematic of deep problems. Eighty-five percent of traders on Wall Street have less than 15 years of experience. Synthetic securitizations are returning.⁵⁶ Are buyers being paid for the risk? Some have suggested that retail investors should stay away from these (and Fukushima). A managed futures fund was launched by a 17-year-old kid who may not have made it to third base yet.⁵⁷ A 28-year-old Ukrainian hacker got caught making over \$30 million on insider information.⁵⁸ If he were a bank, he'd have been fined \$100K. The “head” of the collapsed Visium Asset

Management hedge fund killed himself by slicing his own neck.⁵⁹ Right. Platinum Partners appears to have been running a Ponzi scheme.⁶⁰ Vegan food start-up Hampton Creek used \$90 million in “seed” money to buy its own products (probably seeds) to generate fake “organic growth.”⁶¹ Nintendo spiked on the release of Pokémon, which caused hoards of idiots to chase digital critters to stupid places.⁶² Even though Nintendo fessed up that their bottom line would not be improved by the craze, some of the gains have stuck as investors keep chasing those digital share prices to stupid places.

“Markets don’t have a purpose any more—they just reflect whatever central planners want them to. Why wouldn’t it lead to the biggest collapse? My strategy doesn’t require that I’m right about the likelihood of that scenario. Logic dictates to me that it’s inevitable.”

~Mark Spitznagel, Universa Investments

Cash on the Sidelines

“Preliminary attempts to clean it up fail as they only transfer the mess elsewhere.”

~Wikipedia on the bathtub ring in *The Cat in the Hat*

In 2011, I used that quote in a different context, but it is a great articulation of the Law of Conservation of Mass.⁶³ There are a lot of memes in the investing community—pithy phrases and ideas for which tangible support is weak or nonexistent. One is the merits of “cash on the sidelines” and its kissing cousin, money “flowing” in and out of asset classes. In the late ‘90s, I tried to ascertain how much cash was generated in sell-offs and soon realized the answer was zero. Others such as Lance Roberts,⁶⁴ John Hussman,⁶⁵ Cliff Asness,⁶⁶ and Mish Shedlock⁶⁷ have dismembered putty-headed thinking underlying cash on the sidelines. However, there are pockets of holdouts (mostly on CNBC) who subscribe to the flow model. You can hear Maria saying it: “There is so much cash on the sidelines waiting to go into equities.” I am going to take one last crack at it with the aid of some graphical wizardry and grotesque oversimplification.

“So if money is coming into the market, where is it going to find a home?...What’s going to get it into the market?”

~CNBC Fast Money

Here is the problem with the meme in a nutshell: If I buy, somebody must sell. It’s the Law of Conservation of Cash. If I grab a stack of Tubmans (\$20 bills) and buy NFLX, the former owner of NFLX now has the Tubmans, and I have the overpriced shares. Do that all day long, and the cash on the sidelines doesn’t change; it moves around like the bathtub ring. Mutual funds insert middlemen to skim cash, but still no money is destroyed or created. Breathless claims that money is flowing in or out of mutual funds sounds

important, but where in this model is cash created or destroyed? The *percentage* of cash, however, is a huge issue.

Let's look at this graphically and restrict it to a simple binary model (Figure 6). Imagine there is \$100 trillion in cash globally and \$100 trillion of market cap in equities. Of course different investors have different allocations, but investors have *collectively* decided that they wish to own 50% cash and 50% equities (labeled 50:50).

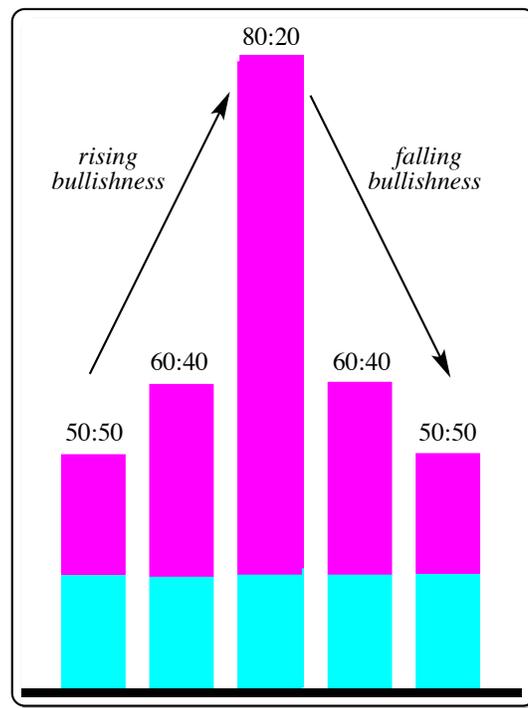


Figure 6. Equity-to-cash allocations in a non-inflationary world.

In a non-inflationary banking system, the cash is static. Along comes legendary wise man John Bogle declaring equities reward risk taking, we should weight our portfolios 60:40, and the world agrees. Investors will bid up equities to higher valuations until, collectively, equities reach the 60:40 proportion for a satisfying 50% gain exclusively through expansion of the numerator. Legendary raging bull Laszlo Birinyi, guided by recency bias, convinces the world stocks are *great* investments and suggests 80:20 as the right allocation. Investors collectively agree, and they bid shares higher, which completes an overall 300% equity gain from the conservative days of 50:50 allocations. Now we're rocking! We are just beginning to pull stupidity forward. Jeremy Siegel, self-appointed guru and demagogue, says you simply can't lose, so you should be 90% stocks, and the world listens because this particular baitfish-smart analyst stays at Holiday Inns and is from *Yale*! The market has now lost all moorings, pushing the overall gains to 800%! Of course, now cash is trash and investors strive to be 100% in equities. Equity investors now "reach out and touch the face of God" because the prices are heading for infinity. Alas, The Bear appears before that can happen—it always does. It doesn't have to be an axle-breaking speed bump. The proximate trigger is not important. Spooked investors

drop their allocations back to 60:40 and, in the depths of despair, back to 50:50. You will then scoop up cheap equities with inverted baggies from disembowled, toe-tagged investors who need cash.

We gave the gains all back . . . or did we? During this round trip, society collectively learned to make goods and provide services much more efficiently. The same amount of effort—the same amount of cash—corresponds to a much higher standard of living. This is good deflation, the kind that James Grant describes because he reads the dusty archives from bygone eras. Most economists nowadays endorse low inflation that roughly matches productivity growth, which causes both the **cash** and the market cap (**equities**) to drift gently upward in a feel-good money illusion.⁶⁸

Don't we need inflation for growth? Only if you believe the industrial revolution of the nineteenth and early twentieth century was disappointing. For the first half of the twentieth century, the DOW rose 1.3% *nominally per annum*. However, the modern banking system is most definitely inflationary. Money is created by increased leverage of all kinds—sovereign debt, consumer debt, quantitative easing (QE), and helicopter money all grow the money supply. They grow the *denominator* (**cash**) in Figure 6, which is inflation. The overarching model guiding the Fed's policies seems to be that increasing the denominator will nonlinearly increase the numerator. As inflation lifts equities, animal spirits take hold (the Wealth Effect) and lift them even more. We will go through the four stages of bullishness: Bogle-Birinyi-Siegel-God. The gains will be illusory because real wealth is manufactured, farmed, mined, and maybe programmed. Central bankers will always do *something*; sitting on their hands (or thumbs) is unnatural. When the markets de-lever, however, cash leaves the system. Business and investing models demanding inflation begin to break. This is bad deflation. It is harsh, abrupt, and dreaded by central bankers, because it is largely their doing.

Pharma Phuckups

“If you think health care is expensive now, wait until you see what it costs when it's free.”

~P. J. O'Rourke, conservative columnist

There seemed to be an epidemic of flatliners in the pharmaceutical industry requiring quarantine (its own section). The big one was Theranos, a company based on miraculously effective lab tests that turned out not to really work.⁶⁹ The company was quietly outsourcing to labs whose tests *did* work. When the scam was revealed, the wunderkind CEO, Elizabeth Holmes, watched her Forbes-estimated net worth drop from \$4.5 billion in 2015 to “\$0” in 2016.⁷⁰ The corporate digital exam would be familiar to her distant relative John Holmes.

Mylan suffered an optics problem when the disappearance of a key competitor allowed it to take a cue from pharma scoundrel Martin Shkreli⁷¹ and jack up its EpiPen price 500%,⁷² which smacked of price gouging. Mylan was protected by government

intervention when Teva was denied rights to make a competing product.⁷³ Such mischief in the generic drug market is real. The feds also mandated stocking EpiPens in all schools.⁷³ A million bucks of lobbying money well spent.⁷⁴

An ode to my new EpiPen
It used to cost one, now it's ten
Our merchants of greed
Are cheeky indeed
These grifters are at it again

~@TheLimerickKing

Valeant Pharmaceuticals also reported big losses following big gains. Criminal investigations into Valeant took it 90% off its recent highs (a “tenth bagger”).⁷⁵ Meanwhile, drug giant Eli Lilly’s share price Felt the Bern in the fall when Bernie Sanders tweeted concerns about the price of insulin rising 700% in 20 years.⁷⁶ The big-cap drug scoundrels have also been accused of fabricating an ADHD epidemic and causing a global prescription drug addiction. A drum beat to restrain pain meds is getting very loud. Chronic pain patients watch with angst.

“Recovery is living long enough to die of something else.”

~Dr. Howard Wetsman (@addictiondocMD), chief medical officer, Townsend Addiction Treatment Centers

Oh, those bastards, right? Well, maybe not. I’m gonna take a crack at defending the industry. Mylan has been dead money for 20 years—zero percent return ex-dividends *and* ex-inflation. The same is true for Merck, Pfizer, Eli Lilly . . . I could go on. Former antimicrobial juggernauts Eli Lilly and Bristol-Myers Squibb are exiting the antibiotic market because they can’t pay the utility bills with the proceeds. You should worry.

“Drug corporations’ greed is unbelievable. Ariad has raised the price of a leukemia drug to almost \$199,000 a year,”

~Bernie Sanders Tweet, dropping the shares 20% on the day

Where are all the revenues going? Really expensive research and development. Better meds make the world a better place. The life expectancies of AIDS patients with treatment are now three years below those of their uninfected peers. Wow. New-era cancer cures are off-the-charts effective. Pharma creates wealth in the purest sense and employs millions of people. On my consulting gigs, I can see researchers diligently trying to cure major diseases. Operationally, however, big-cap pharmas have been not-for-profit organizations for investors for several decades. When you see the prices get jacked up, don’t mindlessly assume it’s to line the pockets of management or investors.

It is claimed rather convincingly that the per-unit cost of health care has not risen, but the volume has soared. My stump/bladder sand /aneurysm mentioned above burned through a *lot* of health care. Why is health care so cheap elsewhere? My son broke his foot while in Vietnam weeks ago. X-rays, an MRI, surgery with titanium pins, and casting: \$1,000. Three days in the hospital: \$30 per day. Being invited to stay with the surgeon's family for two weeks to convalesce: priceless. For a total of about \$1,600, my son flew to Vietnam, got excellent surgery, and flew home. That is the essence of the rapidly growing medical tourism industry.

How is that possible? The doctor in Vietnam is not wealthy and probably demands few material goods. Torte reform is not needed because caveat emptor reigns. There might even be some Gates Foundation money thrown in. Most important, the profoundly expensive research and development was all done in developed countries and paid for by large revenue streams.

"It's the craziest thing in the world."

~Bill Clinton on Obamacare

Gold

"I am leaving the gold equity 'buying opportunity of a lifetime' . . . to others; my shrunken stash of equities is it for now. Maybe I just called the bottom."

~David Collum, 2015 Year in Review

Nailed it! That was the bottom. I expect some checks in the mail from nouveau riche gold bugs who got 60% on their XAU-tracking investments. Despite weakness of late, the case for gold is now in place: European and Chinese banking risks, negative interest rates, a war on cash, and omnipresent risks of a hot war in the borderlands of the Middle East and Europe. Estimates suggest 0.3% of investors' assets are in gold.⁷⁷ Traditional portfolio theory recommends 5%, offering a better than 15-fold relative performance en route. (Recall that discussion of "flow from above.")

Let's check in on what some of the wingnuts on the fringe of society are chortling about now:

"The world's central bankers are completely focused on debasing their currencies. If investor's confidence in central bankers' judgment continues to weaken, the effect on gold could be very powerful."

~Paul Singer, Elliott Management Corp

Gillian Tett: “Do you think that gold is currently a good investment?”

Greenspan: “Yes. Economists are good at equivocating, and, in this case, I did not equivocate.”

“I can understand why holding gold would seem to be a sensible part of a national portfolio. Because there is clearly a need to take some precautions against an unknowable future.”

~Mervyn King, former head of the Bank of England

"I am not selling gold."

~Jeff Gundlach, DoubleLine and the new “Bond King”

“The case for gold is not as a hedge against monetary disorder, because we have monetary disorder, but rather an investment in monetary disorder.”

~James Grant, Founder of *Grant’s Interest Rate Observer*

“Everyone should be in gold.”

~Jose Canseco, expert on performance enhancement

James Grant also went on to say that “gold is like a monetary tonsil,” leading some to speculate that his son, Charley (*WSJ*), slipped him a pot brownie. Let’s see if we can get the goofs too.

We’ll begin by blowing out a few ideas I do not subscribe to. I keep hearing from smart guys that gold is in short supply in the Comex or Shanghai gold exchange, you name it. These stories almost never play out. I am also a huge fan of Rickards and Maloney, but the saying “gold is money” and the notion that its price is actually the movement of the value of the dollar don’t work for me: prices of everything I buy follow the dollar, not gold, on the currency timescales. On long timescales, their assertion may be correct. Someday their assertion may even be correct on short timescales, but that isn’t right now.

What a year: I got as many electoral delegates as the bottom ten republican candidates *combined*, ate python, and own as much gold as the Central Bank of Canada. Per the Bank of Canada, it finished selling off all of its gold,⁷⁸ probably to ensure that the U.S. didn’t attack. You think I jest? A WikiLeaked e-mail by Sid Blumenthal to Hillary Clinton revealed that France whacked Libya to make sure North Africa distanced itself from a gold dinar currency.^{79,80} Germany supposedly has half of its requested gold repatriated from the U.S. and France,⁸¹ which could be bullish or bearish on the half-full/half-empty logic. Venezuela repatriated 100 tons of gold a few years ago and was squeezed to sell it all back in the heat of a currency crisis.⁸² The Dutch depatriated their

gold this year after repatriating it not long ago.⁸³ The reasons are unclear. Alexei Ulyukayev, first deputy chairman of Russia’s central bank, assured us Russia will continue to buy gold (Figure 7), presumably as a defense against interventions from inside the beltway. Of course, the Fed is silent on the “metal whose name shall never be spoken.”

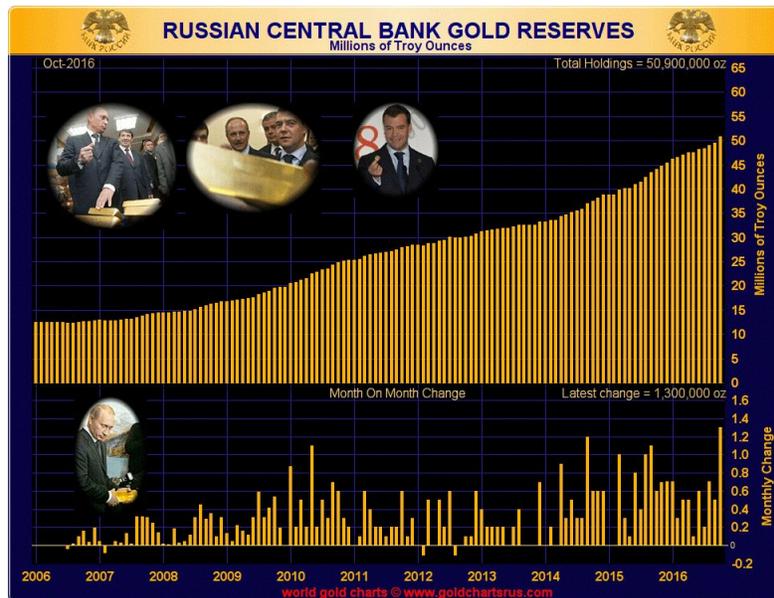


Figure 7. Russian gold reserves.

In a shockingly quiet year given how much gold moved to the upside before the post-election monkey hammering, we probably should finish with some generic goofiness. On a few occasions, gold took the beatings that are familiar—huge futures dumps in the illiquid wee hours of the morning when no price-sensitive investor would ever consider selling. It dropped \$30 in seconds late on the day before Thanksgiving when nobody was paying much attention. Another hammering came from a \$2.25 billion sale⁸⁴ and another \$1.5 billion sale,⁸⁵ both of which occurred in under 1 minute. Nanex concluded that the algo “gold spoofer” was at play,⁸⁶ but the 2016 poundings were transitory and toothless compared with their brethren in 2011–2015. Trouble in the ETF market was revealed when BlackRock was overwhelmed by GLD buying.⁸⁷ It was forced to create more shares in February than it had in a decade. I retain previously stated convictions that GLD is a scam—fractional-reserve gold banking. Deutsche Bank was overwhelmed by requests for physical gold.⁸⁸ It tried to shake the hook by demanding that such a request *must* be made at a participating bank.⁸⁹ Deutsche Bank, the location of the request, is not a participating bank? I imagine it doesn’t have the gold, consistent with its troubles outlined below. A Swedish precious metal vault got its payment mechanism terminated without explanation.⁹⁰

We can’t close without talking about gold’s kissing cousin—silver. The silver market gets its share of muggings and sustained bashings, at times spanning several weeks. The silver sellers didn’t get full traction either, however, bringing silver off a 50% gain but

leaving it up 15% year to date. Silver market treachery got some attention. The London Silver Fix—truth in advertising—at times deviated markedly from the spot price,⁹¹ causing consternation among those attempting to fix the price. Deutsche Bank agreed to settle litigation over allegations it illegally conspired with Scotiabank and HSBC Holdings to fix silver prices at the expense of investors.⁹² A class action suit against Scotiabank suggested that the conspiracy spanned 15 years.⁹³ JPM was cleared of silver manipulation in three lawsuits—all dismissed with prejudice, an altogether different form of “fix.”⁹⁴ The only remaining question is why they are stockpiling huge stashes of physical silver.⁹⁵

I’m as sanguine as ever holding large precious metal positions. Gold bugs are reminded, however, of what a big victory will feel like:

“Our winnings will come . . . from the people who wake up one morning to find their savings have been devalued or bailed-in. . . . [I]t’s going to come from the pension funds of teachers and firefighters. The irony is that when gold finally pays off, it will not be a cause for celebration.”

~Brent Johnson, Santiago Capital

Energy

“Why Oil Prices Are About to Collapse”

~Headline from *The Oil Drum* in January, 2016

You could almost hear the bell ringing on that one. The price of oil promptly went on a 50% rip to the upside. Generally, however, energy was boring (to me) this year, but I keep investing in it. Of course, lower energy prices were hailed as great tax breaks for the consumer, ignoring those who say the economy drives commodity prices not vice versa. Like every other market, however, has been totally financialized. The supply/demand market got replaced with a casino-based futures market, and we know that casinos are trouble. Then there’s that whole petrodollar thingie wherein our alliances in the Middle East keep the dollar at reserve currency status and allow us to sell debt. It also seems to be the proximate cause for bombing vast numbers of Arab countries, but I’m ahead of myself.

A few corporation-specific problems gurgled to the surface. Chesapeake Energy got indicted for energy market manipulation, prompting the CEO to off himself in a one-car accident.⁹⁶ He probably never realized it was a self-driving car (wink). Petrobras canned 11,700 workers.⁹⁷ Norway’s sovereign wealth fund started tapping principle because Statoil got crushed.⁹⁸ Statoil says it will pay a dividend . . . by issuing new shares.⁹⁹ Maybe it should hire more petroleum engineers and fewer financial engineers. The world’s biggest developer (SunEdison) of the world’s most expensive energy (clean energy) had accrued \$12 billion in debt after a two-year asset-buying binge. Liquidation revealed a complex web of Ponzi financing.¹⁰⁰

Here's a funny little nugget for intellectually molesting people at cocktail parties: Edward Longshanks outlawed the burning of coal in 1306 because of pollution. Apparently, Hillary was not the first to try to put a few coal miners out of jobs. Coal is truly hated, and the industry is getting annihilated by the switch to natural gas, which is getting annihilated by fracking-based oversupply.¹⁰¹ The mega-miner Arch Coal got oxidized in the energy rout, ironically leaving little residue.¹⁰² It's probably time to invest in coal miners once the market's alpha corrects. (That's code for a market-wide sell-off.) All of my ideas are contingent on a prefacing market drop in the throes of a recession. One will come like night follows day, and then the merits of cash will be unambiguous.

Energy companies getting whacked wouldn't be so bad if it weren't for the debt. Life insurers have huge energy-based junk bond exposure.¹⁰³ Of course, the banks will allow them to hang on to greater risk by not calling in their chits rather than face reality. *Zero Hedge* reported that the Dallas Fed was telling banks not to push bankruptcy on energy companies.¹⁰⁴ Denial by the Dallas Fed confirmed the story.¹⁰⁵ (Thou doth protest too much.) Wells Fargo is committed to \$72 billion if oil companies draw down their lines of credit,¹⁰⁶ and that is just the beginning of its problems (*vide infra*). Wells Fargo, Bank of America, and JPM all have spiking numbers of bad energy-sector loans.¹⁰⁷

I keep investing in energy, providing my own little Wall of Money to elevate the markets. In 20 years, I'll know if it's a smart move. A subset of this plan includes Russia, Iran, coal, and even uranium. Y'all can keep the new-fangled green energy; it's too political for my tastes.

"Fossil fuels have saved more lives than any progressive cause in the history of the universe."

~Greg Gutfeld, Fox News

Real Estate

"7:00 PM Sinkhole forms in San Francisco
7:01 PM Thirty-five people on wait list to rent sinkhole"

~Daniel Lin (@DLin71)

"House prices can't be in a bubble because they are only 10% greater than the 2006 peak."

~Seattle Realtor

Thank God the real estate bust is over. That got outta hand fast, but we've learned our lesson (sigh.) Of course, it's not over, and we learned nothing durably. Stupidity doesn't just rhyme; it repeats. I must confess that I'm unsure how they cleaned up the '09 bust. Where did the massive inventory go? Some did the full cycle (ashes to ashes). I suspect

that many former foreclosures are rentals (Figure 8). Although single-family rentals are a lousy business and represent a dangerous shadow inventory, soaring rental rates may actually make them profitable in the medium term. The authorities also didn't really clean up the financial mess. Fannie Mae and Freddie Mac—the two toxic government sponsored enterprises (GSEs) that nearly destroyed us in '09—are being considered for bailouts again.¹⁰⁸ What? Didn't we drive wooden stakes through their hearts? No. They got placed in the government protection program under the pseudonym Karen Anne Quinlan living on Maiden Lane.

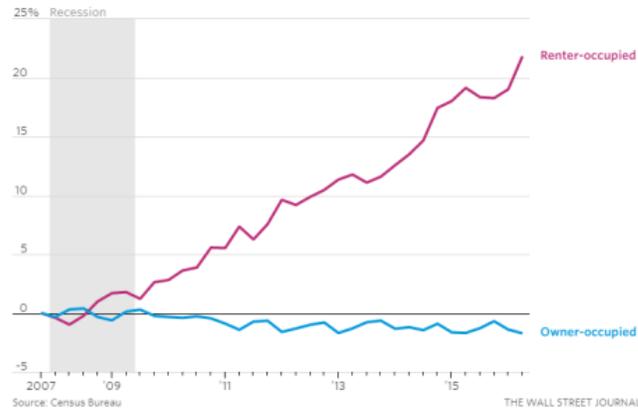


Figure 8. Renter-occupied versus owned houses.

Some bubbles didn't even burst in '09. Vancouver real estate went bonkers with the influx of Chinese money. The cost of a single-family home in Vancouver surged a record 39% to \$1.2 million by midsummer. Mansions were being bought and abandoned (Figure 9). Shacks (tear downs) were selling for millions. Thomas Davidoff, erudite professor at the University of British Columbia, noted, "These prices are getting pretty freaking nuts."



Figure 9. Abandoned \$17.5 mansion,¹⁰⁹ \$7.2 million mansion for sale,¹¹⁰ and \$2.4 million starter home in Vancouver.

People were getting rich buying Vancouver houses, but I've seen this plot before and know the ending. With everybody on the same side of the boat (boat), it would soon be listing starboard. Is that a blow-off top in Figure 10? Not really. The authorities aggressively scuttled it with a 15% housing tax¹¹¹ to "cool off the market" (real estate's version of the ice bucket challenge.) Sales dropped 96% year over year while prices

dropped 20% in the blink of an eye.¹¹² Where'd the buyers go? Toronto!¹¹³ I suspect Vancouver will retrace a decade (or more) of gains.



Figure 10. Vancouver real estate prices 1977–2016. Blue is “detached” in so many ways.

Legendary real estate analyst Mark Hanson sees a few frothy domestic markets, too (Figure 11).¹¹⁴ Bloomberg reports that \$0 down, 30-year, adjustable-rate, jumbo mortgages are being given to youngsters in Silicon Valley, all backed by stock options.¹¹⁵ The San Francisco Federal Credit Union calls the program POPPY, or Proud Ownership Purchase Program for You because, as *Zero Hedge* notes, “Steaming Pile of Shit” lacks panache.¹¹⁶ Alan Cohen, former Ithacan and current Florida county planner, told me the Florida real estate bubble was back and bloated. A \$95 million tear down in Palm Beach was the sound of a bell ringing.¹¹⁷ Prices of luxury condo sales in Miami have been cut in half.¹¹⁸ A busting golf course bubble is causing problems in Florida and other sand states because the courses are embedded in neighborhoods.¹¹⁹ Smacks of time-share-like legal problems. Some may also recall that a Florida real estate bust prefaced the ’29 collapse.¹²⁰ Even in New York City the market is softening, as is its bedroom community, Greenwich, CT.¹¹⁷ And \$100 million condos are showing evidence of being overpriced.¹¹⁸ Whocouldanode. Aspen witnessed the largest drop—a double-black diamond “freefall” — in years.¹¹⁹

You want some entertainment? Check out this critique of the architectural wizardry behind the ever-popular MacMansion.¹²⁰

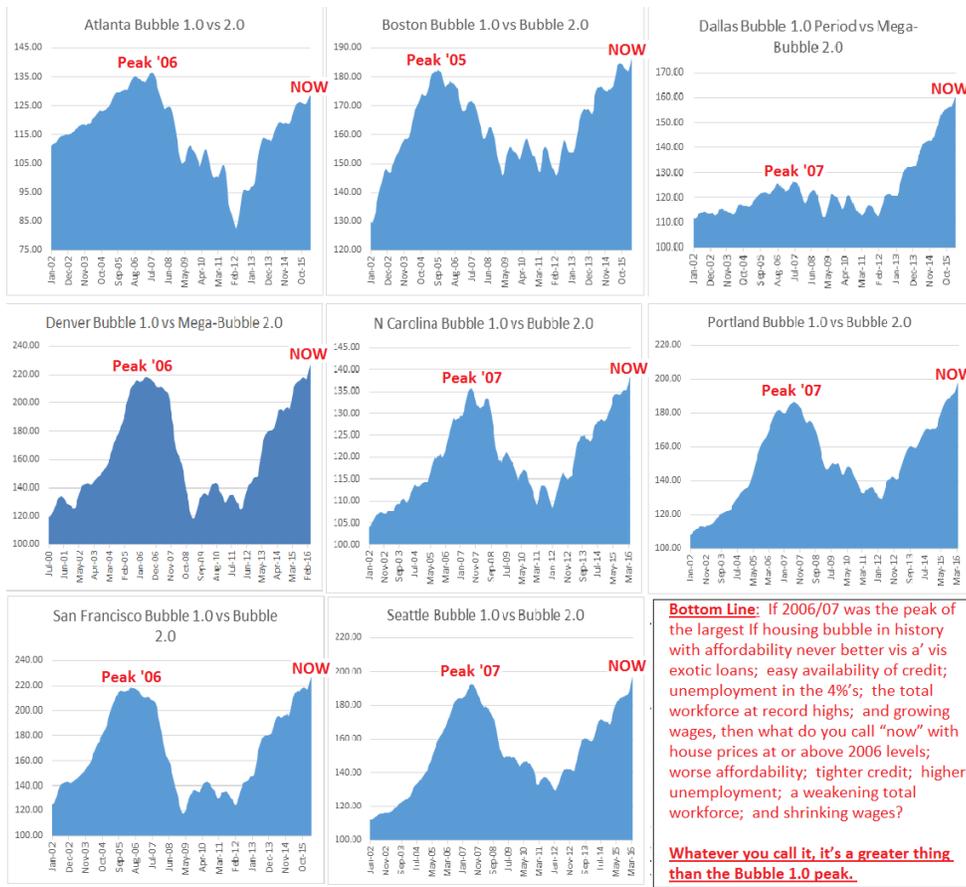


Figure 11. Domestic real estate markets.

According to Christie’s International Real Estate, \$100 million homes were piling up by mid-year.¹²¹ It appears that the UK market (especially London) may finally be softening or, as they say at Bloomberg, “tanking.”¹²² The largest property fund had to stop redemptions.¹²³ Ironically, they’ll have to sell assets, which I’m sure won’t help the market as the virtuous cycle turns vicious. Prime properties have also dropped in Paris, Singapore, Moscow, and Dubai.¹²⁴ Some say the global high-end market has completely stalled.¹²⁵ Australia seems to remain in a bubble.¹²⁶

You know the picnic is over for the commercial markets when the seven-story office building in Figure 12 gets stale on the market.¹²⁷ The real estate bears have taken notice. (That was inexcusable.)



Figure 12. Office building in Cleveland, OH, getting stale.

Debt

“Every cycle in human history has ultimately come to an end. Credit-enhanced cycles come to worse ends than the normal kind.”

~Tad Rivelle, chief investment officer of fixed income at TCW Group

Federal debt has climbed 8% annually since 2000,¹²⁸ but who cares because we have the reserve currency, can print the garbage at will, and are assured by the highest authorities that inflation is good and high inflation is even better. Meanwhile, friend and market maven Grant Williams has created a masterpiece of analysis of our debt problems.¹²⁹ In the absence of a deflationary collapse, debt is reconciled to the downside at a geologic pace; it almost never happens. (Supposedly the Brits did it in the mid-nineteenth century.¹³⁰) The problem is exacerbated by an inherently inflationary banking system that requires monotonically rising debt to survive. Where do you think the interest paid on savings comes from (when there is interest, that is)? Despite the current calm—possibly the eye of the storm—there are newsworthy events in the world of debt.

The consumer is stretched by having no savings and gobs of debt—huge *net* debt (Figure 13). An estimated 35% of Americans have debt that is more than 180 days past due.¹³¹ They are now buying *used* cars with 125% loans,¹³² presumably to cover the negative equity from their previous loan and help pay for repairs. The used car market is priced poorly owing to the overdeveloped credit machine created to sell the trade-ins from rentals.

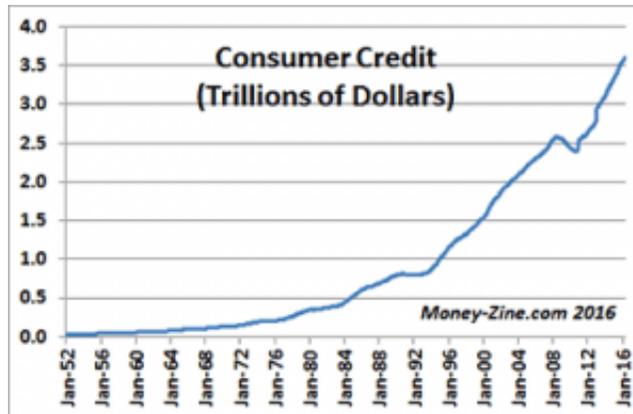


Figure 13. Consumer debt (credit).

One of the most oppressive of all debts, high-interest credit card debt, now exceeds \$16,000 per household.¹³³ The \$2500 per annum interest payments are a death spiral for the average consumer earning less than \$30,000 per year. The collective tab is nearing \$1 trillion.¹³⁴ Larry Summers blames the high debt-to-income ratio for the stagnant consumer.¹³⁵ He may be missing the superimposed realization that they have no pension either (*vide infra*).

“There’s a huge difference between having the money to buy something and being able to afford something.”
 ~@LifeProTips

Non-dischargeable student loans continue to climb, now exceeding \$1.3 trillion (Figure 14). Can anybody picture the millennials paying this off? A comprehensive White House report lays out the stark details.¹³⁶ Student debt has grown linearly since '09—suspiciously linearly. In fact, I don’t trust linearities like that:

“A 45-degree angle in finance means one thing—fraud.”
 ~Harry Markopoulos, Madoff whistleblower

I suspect that the federal government is using student loans as a monetary policy tool to methodically jam money into the system not unlike its bond-buying spree in which Andy Husar was instructed to buy \$8 billion a day, every day, without fail. Curiously, the White House (metonymically speaking) thinks “student debt helps, not harms, the U.S. economy.” That idea reflects the IQ expected of a house.

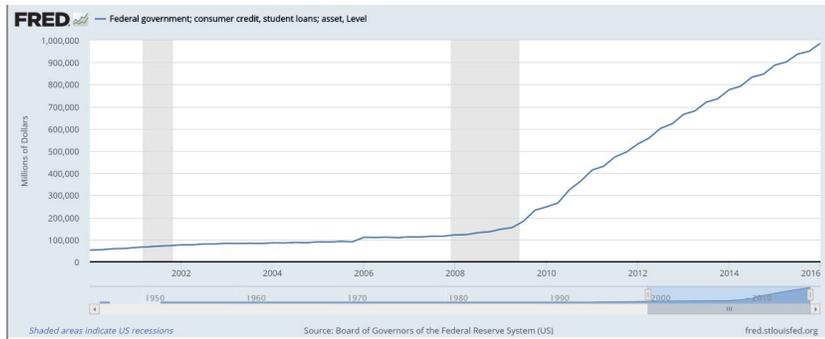


Figure 14. Just student loans or monetary policy?

There are rumors of arrests of student debtors—Operation Anaconda.¹³⁷ It sounds like Dickensian debtors’ prisons if true. I think it more likely that we are slowly heading toward some form of debt jubilee. It will be highly politicized and unfairly distributed. Hints of one come in the form of disability relief for almost 400,000 students who are said to be disabled but unable to prove it.¹³⁸ If, however, ADHD or a damaged frontal cortex that allows one to spend \$200,000 on an unmarketable education is a disability, 400,000 is an underestimate. Hillary publically promised to give free tuition to students while privately getting caught on a hot mic referring to the millennials’ hopes of free education as “delusional.”¹³⁹ This point is now moot.

“Even with borrowing costs at or near their lowest ever, companies are increasingly unable to pay their debts.”

~Mark Gilbert (@ScouseView), Bloomberg

Corporate debt continues to give me fits as companies blow up their balance sheets to buy back shares and pay dividends. This is not self-extinguishing debt. You hear about corporate cash on balance sheets from the media. That cash is stored in metaphorical crocks, because the story is bogus. The top 1% of companies has 50% of the *net* cash on the balance sheets. (Kinda sounds like the wealth disparity pitch all over again, eh?) Apple, Microsoft, Google, Cisco, and Oracle account for 30% of it. The journalists squealing about “cash to be put to work” often fail to look at the *net* cash (cash minus debt). Total debt on the balance sheets doubled from \$2.5 trillion in 2007 to over \$5 trillion by early 2016 (Figure 15). That’s 7% per annum according to the 72 rule (interest rate x doubling time \approx 72). Meanwhile the cash on the balance sheet rose by a paltry \$600 billion. I get lost in the big numbers, but that is a \$2 trillion rise in net debt. They’ve got to keep growing it, however, to buy back shares if they wish to prevent their share prices from collapsing. They are pulling stupidity forward.

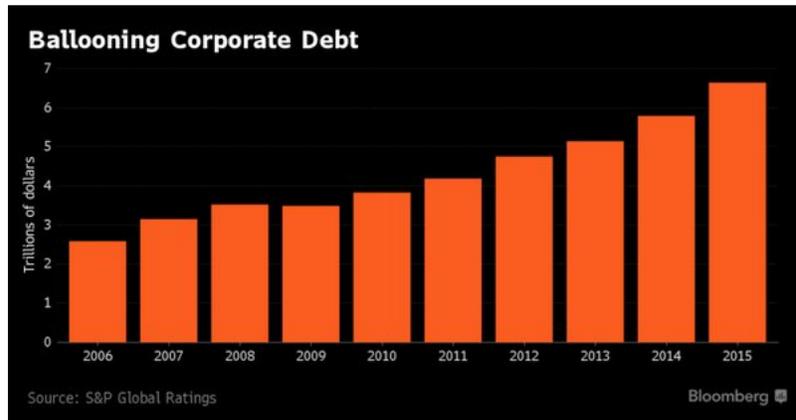


Figure 15. Corporate debt.

Isn't debt a zero-sum game? We owe it to ourselves? In a sense, yes. But when all this debt comes due, we will discover that our shiftless counterparty (us) doesn't have any money. All that money you think you've saved is owed to the millions of people comprising "ourselves." How much do we owe ourselves? Unfunded liabilities come to a total of \$2 million per viable taxpayer (\$200 trillion total). You know what you are owed but do you know how much you owe to the rest of us? Got gold?

Pensions

"It's existential. . . . You can pull different levers, but the decline in rates is an existential problem for the entire pension system."

~Alasdair Macdonald, Willis Towers Watson, an actuarial consultancy

Everybody passes pickles over the social security trust fund when, in fact, it doesn't exist and never did. It is a mathematical certainty that we will default on our obligations, but it will occur in some way invisible to most people, probably via cost of living adjustments that fail to track inflation, means testing, and just printing money. I signed my wife up for social security early (62) on a bet that they would renege somehow. She didn't earn much; I did. What started as a small payment turned miniscule. Here is her statement:

How Much Social Security Will I Get?

● Your new 2017 monthly benefit amount before deductions is:	\$411.30
● Your 2017 monthly deduction for the Medicare Part B Premium is:	\$348.30
- \$134.00 for the standard Medicare premium, plus	
- \$214.30 for the income-related monthly adjustment amount (IRMAA) based on your 2015 income tax return	
● Your benefit amount after deductions that will be deposited into your bank account or sent in your check on January 18, 2017 is:	\$63.00

Really? \$411 per month was whittled down to \$63 per month? The part I cut off was the final clause that said, “Don’t spend it all in one place, bitch.”

The risk is in the substrata of the pension system in which bankruptcy and insolvency are smash-mouth realities. I didn’t mention state debt in the previous section because much of it is hiding as unfunded obligations to pensioners. Paying state and municipal employees with pension promises was such an easy way to compensate people without raising the money. Enter reality: public pensions are now \$3 trillion in the hole.¹⁴⁰ How long would it take to make up \$3 trillion? Noooo problem! Simply pay off a million dollars a day for 8,200 years (assuming 0% interest.) Some examples are in order. Oregon’s public employee retirement system has a \$21 billion unfunded liability (6 years of payouts), and it’s growing as returns of 2% somehow fall short of assumed returns of 7.7%.¹⁴¹ Those assumed 7–8% returns have *never* been accurate over the long term when adjusted for inflation, fees, and taxes. Connecticut, Kentucky, and Hawaii have similar problems.¹⁴² Illinois is the gold standard of insolvency. The Illinois Teachers Retirement System is only 40% funded and currently assumes annual returns of 7.5%.¹⁴³ How did this happen? For starters, the employees are the best compensated in the Union, including free health care for life.¹⁴⁴ Wrap your brain around that: they work for 20–30 years and get free health care for up to 50–60 more years? Meanwhile, state labor unions are asking for raises out of “fairness.”

As you drill down, you find bloodbaths pretty much everywhere in municipalities. Chicago’s pensions in aggregate are 20–30% funded depending on whom you ask.¹⁴⁵ Pending legislation, however, will allow the insolvent state of Illinois to bail out the insolvent city of Chicago.¹⁴⁶

Isn’t there something you can do? Sure. Even if we get serious about savings among, say, the boomers, many are way past their fail-safe points. You can hear the barn door slam. At least those with defined benefit pensions are safe because they are protected by contractual obligations. Legal schmegal: *there is no god-damned money!* Pension cuts are just beginning but could accelerate. The Teamsters’ Central States Pension Fund is looking to cut 400,000 pensions by 55% or go flat broke—*zero dollars*—by 2026.¹⁴⁷ Recent rulings preventing pension cuts are, in my opinion, the courts simply stating that it is illegal to avoid bankruptcy through selective nonpayments. Bankruptcy is about distributing remaining assets in a fair and equitable way to *all* creditors *when there is not enough to go around*.

There is evidence of an old-school-style run on pensions: workers are retiring in serious numbers to remove their assets from faltering pension programs. I hear rumors of University of Illinois faculty moving to other institutions—five to Georgia Tech alone—to remove their pensions at full value from the Illinois system while it’s still possible. Dallas police and firefighters are leaving the job to grab their full pensions from a dwindling stash.¹⁴⁸ It turns out there was also a bit of a Ponzi scheme going on, which caused the mayor to propose a 130% increase in property tax.¹⁴⁹ I don’t see a reelection in your future, Mr. Mayor. As seasoned public servants, they might be able to move to

Austin or Houston. There is now evidence the withdrawals are being shut down.¹⁵⁰ I could even imagine claw backs of the rolled-out funds.

At the personal level, self-directed defined contribution plans paint a clockwork orange big time. Gundlach says the 40–50 crowd is “broke.” Well he exaggerated: the average American household has \$2,500 saved, and the average couple consisting of two 45-year-olds has \$5,000.¹⁵¹ Technically speaking, they are not broke, but they are totally screwed. Across all working-age families, more than 50% have no savings whatsoever,¹⁵² which is one way to render low returns moot. The 55- to 60-year-olds are positioned closer to the pearly gates but have median retirement nest eggs of \$17,000.¹⁵³ Assuming a couple eats six cans of dog food per day (2 × 3) and *they have no other bills*, the couple will run out of money in 11 years (which, on the bright side, will seem like eternity). The top 10% have less than \$300K.¹⁵⁴ The numbers could be skewed to the optimistic side: 20% of all eligible 401(k) participants have loans outstanding against their 401(k) accounts.¹⁵⁵ This practice is so egregious that some companies are offering alternative payday loans to their employees, albeit with elevated interest rates, of course.¹⁵⁶ I remember reading about company towns in West Virginia coal country paying their employees in company scrip. The practice was outlawed.

Of course, I’ve just described a potpourri of anecdotes in the U.S. Maybe it’s better in other countries. Right off our coast we have the tropical paradise of Puerto Rico, which is so up to its ass in debt that creditors essentially own the island.¹⁵⁷

“The ECB’s record low interest rates are causing ‘extraordinary problems’ for German banks and pensioners and risk undermining voters’ support for European integration.”

~Wolfgang Schäuble, German financial minister

What about Europe? There’s where it gets fugly. The markets in pretty much everything that is bought and sold are at nosebleed valuations. There is little or no room left for gains through changes in valuation. Interest rates on bonds are miniscule, even negative (*vide infra*.) You won’t make anything on those bonds, but you could lose enormous principle when—not if—interest rates normalize after a 40-year downward march. There is some evidence that the reversal has now started. Equity markets also have a mean regression in their future despite what the proponents of the mathematically sophisticated Greater Fool Theory espouse. If the markets correct—they always do—you can adjust all those numbers I just cited by an arithmetically simple factor of 0.5. Could an industrial revolution save us? The most stupendous industrial revolution in history—the U.S. juggernaut in the twentieth century—returned an inflation-adjusted 4–5% including dividends using the Dow index as a proxy. Unfortunately, I do not believe those returns are corrected for management fees and taxes. I’m thinking 3% is optimistic. I’m thinking Illinois and the rest of the world are still toast.

Inflation/Deflation

“US deflation is largely a myth, like the Loch Ness monster or North Dakota.”

~@rudyhavenstein, undefeated Twitter Snark Champion

“The debasement of coinage . . . is noticed by only a few very thoughtful people, since it does not operate all at once and at a single blow, but gradually overthrows governments, and in a hidden, insidious way.

~Copernicus

The central bankers and macroeconomists all want inflation. There are media pundits who buy into this metaphysical notion that inflation is good (no offense to the metaphysicists). Dispelling the notion that this quest for inflation is just hyperbole calls for some quotes to capture pundit sentiment:

“I think there is a loss of confidence in the ability of central banks in the long run to regenerate inflation.”

~Ken Rogoff, Harvard professor

“Deflation . . . is bad news because it makes people less willing to borrow and spend—anticipating lower prices, consumers will put off spending—and could also lead to a fall in wages.”

~IMF economist, still waiting to buy an iPhone and flat-screen TV

“All the G7 countries are suffering from a dearth of inflation.”

~Narayana Kocherlakota, former president of the Minneapolis Federal Reserve

“I think they’re heading intentionally for a higher rate of inflation so that once they’ve gotten to, say, an inflation rate of 3 percent, 3.5 percent, that’s when they can jack up short-term rates.”

~Martin Feldstein, Harvard professor and former president of the National Bureau of Economic Research

“Why You Should Hate Low Inflation”

~*Time* magazine headline

“Welcome news for America’s renters could be unhelpful for the Federal Reserve. . . . Any cooling in the most pronounced driver of inflation means the Fed will have to wait even longer to reach their 2 percent price target.”

~Bloomberg

“Inflation is not at our stated target, not near our stated target, and hasn’t been so in quite some time.”

~Daniel Tarullo, governor of the Federal Open Market Committee

“[T]he ECB needs to signal that it is serious about pursuing its inflation mandate, including via a stepped-up pace of monthly QE purchases.”

~Robin Brooks, Goldman’s chief FX strategist

“The elusive quest for higher inflation”

~Yasser Abdih, senior economist at the IMF

They may believe that by generating small positive inflation levels that seem to accompany strong economic growth, they will somehow create that growth. More likely, they fear no inflation in an inherently inflationary credit-based banking system. If central bankers furiously debase their currencies with an inflationary tailwind and *deflation* appears nonetheless, then somebody screwed up (them). I buy this latter thesis. Of course, the measure of inflation has been debated ad nauseam in the context of stats rendered dubious by hedonic adjustments, substitutions, unvarnished fraud, and adjustments based on reading goat entrails. I discussed these frauds years ago.¹⁵⁸ Inflation is certainly not 2% but some number much higher if one is measuring what Joe Six-pack is shelling out to exist.¹⁵⁹ (Anticipating squeals about MIT’s Billion Price Project, I discussed it in last year’s review: I think it’s bogus.)

“The grim reality is that real inflation is 7+% per year, and this reality must be hidden behind bogus official calculations of inflation, as this reality would collapse the entire status quo.”

~Charles Hugh Smith, *Of Two Minds* blog

The fear of deflation is fear of asset deflation. With huge leverage in the system, a collapse in asset prices becomes insolvency and cardiac arrest. The problem is that the Fed’s inflation policies are the root cause of the deflationary risk. To me, the existential risk is hyperinflation, which is in full bloom in Venezuela¹⁶⁰ and germinating in Nigeria.¹⁶¹ Closer to home (for Americans), rents have been soaring—13.2% per year in Boston since 2010, for example.¹⁶² Health plans are rising double digits per year, looking

to jump more than 15% next year.¹⁶³ College tuition is on a headline-making inflationary trajectory of 6% per annum above the rate of the admittedly dubious inflation rate.

“The unproductive buildup of debt caused the Great Depression of the 1930s and the Great Recession of 2008.”

~Chetan Ahya, Morgan Stanley

“If businesses and households were to resume borrowing in earnest, the US money supply could balloon to 15 times its current size, sending inflation as high as 1,500%.”

~Richard Koo, Nomura

The Bond Caldera

“The bond market’s 7.5% 40-year historical return is just that—history.”

~Bill Gross, Janus

Sounds a little ominous. He also notes that “global yields are the lowest in 500 years of recorded history.” Alas, there are other bond doomsters. Paul Singer says “the bond market is broken . . . the biggest bubble in the world . . . never-before seen asymmetry between potential further reward and risk.” Former punk rocker and newly crowned Bond King Jeff Gundlach now moves the markets with his pronouncements. Jeff wails that the current market for 10-year treasuries is the worst opportunity in its long history. He calls it “mass psychosis . . . not guided by the markets.” With a little math wizardry that only a bond king could muster, Jeff says, “a 1% increase in the rates would result in up to \$2.4 trillion of losses.”¹⁶⁴ I’m not sure investors hiding in the safe haven of bonds are quite ready for those losses. They’re betting that rates will never rise 1%. As I type, that is proving to be wrong—possibly dead wrong.



Figure 16. Bond holder, died circa 1981.

At some point, this party has (had) to end. In 2014, James Grant of the legendary *Interest Rate Observer* described three bond bulls in America during the past 150 years—“1865–1900, 1920–1946, and 1981 to the present.” The first two did indeed end, and probably unexpectedly given how long they lasted and investors’ willingness to extrapolate to infinity. The third will end too. The bond market is like the Atlantic conveyor that *must* keep moving currents around the Atlantic Ocean.¹⁶⁵ When the conveyor sputters, we get an ice age. When the bond market sputters, we will get the credit market analogue of an ice age.

What’s different this time—a dangerous choice of words—is that the highly financialized markets are not only huge but also highly correlated. The correlation reaches way beyond the conventional debt markets into the shadow debt markets and the \$1 quadrillion derivatives market—a quadrillion dollars of the most screwed-up, leveraged investments based on blind faith and confidence the world has ever witnessed. No problemo, say the optimists. We will “net” those puppies. Netting is when you round up investments on each side of the bet and simply cancel them out (like from either side of an equal sign.)¹⁶⁶ Ya gotta wonder which genius is going to net \$1 quadrillion dollars of derivatives in the midst of a raging inferno. It didn’t work in ’09, and it won’t work the next time, especially in a market so large Avogadro might wince.

“They have to normalize interest rates over a period of two, three, four years, or the domestic and global economy won’t function.”

~Bill Gross

How crazy has the bond market become? The French sold 50-year bonds.¹⁶⁷ Ireland sold its first so-called century bond less than three years after it exited an international bailout program.¹⁶⁸ Spanish 10-year interest rates are below those of the U.S., prompting James Grant to suggest “a return to the glory of Rome.” The Eurowankers (European bankers) are monetizing debt by buying corporate bonds to jam money into (1) a system that doesn’t need any more, and (2) the pockets of cronies who always demand more. Shockingly, the cronies front-ran the purchase program by buying existing corporate debt¹⁶⁹ and creating new types of corporate debt, all for a tidy profit . . . for now. Taking a cue from the U.S. postal service, Japan is offering “forever bonds”: you get interest—a low 1% interest at that—but you never get paid back your principle.¹⁷⁰ The idea that inflation will never rear its ugly head seems presumptuous, even preposterous. It would be safer loaning money to your adult children, who will never pay you back either. You know to the penny your return on *that* investment.

“Bonds are still offering positive yields.”

~CNBC headline

Alas, as is often the case, CNBC isn’t even right on what would be a truism in any other era. I could go on talking about ridiculously low yields, but now we get “the rest of the story.”

ZIRP and NIRP

“It seemed like a good idea at the time: Cut interest rates below zero to revive growth.”

~Bloomberg

On April 1, 2006, an article appeared endorsing zero-coupon perpetual bonds.¹⁷¹ You give somebody your money, and they pay you no interest and you don't get your money back.irate readers forced this hooligan to “politely point out to them the date of publication” (April 1st). Did you know the word gullible is not in the dictionary?

Unbeknownst to the author, the article wasn't satire; it was foreshadowing. There is no endeavor in which men and women of enormous intellectual power have shown total disregard for higher-order reasoning than monetary policy. We are talking “early onset” something. I am not an economist, but my pinhead meter is pegging the needle. Let's hop right over ZIRP (zero interest rate policy) because it is so 2014 and head right into NIRP (negative interest rate policy). NIRP is where *you pay people to lend them money*. (Check the date: it's December, not April.) You heard that right: you give them money, and they give you back less.

“The arrogant, suspender-snapping, twenty-something financial geniuses are yapping in my face. . . . I still can't fathom 'negative' interest rates. It seems the ultimate insanity to say a short sale of a sovereign bond becomes a 'risk-free' trade.”

~Mr. Skin, anonymous guru who writes for Bill Fleckenstein

Capitalism progressed for 5,000 years without interest rates ever stumbling on the negative sign (which, by the way, was invented by the Arabs more than a millennium ago). You can no longer simply say that bonds are at multi-century highs; it is mathematically impossible to bid rates on normal bonds into negative territory. It takes a special kind of monetary fascism to create negative rates.

Japan is at the vanguard. Eight days after Hiruhiko Kuroda, head of the Bank of Japan (BoJ), announced he was not considering negative interest rates, he jammed rates negative.¹⁷² That was like a knuckleball from the famous pitcher Hiroki Kuroda. Nearly 80% of Japanese and German government bonds are now offering negative yields (whatever “yield” now means).¹⁷³ Fifty-year Swiss debt has gone negative.¹⁷⁴ Early this year, negative yielding global sovereign debt surpassed \$10 trillion “for the first time.”¹⁷⁵ Really? For the first time? Sovereign debt first dipped below zero only two years ago. An estimated \$16 trillion (30%) of sovereign debt is now under the auspices of NIRP (Figure 17).¹⁷⁶ Over a half-trillion dollars of corporate debt is also at negative rates.¹⁷⁷ Reaching for yield in corporate debt markets always seemed risky, but that's nuts. By now it could be \$1 trillion. I've lost track. NIRP has infected the consumer debt market: Denmark and

Belgium are offering negative interest rate mortgages.¹⁷⁸ (I just soiled my thong.) By the way, you folks with big credit card debt will likely have to wait for relief; your rates are pegged above 20%. Maybe you'll get some helicopter money.

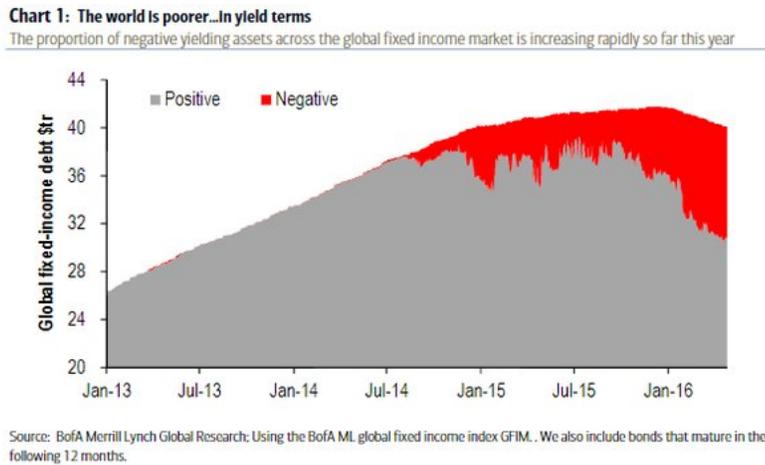


Figure 17. Negative yielding debt with a subliminal flare.

These Masters of the Universe, economists and bankers extraordinaire, and their enthusiastic supporters of modern-day monetary theory certainly didn't leap into the NIRP abyss casually. Let's listen to the justification in their own voices. While reading, rank their comments as (1) pragmatic resignation, (2) dubious, or (3) delusional rants of the clinically insane:

“If current conditions in the advanced economies remain entrenched a decade from now, helicopter drops, debt monetization, and taxation of cash may turn out to be the new QE, CE, FG, ZIRP, and NIRP. Desperate times call for desperate measures.”
 ~Nouriel Roubini, professor at New York University

“Well, let's face it. They can do whatever they want now.”
 ~Ken Rogoff, dismissing the risk of government taxation by NIRP

“The degree of negative rates introduced by ECB is bigger than Japan. Technically there definitely is room for a further cut.”
 ~Haruhiko Kuroda, head of the Bank of Japan

“It appears to us there is a lot of room for central banks to probe how low rates can go. While there are substantial constraints on policymakers, we believe it would be a mistake to underestimate their capacity to act and innovate.”

~Malcolm Barr, David Mackie, and Bruce Kasman, economists at JPM

“Negative Rates Are Better at QE Than Actual QE”

~*Wall Street Journal* headline

“Well, clearly there are different responses to negative rates. If you’re a saver, they’re very difficult to deal with and to accept, although typically they go along with quite decent equity prices. But we consider all that, and we have to make trade-offs in economics all the time and the idea is the lower the interest rate the better it is for investors.”

~Stanley Fischer, vice chairman of the Federal Reserve

“The prospect of being charged, say, 6% a year just to hold cash could unsettle people. For such a policy to work as intended, officials would have to do a lot of explaining ahead of time . . . ensuring that the public understands the central bank’s goals and supports its methods of achieving them.”

~Narayana Kocherlakota, former president of the Minneapolis Federal Reserve, bankersplaining Jedi mind tricks

So these paternalistic libertarians are doing it for the children. What’s the problem? Let’s start with savings. There is no income left in fixed income. All those unresilient consumers are getting zip on what money they have. The low rates are designed to get them to spend their paltry savings. Peachy. A *USA Today* headline read, “How to break Americans of shortsighted saving habits.” Let’s start by giving them a return on their savings, for Pete’s sake. Giving them negative returns, however, in a twisted way is forcing them to save like their parents. Maybe I’ve misunderstood the headline. Maybe it’s excoriating the public for their growing addiction to saving, causing the wholly ludicrous and intellectually impoverished Paradox of Thrift.¹⁷⁹

This naturally leads back to the inflation/deflation debate. The inflation that the Fed desires comes, at least in part, from inherently inflationary fractional reserve banking in which interest rates demand net dollars to increase. Negative rates, by contrast, are inherently deflationary. Every year the banking system has less. This doesn’t seem that hard to grasp.

“Negative interest rates are ridiculous, particularly in a fight against deflation. They ARE deflation. . . . You are necessitating savings.”

~Jeff Gundlach, DoubleLine

Low and negative rates are destroying pension management, insurance, and even banking industries. When your business model is to take in money, make decent returns, pay out a little less, and skim off the difference, then negative, zero, or even low interest rates are deadly. The model fails. This doesn't seem hard to grasp either.

“All pension plans everywhere in the world are being destroyed. Trust funds, insurance companies, endowments—they are all being destroyed.”

~Jim Rogers on NIRP and central bank policies

Finally, low interest rates actually hurt the economy by keeping the weak alive, preventing the much needed creative destruction. Unviable companies on the life support of loose credit cannibalize serious businesses measurably, sometimes even fatally. You must cull the herd of the sick and weak.

“Insurers have long-term liabilities and base their death benefits, and even health benefits, on earning a certain rate of interest on their premium dollars. When that rate is zero or close to it, their model is destroyed.”

~Bill Gross

The big credibility problem is that I'm just a chemist “identifying” as a pundit going toe-to-toe with some serious paid-to-play central bankers and their groupies. To rectify that, let's listen to some critics of NIRP with gravitas in their own words:

“Maybe Italian banks are telling us that central bankers and their negative interest rate policies are actually destroying the Japanese and European banking system. . . . Even if they put [short-term rates] back to zero, imagine the carnage, at least in the short-term bond markets.”

~Peter Boockvar, chief strategist of the Lindsey Group

“The six months under review have seen central bankers continuing what is surely the greatest experiment in monetary policy in the history of the world. We are therefore in uncharted waters, and it is impossible to predict the unintended consequences of very low interest rates, with some 30% of global government debt at negative yields, combined with quantitative easing on a massive scale.”

~Lord Jacob Rothschild, overpaid blogger

“Negative interest rates are the dumbest idea ever. It’s horrible. Look at how badly it’s been working.”

~Jeff Gundlach, DoubleLine

“Under a negative rate scenario, the only participant receiving more cash over time is the government. The private sector slowly collapses as we are seeing in Japan and Europe in real time.”

~Michael Green, Ice Farm Capital

“If these are the first sub-zero interest rates in 5,000 years, is this not the worst economy since 3,000 BC? . . . The Bank of England is doing things today that it has never done in its history, which is 300 plus years. . . . In finance, mostly nothing is ever new. . . . However, with respect to interest rates and monetary policy, we are truly breaking new ground.”

~The James Grant Anthology

“What is currently happening in various bond markets as a result of this and other interventions is simply jaw-dropping insanity. . . . What makes the situation so troubling is the fact that investors seem to be oblivious to the enormous risks they are taking. They are sitting on a powder keg.”

~Pater Tenebrarum, independent market analyst

“I think what they’ve done, particularly the unconventional stuff—and there has been so much of it—has led many people into looking upon all of this as experimental policies smacking of panic.”

~William White, senior advisor at the Organisation for Economic Co-operation and Development

“Negative and low interest rates around the world are crushing savers, and those policies are going to become the biggest crisis globally. We have become too dependent on central bankers.”

~Larry Fink, chairman and CEO of BlackRock

“Negative interest rates in Japan is blowing my mind.”

~Jose Canseco, designated pundit

What's the end game? My best guess is that the system blows up and a lot of bankers find themselves seriously upside down . . . like Mussolini. The silent bank run is already happening. In a free market, NIRP is precluded by cash and hard assets. NIRP in Japan caused a run on safes for hoarding cash.¹⁸⁰ A headline announced, "German Savers Lose Faith in Banks, Stash Cash at Home."¹⁸¹ I was told by a high-level source that one of the world's largest insurers was renting vaults to store physical currencies. Commerzbank was considering hoarding billions to avoid European Central Bank (ECB) charges.¹⁸² Mark Gilbert of Bloomberg notes that storing \$100 million as stacks of bills would basically take a vault the size of a large closet.¹⁸³ See the theme? The financial intermediaries are storing hard cash. Alas, our central banker overlords won't stand for it.

War on Cash

"There is a pervasive and increasing conviction in world public opinion that high-denomination bank notes are used for criminal purposes."

~Mario Draghi

You ever notice the War *on* Anything never works? Whether it be drugs, terror, poverty, Christmas, hunger, you name it, it becomes an interminable, profoundly costly adventure. Now we have the War on Cash. OK, millennials, listen up. You might like paying for everything with your Swiss Army phones. There are rumors you can even swipe G-strings on pole dancers with your phones, which means you've totally lost the plotline. If we go to cashless, you won't have the scratch needed to buy a cell phone before long. These globalists wish to remove your right to an important civil liberty—to hold and spend wealth outside the view of the government and beyond the control of the banks.

"A global agreement to stop issuing high denomination notes would also show that the global financial groupings can stand up against 'big money' and for the interests of ordinary citizens."

~Larry Summers, Harvard professor and former secretary of the treasury

The global elite want to eliminate cash so that they can inflict monetary policy without restraint. As Rogoff says, cash gums up the system. When the former secretary of the treasury, Larry Summers, starts supporting the elimination of cash because it will "combat criminal activity . . . for the interests of ordinary citizens" you should sit up and pay attention. He says we "are essentially on a fairly dangerous battlefield with very little ammunition." He is not talking about the War on Crime but rather efforts to fight the market forces attempting to curb the global banking cartel. Ex-Fedhead Kocherlakota tried to get coy using reverse psychology on free marketeers by arguing that "governments issuing cash . . . is hardly a free market." As the story goes, the libertarians should support a cashless society by letting currencies compete in the marketplace.¹⁸⁴ Very clever, Yankee dog! Of course, he forgot to mention that the government would then shut competitors down like they did to Bernard von NotHaus, who got his assets

seized and went to prison for offering such competition. Satoshi Nakamoto, Bitcoin founder, is on the lam.¹⁸⁵ Your arguments are specious, NK.

“In principle, cutting interest rates below zero ought to stimulate consumption and investment in the same way as normal monetary policy. Unfortunately, the existence of cash gums up the works.”

~Ken Rogoff

Ken Rogoff carried the standard in the War on Cash this year by hawking his new book, *The Curse of Cash*. He tirelessly tried to make the case for a cashless, bank-rich society, arguing that “paper currency facilitates racketeering, extortion, drug and human trafficking, the corruption of public officials not to mention terrorism.” He argues that “cash is not used in ordinary retail transactions.” Really? What do stores put in the cash registers, coupons (which are going digital)? To say he supports the termination of cash is not quite fair: he endorses using only low denominations such as \$10 bills, which buy you a pack of cigarettes (maybe). Don’t spend it all in one place. On noticing that hundreds of commenters in a *Wall Street Journal* editorial¹⁸⁶ showered him with suggestions on how to render him testicle free, I suggested in a brief e-mail that people are clearly stating that the idiosyncrasies of cash are a small price to pay for personal freedom. He, in turn, suggested I read his book. Not likely. There was pushback, however. Jim Grant used his sharp wit to get Ken halfway to eunuch status.¹⁸⁷

When the globalists left Davos,¹⁸⁸ the War on Cash seemed to accelerate almost overnight:

- Deutsche Bank CEO John Cryan predicted that cash won’t exist in 10 years.
- Norway’s biggest bank, DNB, called for an end to cash.
- Bloomberg published an article titled “Bring On the Cashless Future.”
- A *Financial Times* op-ed titled “The Benefits of Scrapping Cash” advocated the elimination of physical money.
- Harvardian and ex-Harvard president Peter Sands wrote a paper titled “Making it Harder for the Bad Guys: The Case for Eliminating High Denomination Notes” in which he waxed on about fighting wars—wars on crime, drugs, and terror.
- Mario Draghi, head of the ECB, phased out the €500 note—30% of the physical euro notes in circulation: “We want to make changes. But rest assured that we are determined not to make seigniorage a comfort for criminals.”
- The *New York Times* called for the termination of high-denomination notes.

Again, all of this was within a month of the shrimpfest at Davos. You and your banking buddies *are* the criminals and seem quite uncomfortable with cash. If you really care about crime, shut down HSBC:



HSBC Sued Over Drug Cartel Murders After Laundering Probe

With physical cash curtailed, JPM estimates the ECB could ultimately bring interest rates as low as *negative 4.5%*.¹⁸⁹ (Two decimal point precision: nice.) Phasing out the \$100 bill would eliminate 78% of all U.S. currency in circulation.¹⁸⁹ Hasbro announced that the game Monopoly will replace cash with special bank cards (special drawing rights?) in which players buy and sell with handheld devices. More recently, Prime Minister Narendra Modi of India withdrew all high-denomination bills essentially overnight.¹⁹⁰ The results were predictable for a society in which cash really is king: the system shut down. Nearly instantaneously, India’s trucking industry — millions of trucks — were parked on the roadside: out of cash means out of gas.¹⁹¹ As I type, the chaos continues.

There are, thankfully, influential supporters of cash. Bundesbank board member Carl-Ludwig Thiele warned that the attempt to abolish and criminalize cash is out of line with freedom.¹⁹² Bundesbank president Jens Weidmann said it would be “disastrous” if people started to believe cash would be abolished: “We don’t want someone to be able to track digitally what we buy, eat and drink, what books we read and what movies we watch.”¹⁹³ Austrian economist Frank Shostak, by no means influential because Austrians are considered to be insane, reminds us that “abolishing cash to permit the central banks to lower interest rates into deeper negative territory will lead to the destruction of the market economy and promote massive economic impoverishment.”¹⁹⁴

Maximum mirth came when Jason Cummins, chief U.S. economist and head of research at hedge fund Brevan Howard, stood up at a meeting littered with devout globalists and denounced the War on Cash and quest for inflation as stemming from the “Frankenstein lab of monetary policy.”¹⁹⁵ Jason went on a rant: “You are not going to have independent central bankers in the next 10 years if you keep on this path. The economy has rolled over and died in an environment when financial conditions have never been easier. . . . People aren’t consuming, businesses aren’t investing, they aren’t buying houses even with a 3.5% mortgage rate. . . . The maestro culture created by Greenspan has been one of the worst features of central banking. . . . My biggest worry is that the public will conclude that . . . capitalism is just socialism for the rich.” Oops. Too late, dude.

Arguments about the insecurity of cash seem specious when you look at how the digital world has fared lately. The thriving sovereign state of Bangladesh was raided for a cool \$100 million by a series of unauthorized withdrawals using the global SWIFT check-clearing system.¹⁹⁶ One could imagine that third-world safeguards against such a heist might be lax, but the hackers removed the booty from the New York Federal Reserve. A

Fed spokesperson offered the official response: “Sorry. Our bad.” Apparently, the Fed has been hacked more than 50 times since 2015. Gottfried Leibbrandt, the CEO of SWIFT, has expressed grave concern about the threat hackers pose to the banking system.¹⁹⁷ Ya think?

On a more micro scale, six of my colleagues got their paychecks phished. They were tricked into signing into their financial home page. With the passwords in hand, the Nigerian princes rerouted their direct-deposited paychecks. Food stamp computers went down for over a week in June.¹⁹⁸ An Ecuadorean bank got clipped for \$12 million, blaming Wells Fargo for not plugging a leak.¹⁹⁹ It’s probably in the Clinton Foundation. The risks of cash in society seem to pale in comparison with the risks of digits in the banking system.

The termination of cash is all some dystopian futuristic abstraction that won’t come to pass, right? No. Brits are complaining that they are being stopped from withdrawing amounts ranging from £5,000 to £10,000: “When we presented them with the withdrawal slip, they declined to give us the money because we could not provide them with a satisfactory explanation for what the money was for. They wanted a letter from the person involved.”²⁰⁰ The phrase, “give me my goddamned money before I jump the counter and beat the crap out of you” comes to mind. Better yet, say it’s for Zika medication and start coughing. The €500 note did indeed get abolished.²⁰¹ Angela Merkel put caps on bank withdrawals.²⁰² I heard deom friend that Wells Fargo was obstinate about a large money transfer. (We return to Wells Fargo’s disasters in the banking section.) Some restaurants are refusing cash.²⁰³ What does “all debts public and private” mean?

Nightmare scenarios in a cashless society include: (1) negative interest rates of *any* magnitude; (2) civil asset forfeiture (but I repeat myself); (3) bank bail-ins; (4) getting booted from or locked out of the system—by mistake or otherwise; (5) sovereigns getting booted from the SWIFT check-clearing system (just ask Pootin); (6) outlawing gold (again); and (6) hackers! We could see a black market based on S&H Green Stamps.

Banks and Bankers

“The unpalatable truth is that the banking model is broken. The days of generating gobs of cash from “socially useless” financial engineering . . . are over.”

~Mark Gilbert, Bloomberg

“It’s the big banks that continue to prefer being highly leveraged. And too many policymakers are deferring to them. Like it or not, that means we are in line for another stomach-turning round on the global economy’s wild ride.”

~Simon Johnson, MIT professor and former IMF chief economist

The banking system was not fixed in '09. The putrid wound was stitched up without disinfectant by a cabal of bankers and regulators, all agreeing that the system had to retain its current form. The assets of the 10 largest banks—greater than \$20 trillion—grew *13% per year* in the last 10 years. This is not my idea of mitigating systemic risk. Now we are near the top of an aging business cycle where bad loans start unwinding and bad ideas begin to die. Gangrene is beginning to show. Collateralized debt is picking up because the uncollateralized refuse starts piling up like during a NYC garbage strike.²⁰⁴ Collateralized loan obligations—the dreaded CLOs—are starting to liquidate.²⁰⁵ Banks are rebuilding teams for debt restructurings.²⁰⁶ As noted above, the Dallas Fed is attempting to extend and pretend energy loans.²⁰⁷ Does this kind of crackpottery *ever* work? Citigroup failed—as in big fat F-like failed—its stress tests.²⁰⁸ Those were the Kaplan practice tests. Many banks will fail when the real stress test arrives. Martin Gruenberg, chairman of the Federal Deposit Insurance Corporation, thinks we will unwind banks in an orderly process.²⁰⁹ Of course he does, and of course I don't.

“I don't trust Deutsche Bank. I don't trust what they're saying.”

~David Stockman, former Reagan economic advisor and former Blackstone group partner

Although huge problems could be triggered by a default almost anywhere in the system—an internal hedge fund or even an unusual presidential election—the disaster will be global. The first raging inferno is most likely to burn in Europe and will undoubtedly include Deutsche Bank (DB). DB was the most putrid of the '09 wounds; it never really healed. In 2014, it was forced to raise additional capital by selling stock at a 30% discount. But why?²¹⁰ This year DB sold \$1.5 billion in debt at junk rates (admittedly a paltry 4.25% in this era).²¹¹ German Finance Minister Wolfgang Schäuble said he has “no concerns about Deutsche Bank,”²¹² which means they are in deep trouble. By early 2016, the scheisse was hitting the lüfter. In March, DB was again told to grow its capital base.²¹³ In April, DB settled its LIBOR manipulation suit (\$2.1 billion in fines) along with its silver manipulation charge.²¹⁴ By May, one of the two CEOs—one CEO too many—decided to spend time with his family and the other was given emergency authority for “crisis” management. Soon both CEOs had become stay-at-home dads.²¹⁵

A missed debt payment by Greece in June suggested a full default,²¹⁶ which correlated with the S&P lowering DB's bond rating to “junk-lite” (three notches above “junk”).²¹⁷ DB refused to deliver physical gold to customers (shades of MF Global),²¹⁸ and later in the fall settled a gold-rigging suit.²¹⁹ *Business Insider* suggested that DB “is coming unglued,” which is a pathetic euphemism for defaulting on interest payments.²²⁰ Bond downgrades often foreshadow more downgrades. Twenty percent of DB's workforce was sent home to family.²²¹ A few weeks after the EU slapped Apple with a \$14 billion surcharge for “back taxes,”²²² the U.S. slapped DB with a \$14 billion fine for doing what banks do.²²³ Seems oddly coincidental. A \$14 billion fine may also seem quaint in a world of trillions (and now quadrillions) but not with a market cap of \$17 billion. Rumors that the fine was markedly reduced proved to be hedge fund hijinks.²²⁴ A putative

Qatari bailout was also profitable fiction.²²⁵ John Mack of Morgan Stanley suggested all is hunky-dory because DB will be propped up by the Fatherland.

“Banks are dying and policymakers don’t know what to do. Watch Deutsche Bank shares go to single digits and people will start to panic.”

~Jeff Gundlach, DoubleLine

The problem in a nutshell is that DB has a nosebleed 26× leverage according to Hussman. It has \$70 trillion in notional derivatives looking for safety netting. If it starts triggering credit default swaps (CDSs), it’ll be like a kangaroo in a minefield, and CDSs began spiking in September.²²⁶ Rumors of cash restrictions and defaulting contingent convertible (CoCo) bonds abound.²²⁷ Raoul Pal of Real Vision says CoCo bonds *are* the crisis.²²⁸ They turn into equity near the strike price, which then drives equity prices down and destroys the bank . . . like the doomsday machine in Doctor Strangelove.²²⁹

The Italians are in a world of pain. Italy’s third largest bank, Monte Paschi, failed in 2012,²³⁰ but it got worse this year.²³¹ Worse than *failing*? Trading was halted on it after falling only 7%.²³² Italy banned short selling, which is the last refuge of interventionists before the inevitable failure.²³³ Italy’s major banks are bleeding losses and have been sold off more than 50% this year. George Friedman, founder of Stratfor, tells us that the Italian banks have been buying crap loans from Europe since the crisis and are heading for bail-ins (*vide infra*).²³⁴ He goes on to say that a U.S. recession could trigger systemic failure and ensuing nationalism. Italy cannot inject government funds into its banking system until it has first forced a trauma-inducing “bail-in” at any bank getting aid. A €5 billion bailout fund created in Italy this year took over Veneto Banca after a €1 billion capital increase failed to get bids.²³⁵ The idea was to channel private sector money into rescuing the banks. Wanna bet the private philanthropists laundered public money? As I put this document to bed, a big vote in Italy essentially to leave the EU may have just nuked the Italian bond market.²³⁶

The Swiss National Bank (SNB) says UBS and Credit Suisse will have to raise more than 10 billion Swiss francs in capital.²³⁷ A loss in a single quarter at Credit Suisse wiped out years of profit.²³⁸ Spain’s Banco Popular, looking for €2.5 billion in capital, offered low interest loans provided to . . . wait for it . . . purchase the bank’s newly issued shares.²³⁹ The €29 billion Bremen Landesbank is teetering on failure, dropping 50% market cap in a heartbeat.²⁴⁰ Needless to say, investors owning European bank ETFs are experiencing Dresden-like firestorms.

On this side of the pond, we have issues, but they don’t seem systemic yet. Citigroup, the U.S.’s largest derivatives holder, bought \$2.1 trillion of notional credit derivatives from DB and Credit Suisse.²⁴¹ I guess Citi has been designated a “bank” (drew the short straw) kinda like Santander in '09. Its failed stress test caused authorities to rhetorically ask, “Why not give them the mine tailings?” Goldman, a bank since '09, settled for a \$5.1 billion payment for dubious deeds with no guilt, no jail time, and probably low payments

after tax credits.²⁴² Settling was a prescient call if the alternative was to wait and bribe President Clinton.

JPM underwrote an equity offering for Weatherford International—sporting the great stock symbol WTF—to help raise money from investors to pay back debt to JPM.²⁴³ No conflict there, eh? I think that is called “catfishing”. Banks appear to be doing this in large numbers. We found out that JPM knew about Bernie Madoff’s Ponzi scheme for 20 years.²⁴⁴ That’s like driving the getaway car. Bruno Iksil, the London Whale, broke silence by claiming he was a patsy.²⁴⁵ No, really? JPM announced a share buyback one month after Jamie Dimon bought 500,000 shares to catch the gain.²⁴⁶ A letter from the Fed seems to suggest that JPM could destroy the U.S. in the event of another financial crisis.²⁴⁷ Thank God that’ll never happen again.

“I am deeply sorry that we failed to fulfill our responsibility to our customers, to our team members, and to the American public.”

~John Stumpf, Wells Fargo chairman and CEO

The award for Biggest Scandal goes to Wells Fargo, the pride and joy of the Orifice of Omaha. Wells Fargo employees secretly created millions of unauthorized bank and credit card accounts beginning in 2011.²⁴⁸ Funds from customers’ existing accounts were moved to the newly created accounts without knowledge or consent. Customers were not happy with the overdraft fees. Even CNN expressed awareness and shock. As usual, the \$185 million fine doesn’t begin to address the problem,²⁵⁰ especially given that the prosecutors, happy to absolve the executives of wrongdoing, were overheard muttering “fine by me.” Wells Fargo employees terminated for not reaching their fraud quotas are suing for \$2.6 billion.²⁵¹ For the second time, my colleague Robert Hockett has prompted me to post a quote:

“It ends up being a win-win. The regulator gets some kind of payment from the accused, and the accused gets to ease the risk of private plaintiff litigation by not admitting to guilt.”

~Robert Hockett, Cornell professor of law, on the Wells Fargo settlement

What I haven’t been able to figure out is whether duplicated charges for campaign donations to Hillary that funneled through Wells Fargo are somehow connected.²⁵² Even when the duped Hillary supporters discovered their \$25 donations were being replicated without consent, they couldn’t seem to stop them.²⁵³

“If one of your tellers took a handful of twenties out of the cash drawer, they could end up in prison. . . . The only way Wall Street will change is when executives face jail time. Until then, it will be business as usual.”

~Elizabeth Warren, POTUS in training, to Wells Fargo CEO

Of course, these scandals pale in comparison to Wells Fargo’s scandal for laundering drug money for which it was fined in 2014. If Wells Fargo were taken behind the Eccles Building and shot, it would be . . . fine by me.

The Federal Reserve

“Its models are unreliable, its policies erratic, and its guidance confusing.”

~Kevin Warsh, former Federal Reserve governor, commenting on the Federal Reserve

“Kevin, confusing and erratic is voting for QE and then criticizing it.”

~Neel Kashkari (@neelkashkari), president of the Minnesota Federal Reserve

Kashkari is a questionable Fed governor but was great in *The Mummy* (Figure 18). The Fed governors have noticed that healthy economies often cause inflation. In what seems like an utterly simplistic failure to understand causality and correlation, they have concluded that causing inflation will make the economy healthy. That’s like warming a corpse to 98.6 degrees (maybe even a few tenths warmer) to bring it to life. Hey guys: try jolting it with electricity while rubbing your palms together and cackling. I’m sure it will work.



Figure 18. Neel Kashkari.

Many economists, especially Fed economists, have transitioned from trying to understand the economy—a daunting task indeed—to being self-appointed economic overlords in charge of *controlling* the economy. This Hayekian fatal conceit has required some serious fibbing and self-delusions, which include endorsing:

- (1) adjustable-rate mortgages when rates were at record lows;
- (2) equity withdrawal from one’s house to spend on lattes;
- (3) pulling consumption forward, flipping off the future;
- (4) protecting bad businesses with ultra-loose credit;
- (5) bailing out other sovereign states;
- (6) dropping interest rates—bleeding the patient—to elicit spending;
- (7) printing money to pay off debt;
- (8) changing perception—the wealth effect—to change reality;
- (9) printing our way to prosperity;

- (10) falling prices (deflation) as bad;
- (11) helicopter money as not entirely insane;
- (12) no prison time for thefts in excess of \$1 billion.

You guys don't control the economy any more than your children steer shopping carts disguised as race cars. As Art Linkletter would say, Fed governors can say the darnedest things. From the mouths of boobs:

“[P]eople charged with managing the economy...”

~Narayana Kocherlakota, fatally conceited

“Our economic forecasting record is nearly perfect.”

~Janet Yellen, FOMC chair, ignoring the Federal Reserve's last 100 years

“You should trust the Fed, not markets.”

~Adam Posen, former economist at the New York Federal Reserve

“#uscurrency never loses its value.”

~San Francisco Federal Reserve (@sffed) tweet

“The Federal Reserve is not politically compromised.”

~Janet Yellen, FOMC chair

“Negative interest rates cannot be ruled out.”

~Janet Yellen, FOMC chair

“Everybody on this panel is painfully aware of what the costs of the last recession were and wants to avoid a future recession.”

~Eric Rosengren, president of the Boston Federal Reserve, on avoiding the unavoidable

They like to intervene, but no self-respecting central bankers would take it upon themselves to intervene in the equity markets. The *majority* of central bankers, however, certainly would. The Fed professes to have resisted the siren call of buying private assets, but unlike Jason (of Argonaut fame), the Fed is unrestrained to any mast. It intervenes indirectly by flooding money into the system on an industrial scale during market stress. As bearish Matt King of Citigroup says, “we are fighting all CBs, not just the Fed.” The head Ewoc, citing the work of leading economists—sheesh—appears to be planning to go

to the Dark Side to buy equities. Entering a wormhole—an event horizon—into the NIRP nebula is dangerous. Yellen estimates that “overcoming the effects of the zero lower bound during a severe recession would require about \$4 trillion in asset purchases.”

“We do not target the level of stock prices. That is not an appropriate thing for us to do.”

~Janet Yellen, FOMC chair

“It could be useful to be able to intervene directly in assets where the prices have a more direct link to spending decisions.”

~Janet Yellen, suggesting inappropriate things

“It seems that the poor would have been better off if the Fed had done more to support asset prices.”

~Narayana Kocherlakota, former president of the Minneapolis Federal Reserve

That is some serious neofeudal thinking. The poor are saddled with a heap of underpriced assets? Multiple Fed governors have discussed unconventional methods that include NIRP, more QE, and a variety of tricks that are well documented at xHamster.com. Helicopter money—a construct of Milton Friedman—involves making everybody richer by just handing over money directly via metaphorical helicopter drops. (Pause for chuckling to subside.) Loretta Mester of the Cleveland Fed said that it “would be sort of the next step if we ever found ourselves in a situation where we wanted to be more accommodative.” You’ve been accommodative enough, Ms. Mester.

“If we had a lot of good news and we got into the September meeting and other people wanted to go, I could support that—but again I’m talking about one increase and no planned increases after that.”

~James Bullard, president of the St. Louis Federal Reserve, on a rate hike

The Fed has managed to pull off one rate hike in 10 years, prompting Steve Liesman to pronounce, “I think the first rate hike cycle is over” (face in palm). What are they waiting for? There are two impediments. First, they are “data dependent,” which is a euphemism for a highly reactionary policy that responds to every sneeze and snuffle of the U.S. or global economy as well as events that have nothing to do with economics. They tapped the brakes on rate-hiking plans with Brexit as well as after a “plunge in stock prices” in March, when Punxsutawney Phil died in February (“distortions you can only see after the fact”—Phil’s shadow), and after “the market reaction to April FOMC minutes,” which “convinced the committee to do nothing after all.” Jerome Powell at Jackson Hole (A-

Holes at the J-Hole) urged, “We should be on a program of gradual rate increases. We can afford to be patient.”

Yellen noted that the “best policy now is greater gradualism.” Bloomberg announced that “Federal Reserve officials signaled a slower pace of rate increases.” One 25-basis point hike in 10 years—2.5 basis points per year—and they need greater gradualism? These guys are the Ents in *Lord of the Rings*. They hear the Ghost of Christmas Past (1938), when the Fed popped an equity bubble it created owing to seriously dubious attempts to pull us from the Great Depression² and scrooged the economy. The countdown-clock LEDs are flashing, and these folks won’t know whether to cut the red wire or blue wire. “Not a problem: we’ll just wait for more data.”



“The FOMC has degraded itself to becoming a slow moving newswire providing updates on the market environment every 6 weeks.”

~Michael O’Rourke, JonesTrading

The second impediment to Fed movement is its detractors. Clean the snot off your screen and stay with me here. The Fed has been so ridiculed that it will do anything to avoid a cacophony of I told you so’s. They look at Greenspan and think, “I don’t want to be stuck with that clown’s legacy.” Who are these detractors who question The Great Oz’s too-low-for-too-long policies demanding they “Put ‘em up”! Put ‘em up!?! The Joe Sixpacks of finance like Rick Santelli suggest the Fed buying stocks will “completely and utterly and in every possible way destroy value in the marketplace.” Albert Edwards of SocGen notes that “these central bankers will destroy the enfeebled world economy.” There are some, however, on the Fed’s own team questioning their sanity:

“The conduct of monetary policy in recent years has been deeply flawed. . . . The Fed’s mantra of data-dependence causes erratic policy lurches in response to noisy data. Its medium-term policy objectives are at odds with its compulsion to keep asset prices elevated. Its inflation objectives are far more

precise than the residual measurement error. Its output-gap economic models are troublingly unreliable. . . . it expresses grave concern about income inequality while refusing to acknowledge that its policies unfairly increased asset inequality. . . . Citizens are rightly concerned about the concentration of economic power at the central bank.”

~Kevin Warsh, former Federal Reserve governor, commenting on the Federal Reserve

“What The Fed did, and I was part of it, was front-load an enormous market rally in order to create a wealth effect . . . and an uncomfortable digestive period is likely now. . . . I question if it is sound policy to remove all uncertainty or volatility from the market.”

~Richard Fisher, former president of the Dallas Federal Reserve

Until the next crisis, they are working the Shake Weights and brandishing Fleshlights in their fortress made of sofa cushions. In the interim, from within their lair, they came up with the fabulous idea of launching a Facebook page,²⁵⁴ which promptly got eviscerated.²⁵⁵ The *American Banker* proclaimed “this PR attempt was such a debacle.”²⁵⁶ Nobody thought to #askJPM? I am sure their newest, remarkably simple trick for energizing the economy will work . . .



NB-That “. . .” thingie, by the way, is called a semaphorism, which suggests you have even more to say but...

European Central Bankers

“I sympathize with savers, but jobs must come first.”

~Andrew Haldane, Bank of England

“The ECB’s attempts at reflating the economy, while admirable, have failed.”

~Willem Buiters, Citigroup

“Monetary policy has reached its limits. . . . We have tried everything in the last six years via central bank policy to stimulate demand, and we haven’t succeeded.”

~David Folkerts-Landau, chief economist at Deutsche Bank

“The capital asset pricing model is being broken—smashed to pieces—as a matter of deliberate policy.”

~Robin Griffiths, chief technical strategist at ECU and previously at HSBC

“I think we’re at the cusp of a bear market in both stocks and bonds that will last up to thirty years. . . the central banks are all acting in unison, so once this bubble pricks it’s going to be pretty terrible.”

~Milton Berg, CEO and founder of MB Advisors

There have been almost 700 rate reductions globally since the Lehman failure.²⁵⁷ Maybe another 700 will finally bring it home, but the skeptics say no. I collected 15 pages of notes on European central bankers, and I realized that they were 80% scorn from detractors.

Central bankers-turned-metaphysicists proffer models and theories that cannot be refuted because they all include provisions for interventions until they work. Period. Foreign central banks have bought most of the U.S. treasuries to inflate this bond caldera.²⁵⁸ They are printing money *ex nihilo* (out of nothing), but it doesn’t stop there. Walls of money with *no organic demand* keep dying companies alive to parasitize viable companies. Wealth creators, the folks we should be focusing on, have no idea how to use the credit. Money velocity has plummeted because the oceans of liquidity are not moving. Mervyn King, the Baron of Lothbury and former governor of the Bank of England, calls the short-term gains at the cost of long-term pain the “paradox of policy.” Paradoxes never obstruct metaphysicists peddling their bullshit.

“Buying Junk Shows ECB Is Getting Desperate”

~Bloomberg headline by Mark Gilbert

“The world’s central banks can’t save us anymore. . . . The trade now is to hold as much cash as possible.”

~Nikhil Srinivasan, chief investment officer for a European insurer

Super Mario Draghi, head of the European Central Bank and ringleader of the Eurowankers, banged out \$90 billion a month—\$1 trillion a year—in bond-buying QE.²⁵⁹ Mario went full monetaristic BDSM by announcing a corporate bond-buying program. It’s not hard to imagine that politically connected megacorporations are megabenefactors. Before a single bond was purchased, corporate bond prices soared (yields dropped) as speculators Hoovered up the extant supply.²⁶⁰ The banks helped them create new offerings to sell to Mario.²⁶¹ With a dollop of delusion, one might justify a little blue-chip QE, but Mario went straight to the junk bond market—steamy piles of Eurodregs.²⁶² Mario has even bought bonds directly from the companies—private placements.²⁶³ I’m sure Friends of Mario did quite well.

“Long-running rallies in stocks and bonds are reliant upon continued support from central banks.”

~Jon Hilsenrath, *Wall Street Journal*

“There is a clear case for stimulus and stimulus now.”

~ Mark Carney, governor of the Bank of England

Bank of England took a culinary approach—threw in the “kitchen sink”—by cutting rates to a record low 0.25%, boosting QE, and announcing corporate bond purchases.²⁶⁴ Not to be outdone, SNB began printing money and buying U.S. equities.²⁶⁵ Think about that one: it created counterfeit money to buy U.S. corporations. Oddly enough, SNB is a GSE like Fannie Mae and Freddie Mac in that a minority ownership trades as shares publically.²⁶⁶ Because it’s pushing up shares of the stocks it’s buying (shades of Janus during the tech bubble), the shares of SNB are up as well . . . for now.

“The basic idea is that the central bank can put essentially anything on its balance sheet, and there is no reason to be straight-laced about this.”

~Stefan Gerlach, chief economist at BSI Bank and former deputy governor of Ireland’s central bank

“It is finally obvious that central bankers are neither gods, nor magicians, nor even doing ‘god’s work on earth’, but plain and simple psychopaths.”

~Zero Hedge

Helicopter money refers to the giving of money to the populace and has been expanded to include direct debt monetization. Somehow it is viewed as different from the monetary napalm described above, but I can’t see it. Regardless, Deutsche Bank predicts the choppers will be fired up in the next recession and then waxes optimistically.²⁶⁷ These trial balloons are all designed to soften our brains to the point of acceptance. The head of Riksbank has discussed it.²⁶⁸ Bernanke has discussed it in the context of “perpetual bonds” (no maturity date). I suspect even normal bonds will fail to reach their maturity date . . . the hard way. Helicopter money marks the end of the road to perdition. How pundits talk about it without calling “bullshit” is beyond me. Bank of England economists advocate for central banks to issue their own digital currency.²⁶⁹ Ummm . . . I think they already have.

“This will be the year that ‘gravity’ will overwhelm the central bank policies.”

~Stephen Jen, co-founder of SLJ Macro Partners

Europe

“The elites are not the problem; the people are the problem.”

~Joachim Gauck, president of Germany

George Friedman, the founder of Stratfor, is the Stephen King of geopolitics. In his latest thriller *Flashpoints* (see “Books”), he describes Europe as an eclectic mix of sovereign states—tribes if you will—separated by volatile borderlands. Borderlands are like the bars in Star Wars movies. The singular goal of Europe since World War II has been to not massacre each other again. The Tribes of Europe have a long history of warfare and long memories. In lieu of a durable unification, we get conflagration.

Current problems emanate from sagging economies. Unemployment in the Club Med southern region is soaring. Attempts to solve this problem with monetary policy have created €1 in GDP growth for every €18 of QE.²⁷⁰ That’s what you get trying to print your way to prosperity. Skirmishes between sovereigns and the companies of their opponents are now common, putting megacorporations like Apple, Volkswagen, and Deutsche Bank in the crosshairs. Walls are going up across Europe whether European Unionists like it or not.

The president of the European Commission, Jean-Claude Juncker, has decided to teach European youth the principles of integration Brussels-style.²⁷¹ It will mobilize unemployed youngsters to volunteer for civic projects across the continent: “Youngsters

would also be drafted to help police the migrant crisis.” I’m guessing they’ll be given “brown shirts” to wear.

France’s far-right National Front party leader and strong poller for the 2017 presidential election, Marine Le Pen, said “I believe that the European Union is in the process of collapsing on itself for one simple reason. The two pillars on which it’s founded— Schengen and the euro—are in the process of crumbling.” She went on to say Hillary would be a disaster, but the Yanks solved that problem for her. A few pissed-off French protested against new anti-worker laws that are designed to protect and enrich the wealthy elite at the expense of ordinary people.²⁷² Here is a picture of them singing “Kumbaya” (in French, of course):



Christine Lagarde, head of the International Monetary Fund (IMF), is facing charges in France for embezzlement and a £315 million kickback to a buddy.²⁷³ She could get a decade in prison. Maybe France is cleaning out the Augean stables, but it sounds hauntingly similar to the execution-style exit of the previous IMF head, Dominique Strauss-Kahn, on a rape charge.²⁷⁴ Old-school Russians are familiar with this form of transfer of power.

Greece never seems to get a reach around by its more powerful partners in Europe. This year, a WikiLeaked plan of the Troika to elicit a Greek credit crisis left the Greeks feeling violated.²⁷⁵ There are rumors of a wealth tax to solve the problems, but the country has little tradition of tax collection.²⁷⁶ Historically, it has been a lot easier to borrow what’s needed. Greece is usually in default and perpetually in ruins.

The Swiss had a referendum to vote themselves richer. Why didn’t I think of that? In any event, they wanted guaranteed income sans work—up to \$90K per year for a family of four.²⁷⁷ Sounds like a Karl Marx–Robin Hood–Paul Krugman combo platter. Amazingly, they voted it down.

Of course, Germany is always at the center of any European event. The year started off edgy when authorities suggested citizens stockpile food and water “in case of an attack or catastrophe.”²⁷⁸ The authorities muttered a few things about “bringing back nationwide conscription in times of crisis to . . . defend NATO’s external borders.”²⁷⁹ I betcha

sauerkraut has quite the shelf life. Volkswagen got a serious dose of Fahrvergnügen by cheating on its emissions test.²⁸⁰ Of course, no other manufacturer did this, said nobody.

You thought I forgot about Brexit and the refugee crisis? Sheesh. These get their own sections.

Brexit

“Brexit is a reminder some things just shouldn’t be decided by the people.”

~*Washington Post*

The British exit from the European Union—the omnipresent Brexit—may either prove to be a historically profound event or illustrate that events are rarely profound. Brexit seems so logical. The Limeys had one foot out the door by not signing onto the euro currency regime in the first place. Hundreds of CEOs argued sovereignty has its merits.²⁸¹ As the vote approached, European banks were circling the drain, and a refugee crisis that *does* look profound (*vide infra*) had caused unusual immigration patterns in Great Britain. Why the hell wouldn’t you grab the first lifeboat? Demographics had a familiar ring: country folk wanted to leave, whereas the so-called “remains” were largely in the cities. John Authers of the *Financial Times* described it as “the breakdown in trust . . . a revolt of the masses . . . one in which those who have shaped policies over the past twenty years are more remote from reality than the ordinary men and women at whom they like to sneer.” Populism is used by establishment thinkers to describe people they do not understand.

The prophets of doom denounced Brexit as the end of the civilized world. According to George Soros, “If Britain leaves, it could unleash a general exodus, and the disintegration of the European Union will become practically unavoidable.” Of course, George is a globalist hankerin’ to shape the world.²⁸² European Council President Donald Tusk feared that “Brexit could be the beginning of the destruction of not only the EU but also of western political civilization in its entirety.” Sounds bad.

Most global elites seemed confident, but the thumb screws were being cranked on the Brits. The French threatened to empty “The Jungle” (refugee camps) into Britain (wrapped in Ebola blankets).²⁸³ President Obama noted with respect to trade that “the UK is going to be in the back of the queue” and that a UK/U.S. trade agreement is “not going to happen anytime soon . . . not because we don’t have a special relationship.”²⁸⁴ Very special. Next time the U.S. wants a partner to bomb Middle Eastern countries for no apparent reason, I’m not sure the Brits will be so willing. Also, whaddaya bet President Trump has other plans? Jean-Claude Juncker promised, “I’m sure the deserters will not be welcomed with open arms.”²⁸⁵ I bet he can spell douche without using Google.

On the night of the vote, British elites watched at the headquarters of the European Commission with a Clintonesque cautious optimism. Also in a Clintonesque fashion, the mood changed, and the tears started. *The hooligans voted Brexit!* Google reported a post-

vote spike in UK-based searches for “What happens if we leave the E.U.?” as well as “What is the E.U.?” Seemed a little late for that.²⁸⁶

5AM REFERENDUM SPECIAL

Daily Mail
FRIDAY, JUNE 24, 2016 www.dailymail.co.uk DAILY NEWSPAPER OF THE YEAR 65p



Overjoyed: A Jubilant Nigel Farage in London early today celebrating the stunning victory for the Leave campaign

WE'RE OUT!

The financial consequences were immediate and titanic. European bank shares got clubbed 24% in two days. RBS and Barclays dropped 37% and 34%, respectively.²⁸⁷ Two trillion dollars got wiped off global equity markets.²⁸⁸ The vote occurred at the start of a 45-day quiet period in which companies were not allowed to manipulate their share prices with buybacks.²⁸⁹ The pound got clobbered—pounded even—11% to a 30-year low.²⁹⁰ Now I'm confused: doesn't modern Bad News/Good News (BNGN) economic theory say that destroying your currency will stimulate your economy? Bank of England Governor Mark Carney lowered capital requirements (lowered the cash buffer) to keep credit flowing, ironically at the precise moment a bank might need a cash buffer.²⁹¹ Various central banks stood ready to unleash ungodly sums of money to constrain the free market from true price discovery.²⁹²

“The genie cannot go back into the bottle. The patient has already passed away.”

~Geert Wilders, founder of the Dutch Party for Freedom

Within a few days, the first bank keeled over.²⁹³ A few property funds collapsed within a week.²⁹⁴ In the spirit of never letting a crisis go to waste, Italy announced a €40 billion rescue of its financial system as Italian bank shares collapsed.²⁹⁵ There were also calls for a moratorium of so-called bail-in rules and bondholder write-downs. Bail-ins and write-downs are fine, but only in the abstract.

Longer-term effects are not predictable. Many are apoplectic. I am not convinced. In the shorter term, walls of money from central banks have generated hellacious equity rallies that are commonplace when bankers get nervous. The architects of Brexit, Nigel Farage and Boris Johnson, bailed on the whole game, writing “former politician” on their résumés.²⁹⁶ Nigel is rumored to have muttered, “We broke the eggs; you make the omelet.” He is also looking at U.S. real estate. Author Stephen King is rumored not to know the ending of a novel until he gets to it. Sounds like Brexit.

“I believe we are witnessing a popular uprising against failed politics on a global scale. . . . It is the same in the UK, America and much of the rest of Europe. The little people have had enough. They want change.”

~Nigel Farage, British politician

I was amazed that Brexit happened; the people outvoted the elites. But then I had a passing thought: maybe the authorities *did* want Brexit but needed an excuse—a patsy. The younger generation wishing to remain accused the old guard for selfishly ignoring the future.²⁹⁷ I think the old coots might disagree.



Refugee Crisis

“I am delighted to welcome you. Scotland is now your home, and we are privileged to have you here. I hope you find the peace and safety that you need to rebuild your lives.”

Best wishes,

~Nicola Sturgeon, first minister of Scotland to the refugees

“The outlook is gloomy. . . . We have no policy any more. We are heading into anarchy.”

~Jean Asselborn, Luxembourg’s foreign minister on the refugees

I find the refugee crisis in Europe to be paradoxical on so many levels. Most European countries are nations of immigrants. In historical battles of “us” versus “them,” their ancestors were, at one point, “them.” But that was then, and this is now. The crisis appears to be a true existential risk for many institutions within the European Union. The magnitude is breathtaking. German authorities estimate that up to 3.6 million refugees will enter Germania by 2020.²⁹⁸ Handfuls (thousands) have been positioned for deportation, but even that is on hold.²⁹⁹ The solutions often seem morally or politically untenable. There are no simple or safe paths forward. Of course, this too shall pass—everything does—but sometimes living through historical events sucks. One pithy Norwegian referred to this clash of cultures as “Odin versus Allah.”³⁰⁰ The notion of a Norwegian Crusade was unthinkable.

“We all underestimated a year ago what would come upon us with this big refugee and migration movement.”

~Jens Spahn, Germany’s deputy finance minister

It is hard to assess the magnitude of the violence—the media is known to overstate such things—but the images of refugees assaulting Europeans and the entropy at the street level are vivid.³⁰¹ A hotel bell captain described his horror: “These people that we welcomed just three months ago with teddy bears and water bottles . . . started shooting at the cathedral dome and started shooting at police.” New Year’s Eve attacks in Cologne by thousands of “Northern Africans” are believed to have been organized non-spontaneously.³⁰² Immigrants razed a hotel that had been converted to an asylum center because they “didn’t get a wake-up call for Ramadan.”³⁰³ A compendium of assaults tied to the recent wave of immigrants gives you a feeling for what Europe may be confronting.³⁰⁴

As usual, authorities offered calming voices. “Islamist terror in Germany wasn’t imported with refugees,” assured Angela Merkel. She has taken on the politically challenging task of supporting the process:

“For me it is clear: we stick to our principles. We will give those who are politically persecuted refuge and protection under the Geneva Convention. I cannot promise you that we will never have to take in another mass wave of refugees.”

~Angela Merkel, chancellor of Germany

As you might expect, the pushback has been equally determined. French citizens blockaded Calais, demanding the demolition of the migrant Jungle camp.³⁰⁵ Germany ran out of pepper spray after a 600% increase in sales,³⁰⁶ although it is unclear how well Mace works in a mob. Rampaging teen refugees in Sweden were met by angry Swedish men.³⁰⁷ That probably left an impression as the Swedes tapped their inner Vikings.

“Extremism is growing everywhere. . . . We are on the brink of civil war.”

~Patrick Calvar, chief of France’s Directorate General of Internal Security

Of course, the next step is nationalism. The Schengen area—the 26 European countries that have abolished border controls—is said to be at risk as border checkpoints to curb refugee movements are being put into place. Walls go up; goods and services cease to move seamlessly. French far-right leader Marine Le Pen promised an Islamic crackdown and a “Frexit” referendum as she launched her bid to be president.³⁰⁸ Hungarian voters rejected Brussels’ quota of refugees but failed to meet the 50% quorum.³⁰⁹ I’m not sure the refugees will be met with teddy bears this time. Horst Seehofer, Bavaria’s prime minister, suggested the refugee problem “is too big. . . . [A] solution thus far [is] unsatisfactory. Restrictions on immigration are a condition for security in this country.” The Greeks, still upset that the IMF plotted an existential “credit event”, is “tasked with one of the most complex and legally dubious international border policing missions in modern history.” It’s looking for some debt relief to play along.³¹⁰

“Regaining control of our borders is an existential issue for our culture and the survival of our society.”

~Thilo Sarrazin, German central banker and a former member of the Social Democratic Party

The economic failures are difficult to assess but acute in some countries. Recall that the 200,000 Goths swarming across the Danube did not sack Rome; they overwhelmed it. Northern Europe is getting seriously whacked. Muslims are roughly 5% of Belgium’s population yet consume 40–60% of its welfare budget.³¹¹ The 92% male refugees (some 20- and 30-somethings claiming to be children)³¹² in Sweden are an enormous financial hardship. Sweden’s tourism industry has been crushed as hotels have been converted to

refugee hostiles (errata: hostels).³¹³ Of course, cottage industries designed to pick up the government giveaways are flourishing.³¹⁴ Merkel is taking heat for encouraging German companies to hire refugees.³¹⁵ Germany took 1.5 billion euros—1,000 per refugee—from the public health care fund (10 billion euros in total) for refugee assistance.³¹⁶

What about the U.S.? Can't we relieve some of the pressure? We are, as many like to say, a nation of immigrants. This is another paradox for me. I have openly blamed U.S. foreign policy for causing this problem. Our Crusades in the Middle East are destabilizing. However, and this is a very big however, immigrants of yore came here looking to embrace the American dream. The idea of bringing angry 20-something men we just bombed the crap out of strikes me as demanding an extra layer or two of checks and balances at the border. Of course, I'm sure our new president has strong opinions on immigration and even a few tweets up his sleeve:

“All Americans, not only in the states most heavily affected but in every place in this country, are rightly disturbed by large numbers of illegal aliens entering our country. The jobs they hold might otherwise be held by citizens or legal immigrants. The public services they use impose burdens on our taxpayers. . . . We will try to do more to speed the deportation of illegal aliens who are arrested for crimes, to better identify illegal aliens in the workplace. . . . We are a nation of immigrants, but we are also a nation of laws. It is wrong and ultimately self-defeating for a nation of immigrants to permit the kinds of abuse of our immigration laws we have seen in recent years, and we must do more to stop it.”

~Donald Trump, president elect

I was just messin' with ya. *Those were excerpts from Bill Clinton's 1995 State of the Union Address.*³¹⁷

Unbeknownst to many, we are already accepting Syrian refugees piecemeal. A local Ithaca diocese has agreed to sponsor 50 in Ithaca alone.³¹⁸ The question I still find myself asking is blunt, even a bit raw: if this doesn't work out well—if, for example, the lovely walking mall in downtown Ithaca becomes a no-go zone like those in Sweden—will that diocese fix the problem? Recall the woman who adopted a Russian orphan—undoubtedly one whose biochemically induced sociopathy would glow on an fMRI scan—and sent him back to Russia? Her name was Mud.

Putin and Russia

“Today, the danger of some sort of a nuclear catastrophe is greater than it was during the Cold War and most people are blissfully unaware of this danger.”

~William Perry, former secretary of defense

“You people . . . do not feel a sense of the impending danger. This is what worries me. How do you not understand that the world is being pulled in an irreversible direction? . . . I don’t know how to get through to you anymore.”

~Vladimir Putin

Russia is the huge topic ignored by most. A potential Russian/American conflict presents significant risk of a New Cold War and potentially a hot war. This markedly shaped my view of the U.S. elections, with eye toward Russian-American relations under Clinton and Trump. I viewed Trump’s agnosticism toward Putin—what the left might call cozying up to him—as a strong positive. When the Cold War archives were pried open after the collapse of the Soviet Union, we found that Russia was perennially responding to us, not provoking.³¹⁹ History may be repeating. A media that is bought and paid for by the “deep state” is telling us the Ruskiies are bad. I am deeply troubled by the relentless hawkish rhetoric coming from Washington.

Pat Buchanan describes Putin as “a nationalist who looks out for Russia first.”³²⁰ Putin also gets along with Netanyahu,³²¹ which flies in the face of rhetoric about Putin’s pro-Arab stances. When asked by Fareed Zakaria whether there would be another cold war, Putin destroyed him in a must-watch video.³²² A Putin interview with a panel of journalists left me similarly impressed that he understands risks in the Middle East that the American public hasn’t a clue about.³²³ George Friedman, however, thinks Putin has serious internal political problems:³²⁴ “I suspect that Putin will survive until the end of his elected term. But fear makes politics unpredictable, and geopolitical analysis doesn’t work on the thinking of worried men drinking vodka to calm their nerves.”

“We never poke our noses into others’ affairs, and we really don’t like it when people try to poke their nose into ours. The Americans need to get to the bottom of what these e-mails are themselves and find out what it’s all about.”

~Dmitry Peskov, Kremlin spokesman

We’ll probably never know what role Russian hackers played this year, but it is interesting that in midsummer they were rumored to have hacked the Democratic National Committee (DNC),⁵²⁵ which promptly denied it. The eventual onslaught of WikiLeaks forced a change in tactics from denial to hang everything on Putin and his love child, Donald Trump.³²⁶ Stephen Cohen, Russian studies expert at Princeton, calls bullshit on CNN’s assertions that Russian hacking is about Putin wanting to start a new

cold war in cahoots with Trump. I'm inclined to side with anybody who calls CNN a shill.

Hurling flaming balls of rhetoric at the Russians is dangerous, and the election didn't help. James Clapper, director of national intelligence, was "somewhat taken aback by the hyperventilation" on the hacks and wasn't even convinced the hackers were Russian.³²⁷ Impartial observers argued that Crimea became a political football for the Clintons with a U.S.-initiated overthrow of a democratically elected president in 2014.¹ Crimean citizens voted to legally reunite with Russia on March 18.³²⁸

"We know perfectly well that candidates in the heat of a pre-election struggle say one thing, but that later, when under the weight of responsibility, their rhetoric becomes more balanced."

~Dmitry Peskov

"[G]rave accusations [are] . . . fabricated by those who are now serving an obvious political order in Washington, continuing to whip up unprecedented anti-Russian hysteria. . . . Unfortunately, we see less and less common sense in the actions of Washington and Paris."

~Sergei Ryabkov, Russian deputy foreign minister, on hacking

Evidence of the New Cold War is everywhere. The news network RT got its accounts blocked in the UK,³²⁹ causing an RT spokesperson to declare on Twitter, "Long live freedom of speech!" The hot war is heating up, too. Russian jets have been buzzing U.S. naval ships.³³⁰ The U.S. and NATO conducted the "largest war games in Eastern Europe since the end of the Cold War" that included 31,000 troops (lots of Americans) and thousands of combat vehicles from 24 nations.³³¹ Meanwhile, China and Russia are doing joint military exercises in the South China Sea.³³²

"We're not concerned about the safety of U.S. vessels in the region as long as interactions with the Chinese remain safe and professional, which has been the case in most cases."

~Josh Earnest, White House spokesman

We haven't exactly been voices of reason. A cease-fire in Syria was broken by U.S. bombing, prompting Russia to call for a UN Security Council meeting.³³³ Obama considered an unprecedented cyberattack against Russia in retaliation for alleged Russian interference in the American presidential election.³³⁴ U.S. Secretary of State John Kerry said that Russia and Syria should face a war crimes investigation for their attacks on Syrian civilians.³³⁵ The hypocrisy is killing me (and them). There is even evidence that the Germans are preparing to go to war against Russia.³³⁶ Alexei Pushkov, head of the Foreign Affairs Committee of the Russian State Duma, tweeted "*The decision of the*

*German government declaring Russia to be an enemy shows Merkel's subservience to the Obama administration."*³³⁷ *Is the next war going to be fought on Twitter?*

As I am putting this annual survey to bed, I am hearing shrill screams about all of our intelligence agencies now agreeing that the Russian hackers are a problem. I don't believe them. It's not about faith in the Russians but a lack of faith in U.S. propaganda with a decidedly domestic agenda.

South America

"Thanks Hugo Chavez for showing that the poor matter and wealth can be shared. He made massive contributions to Venezuela and a very wide world."

~Jeremy Corbyn (@jeremycorbyn), leader of Britain's Labor Party on 5/3/13

.@jeremycorbyn Thanks to Chavez we don't have electricity, water, food, even toilet paper.

Guillermo Amador (@modulor)

What a difference three years and a brain stem make. Let's do a quick trip south of the border to remind us we face first-world problems. Venezuela is in total collapse, suffering hyperinflation at 500% per annum and projected by the IMF to hit 1600% next year.³³⁸ Like clockwork (orange), there were food shortages (starvation) and even condom shortages (insert tasteless joke here.) People get grumpy when pushed to the edge; sexual deprivation and unwanted kids are past the edge. A Venezuelan mob beat and burned a \$5 thief to death . . . although he might not have actually stolen anything.³³⁹ Venezuelan clocks were moved forward by 30 minutes to save power and alleviate an electricity crisis.³⁴⁰ That's the solution? Daylight savings time? Ya also gotta wonder what role John Perkins-like jackals played in this one.

Argentina is the bond fiasco capital of the world. Singer and company are still trying to get paid for their Argentinian bonds,³⁴¹ which are still being ring-fenced by whomever is tasked with ring fencing bonds. Meanwhile, a new Argentine bond issuance was announced.³⁴² Private buyers should be subjected to mandatory head CT scans and, if necessary, euthanasia. (Bankers are exempted because they always get bailed out.) The demand for the \$15 billion offering was strong. What is that definition of insanity again about repeating something over and over? Never mind.

Brazil has been hobbled by the energy crisis. Petrobras dropped 11,700 workers.³⁴³ Being South American, they are, almost by definition, hobbled by debt, too. As Bill Gross said, "No country over time can issue debt at 6–7% real interest rates with negative growth. It is a death sentence." Brazil auto sales plummeted 31% in January. Another BRIC added to the Global Wall of Worry. And, of course, the Zika virus showed up. The effects on fetuses are horrendous, reminding me of the 1932 movie *Freaks*. This one is moving

around the globe. I sweated bullets over Ebola, only to find out the secret is hydration and bed rest. I'll do a wait-and-see.

Of course, Brazil was the site of the 2016 Summer Olympics. Any economist knows how much wealth is created for the host country: none. They are total money pits. I return to them below.

China

“We are in a down cycle that will end with crisis and calamity. China in today’s cycle is what U.S. housing was during the financial crisis in 2008.”

~Felix Zulauf, president of Zulauf Asset Management

China has enjoyed a half century of explosive growth, not unlike the U.S. from 1870–1930 and Japan from 1945–1989, but now it suffers from Osgood–Schlatter disease—its joints are beginning to ache—and it seems unlikely to be only economic growing pains. China’s imports have been dropping for 18 months.³⁴⁴ Its exports are dropping double digits as the debt-laden, stagnating global economy ceases to be a consumer of any resort. Richard Duncan provides stunning stats on China’s impending hard landing.³⁴⁵ Reduced consumption is crushing Ferrari sales (and they have leaves in their swimming pools). China is planning for 1.8 million unemployed workers, but that’s only 0.2% of the population. A serious downturn would involve many more. Its current economic model of development for the sake of employment—Potemkin Villages—is burning through its foreign reserves. China’s credit-fueled expansion was exemplified by a 27-story high-rise building completed in 2015 and demolished in 2016 because it was “left unused for too long.”³⁴⁶ Bastiat’s broken-window fallacy has been operating on a grand scale.

“We are at the atrophy level in China.”

~Kyle Bass, Hayman Capital

Of course, credit-based booms stress and eventually break banking systems, and it’s always entertaining to get Kyle Bass’s take on disasters before they occur. Kyle says the \$3 trillion corporate bond market is “freezing up. . . . [W]e’re starting to see the beginning of the Chinese machine literally break down.” He estimates that a 10% loss in bank assets would cost China \$3.5 trillion.³⁴⁷ Some fund managers predict a \$500 billion bank bailout. Bass sees \$10 trillion (and dead people). Money has been steadily laundered out of China. The China Banking Regulatory Commission is trying not to cut off troubled companies by “evergreening” bad loans—extending their duration to infinity, which is a long time.

“If I don’t issue more loans, then my salary isn’t enough to repay the mortgage and car loan. It’s not difficult to issue more loans, but lets say in a year’s time when the loan is due, if the borrower defaults, then I won’t just see a pay cut, I’ll be fired and still be responsible for loan recovery.”

~Chinese loan officer

Plunging commodity prices and highly levered corporations struggling to make interest payments are causing business failures and defaults.³⁴⁸ Nonperforming loans are up to 20%.³⁴⁹ Evergreening doesn’t stop this part. The housing bubble finally popped. China forex reserves (as noted last year) are depleting unsustainably.³⁵⁰ So much for forex superpower status. Contrary to popular opinion, high forex reserves correlate with crisis (U.S. in 1929 and Japan 1989). Additional risks include debt equaling 300% of GDP.³⁵¹ Everything is big in China.

Its equity markets are only 20% off all-time highs owing to a dead panda bounce. Its draconian 2015 measures—arresting sellers to arrest the selling—have worked for now,³⁵² but bodies are starting to surface. A Madoff-like fraud in China caused angst.³⁵³ A 7% 30-minute flash crash-ette was saved by state-sponsored buyers. The sell-off was blamed on 胖手指, which loosely translates “fat fingers.”³⁵⁴ Andy Xie, fired from Morgan Stanley for his candor,³⁵⁵ sees a ’29-style crash in China’s future:³⁵⁶ “The government is allowing speculation by providing cheap financing . . . terrified of a crash. So it keeps pumping cash into the economy. It is difficult to see how China can avoid a crisis.” It took 50 years, but another emerging market has become an emergent market.

Geopolitical risks have been growing for years. China dumped low-cost steel, killing global steel industries.³⁵⁷ India cranked up production to protect debt-laden domestic steelmakers.³⁵⁸ The U.S. imposed a 256% tariff on Chinese steel imports, 522% on cold-rolled steel used in automobiles.³⁵⁹ Let the trade wars begin, but they often mutate into conventional wars. China is rumored to have hacked the Federal Deposit Insurance Corporation: “Nothin’ here.”³⁶⁰ Team Obama had a diplomatic bar fight with Chinese officials on the tarmac in China. Team Obama got dissed, big time.³⁶¹ Obama was then called a “son of a bitch” by the president of the Philippines³⁶² and decided to grab his ball and come back home a little early.

I wish I understood “special drawing rights.” They appear to be supranational fiat currencies that are every bit as dubious as other fiat currencies, yet they pose risk to the dollar’s reserve currency status. China authorized a lender to issue a pile of these puppies. “Major financial institutions and other international institutions also intend to issue SDR-denominated bonds on the Chinese inter-bank market.” Why is this important? Simple: we bomb countries that try to dethrone King Dollar.

And if all that weren’t enough, there are potential range wars ahead owing to water rights.³⁶³ Asia’s 10 major rivers provide water to more than a fifth of the world’s population. The lack of clear rules to regulate shared water sources could cause problems.

Japan

“When central banks have bought up all the world’s stocks and bonds, and transferred all the wealth into the pockets of the 1%, the confusion will finally end.”

~Zero Hedge

Japan is, for the second year in a row, not that interesting. Of course, I *should* care. As Bill Gross says, Japan is “the world’s largest aging demographic petri dish,” and demographics will drive markets and economies in coming decades. Japan’s labor participation rate is dropping just like ours but is more centered on an aging population.²⁶⁴ According to Tim Price, “Japan has been the dress rehearsal; the rest of the world will be the main event.” Japan is also at the vanguard of monetary policy, intervening in virtually all markets at unimaginable levels.

“Bank of Japan Risk: Running Out of Bonds to Buy”

~Wall Street Journal headline

BoJ redirected its focus from expanding the money supply to controlling interest rates, which smacks of desperation to some (and a crock to others). The effects of its interventions are breathtaking. The yields of 40-year government bonds reached 0.3% last I looked, and the 10-year bond went negative. BoJ underwrote government bonds and converted them into zero-coupon perpetual bonds in the secondary market.³⁶⁵ These are bonds that pay nothing and last forever. Gillian Tett reminded us that Japan tried this crap in the ‘30s. How’d that work out? Oh, right. The bear market ended badly in 1945.

There is hope. A Bloomberg headline suggested that the rates were “nearing levels too low for BoJ comfort.” Nobody told the head of BoJ, apparently:

“[A] reduction in the level of monetary policy accommodation . . . will not be considered. There aren’t any such things as a quantitative limit or anything, any numbers we can’t overcome.”

~Hiroki Kuroda, governor and head monopsonist at the Bank of Japan

Well what the hell are they gonna buy, ETFs? Exactly. Japan’s \$1.1 trillion government pension fund is being used to push the Nikkei higher.³⁶⁶

“BoJ is nationalizing the stock market.”

~Nicholas Smith, CLSA’s Japan strategist

“The BoJ is basically declaring that Japan will need to fix its long-term problems by 2018, or risk becoming a failed nation.”

~Takuji Okubo, chief economist at Japan Macro Advisors

Yasuhide Yajima, chief economist at NLI Research Institute, suggests even greater boldness: “What’s certain is that Kuroda has to do something extreme or unthinkable if he wants to surprise.”³⁶⁷ Apparently, the crap they’ve been doing isn’t officially unthinkable or extreme. Ya had me at negative rates.

What does any of this have to do with rejuvenating an economy, and how is it working? Nothing and not well. Japan has been stagnant for 25 years and counting (Figure 19). Can you imagine your portfolio dropping for 25 years? Occasionally the Nikkei seems to show a pulse—the corpse twitches a bit—but then it falls back. I was watching the 15K line in the sand this year, waiting for it to break. Miraculously, the Wall of Money appeared at 15K to bump it back up. Go figure. It’s time to get bold, Kuroda-san. Do something *really* extreme.

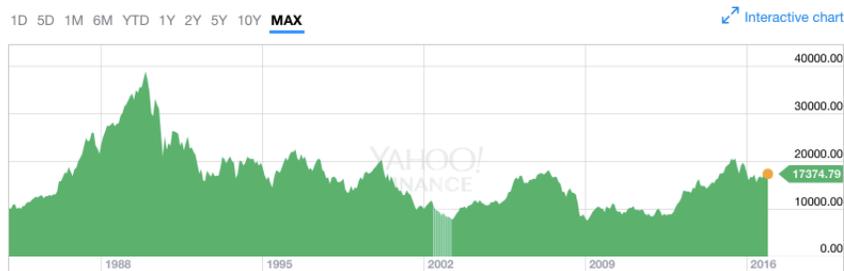


Figure 19. Nikkei.

A little bookkeeping is in order before leaving the island. Fukushima is still a disaster. Massive storage tanks continue to be filled. Mutations are starting to appear in flora and fauna.³⁶⁸ It turns out the tanks were not up to spec to store radioactive water, so they’re decaying and leaking.³⁶⁹ Attempts to form an ice dam failed.³⁷⁰ Seemed harebrained anyway. The Tokyo aquifer is still at risk. The day I am typing this rough draft, the Ring of Fire is alive with earthquakes. Sounds like a sci-fi thriller to me. Armageddon 2.0.

Middle East

“I think this is a very hard choice, but we think the price was worth it.”

~Madeleine Albright in 1996 on 500,000 dead children in the Iraq War³⁷¹

It is possible that the authorities and private-sector intelligence gurus like George Friedman understand the Middle East. One Sunday morning I got an hour-long tutorial from Nassim Taleb. He seemed to understand it, but it flew right over my head like a drone. I asked a former Trident submarine captain with time in the Pentagon what was

behind our Syrian policy, and he professed “not a clue.” Eight years ago, we elected a liberal democrat who won a Nobel Peace Prize prenatally. I was sure he would have a more humble Middle East policy than Bush Jr., but then he bombed the hell out of half the countries in the Middle East and caused what I think will prove to be a historically important refugee crisis in Europe. (Bombings are now euphemistically called “kinetic scenarios.”) Maybe our current president will unify the whole region and call it Trumpistan. I just hope he lays low.

“We never saw a secular Arab regime that we didn’t want to overthrow.”

~Peter Ford, UK ambassador in Syria, 2003–2006

One could argue that the Middle East and the West will never share common values. At great risk of becoming a shot messenger, I offer the results of a global Pew Foundation poll—the gold standard of polls:³⁷²

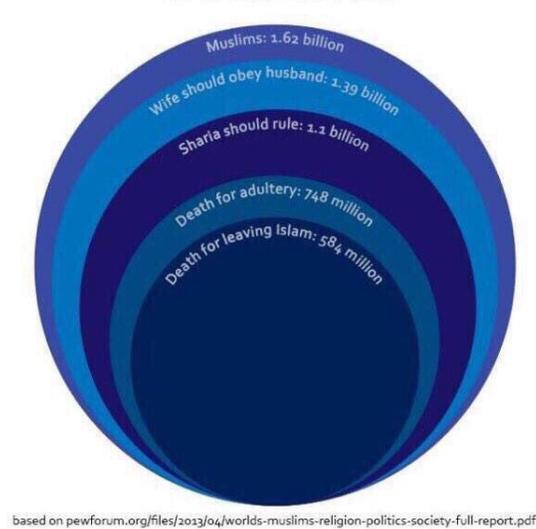


Figure 20. Pew Foundation poll.

Those numbers prompted Ian Bremmer, president of Eurasia Group, to tweet, “Islam has a problem.” The King of Jordan on *60 Minutes* assured us that only 2% of the world’s Muslims are radical jihadists. Two percent of 1.8 billion is 36 million. I feel much better now. Leaving aside whose worldview is right, maybe we should stay in our respective regions until we find a little more common ground. *That means we must leave them alone to fight among themselves.* A study at Brown University (for what it’s worth) claims that our Middle East adventures since 9/11 have cost us \$5 trillion,³⁷³ which accounts for a large percentage of our national debt accrued over that same period. The indirect costs are incalculable. Millions have died either directly or owing to the unrest and instability. I am compelled to look at a few low-water marks in this gigantic real and metaphorical desert.

“For us to control all the air space in Syria would require for us to go to war against Syria and Russia. That’s a pretty fundamental decision that certainly I’m not gonna make.”

~General Joseph Dunford, testifying to the Senate

I’ve written before about our 10-year effort to overthrow Assad.³⁷⁴ We have failed, producing a complete wasteland. Footage of Damascus and Aleppo (or, as Gary Johnson calls it, Whatsaleppo) shows mind-boggling carnage.³⁷⁵ Martha Raddatz, in a Republican presidential debate, had the temerity to ask, “What if Aleppo falls?” Martha: it’s a total pile of rubble; it’s gone (Figure 21). The absurdity of our foreign policy is exemplified by reports that “CIA-armed militias are shooting at Pentagon-armed ones in Syria.”³⁷⁶ Fifty State Department officials urged military strikes against Assad for persistent cease-fire violations.³⁷⁷ We are going to bomb *them* because we are in *their* country bombing *them* and *they* are fighting back? We should never forget, however, the massive casualties we’ve taken at the hands of the Syrians. Which ones? I’m still working on that.



Figure 21. Aleppo, Syria.

“It’s a bad strategy, it’s the wrong strategy, and maybe I would tell the president that he would be better served to find somebody who believes in it, whoever that idiot may be.”

~General Anthony Zinni and former head of U.S. Central Command on Obama’s ISIS policy

Turkey is a key borderland, the gateway between Europe and the Middle East. It got a little more exciting when the populace rose up against bad-boy Prime Minister Erdogan in a palace coup. But soon it started smelling of the CIA, and the Turkey coop quickly became the Bay of Goats. Erdogan was never at risk; he used this false flag (or at least pathetic effort)³⁷⁸ to scrub out the riffraff in his country (teachers).³⁷⁹ The tally could exceed a hundred thousand. When a German comic mocked Erdogan, the crazy Turk

demanded retribution under a German law that prohibits “offending foreign heads of state or members of government.”³⁸⁰ The Germans complied,³⁸¹ which immediately triggered a retaliatory “Erdogan Offensive Poetry Competition.”³⁸²

What is Erdogan’s leverage? Millions of Syrian refugees are camped at the Turkish border waiting for Erdogan to open the floodgates. He reiterated his threat in late November. He has the cowbell.

I suspect you can’t understand the U.S./Iran nuke deal without top security clearance. The White House got caught airlifting \$1.7 billion—pallets of cold cash—to ensure the deal went through.³⁸³ They also got caught hitting the Buy Now button on a couple of captives for \$400 million (free shipping)—enough to ensure that more captives will be taken. Oddly enough, I think Iran is an interesting place to invest (when sanctions preventing it are dropped) owing to a >90% literacy rate.³⁸⁴ I sense that U.S. dollars—fully documented dollars—may be allowed into Iran soon. On the fateful Friday that everyone was grouching about Trump’s “grab the pussy” fiasco, Obama quietly eased sanctions on Iran.³⁸⁵

Saudi Arabia never changes (SNAFU). On New Year’s Day, they chopped the heads off 47 men, including a prominent Shia cleric.³⁸⁶ The Saudi head-slicers recently got a seat on the UN Human Rights Council. The Saudis also got three demerits for violating children’s rights—their right to live—in Yemen. A little retribution could “be headed” their way, as the Senate passed a bill and overrode the veto to release secret files showing Saudi involvement in 9/11.³⁸⁷ For years, there was no direct evidence of Saudi involvement . . . unless, of course, you include the fact that the friggin’ terrorists flying the planes were Saudis. The first lawsuit by a 9/11 widow was filed days later.³⁸⁸ The concern—a significant concern—is that millions of recipients of *our* wrath will sue us for killing people. That could keep folks at The Hague busy for a while.

Good news: Pakistan passed a law against honor killings after a famous Pakistani woman was killed by her brother for dishonoring her family.³⁸⁹ The bad news is that it was legal until this year.

Government Folly

“In a state where corruption abounds, laws must be very numerous.”

~Tacitus

Some libertarians think *any* government is bad. Human beings have been offered the option of having governing bodies and appear to have chosen government every time. The issues pertain to the size and scope of government. An insider instrumental in the post-9/11 bailouts of insurance companies and airlines described in a Davy Crockett-esque way the dangers of publically funded compensations.³⁹⁰ Peter Dale Scott’s treatises on the deep state are worthy and scholarly descriptions of the notion that underneath the veneer of democracies lie forces that shape history but not always for the good.³⁹¹ Mike

Lofgren spoke about the deep state with Bill Moyers.³⁹² Occasionally a window opens, and we get a glimpse of the deep state before it closes. Video footage from inside SOFEX, the world's largest trade show for military gear, shows bad guys from bad places shopping for the firepower needed to become really lethal bad guys.³⁹³

In a year dominated by WikiLeaks and fiascos of a higher order, events occurred that seem minor in comparison but still make you sit up and say, "WTF?" Here are a few.

- The Obama administration told New Balance to shut up about the Trans-Pacific Partnership trade agreement in return for lucrative shoe contracts . . . and then got stiffed.³⁹⁴ A New Balance spokesman suggested "the chances of the Department of Defense buying shoes that are made in the USA are slim to none."
- An aide to Boston Mayor Marty Walsh withheld permits from organizers of a music festival to force them to use of union stagehands, which is a federal crime.³⁹⁵
- The supreme Allied commander in Europe gets \$600K per year as "senior veteran's advisor" to the company and penny stock Grilled Cheese Truck, Inc. (NASDAQ:GRLD).³⁹⁶ Its pulled-pork sandwich is popular.
- The CIA's inspector general accidentally deleted the only copy of a 6,700-page classified Senate report on interrogation techniques.³⁹⁷ Stating the obvious, Eddie Snowden said, "when the CIA destroys something, it's never a mistake." I think he meant "by mistake."
- Six billion dollars in cash—bundles of printed bills—have disappeared from the State Department in recent years.³⁹⁸ This is the best argument for a cashless society *and* why it may not happen.
- A congressman's Yahoo screen viewed on TV showed his porn tabs. Critics decried, "nobody uses Yahoo."³⁹⁹
- A congressman—I missed his name—on *The O'Reilly's Factor* actually thought the Germans bombed Pearl Harbor. Graduated from Belushi–Trump University.
- Philadelphia lawmakers want to add a soda tax of 1.5 cents *per ounce*.⁴⁰⁰ Revenues will be used for projects that employ union laborers. Is *that* a federal crime, too?
- A person-to-person loan company called "Hard Lending Club" is backed by John Mack, Larry Summers, Mary Meeker, and others.⁴⁰¹ This *smells* of government folly.
- A lawsuit alleges that Obama's top aides quietly claimed the power to spend \$178 billion over the next decade to reimburse health insurers and bribe them to participate in the Affordable Care Act.⁴⁰² Not a problem: it will soon mutate into something unrecognizable called TrumpCare.
- The Obama administration and the UN announced a global police force to fight "extremism" in the U.S.⁴⁰³ They better up their budget if that becomes common knowledge.
- Obama snuck in his 300th round of golf as president long before he became a lame duck (hook) with free time.⁴⁰⁴ Appallingly, he's still a duffer.

- An impoverished congresswoman built a multimillion-dollar nest egg from day-trading on insider information while serving her term, *which is legal*.⁴⁰⁵
- Congresswoman Nancy Pelosi’s husband made some serious money on the ramp-up of SunEdison, buying with impeccable timing before a big acquisition.⁴⁰⁶
- A federal court found that the IRS is still targeting tea partyers.⁴⁰⁷ I’m suspecting our new POTUS has some issues with the IRS.
- Recall the congressman suspected of killing Chandra Levy until police caught the real killer? The case fell apart.⁴⁰⁸
- Among 2,000 pages of new rules are minimum and maximum diameters of potatoes that are sold in Colorado.⁴⁰⁹ It’s creating angst among salt potato enthusiasts, which are great if you’re stoned.
- The NSA got hacked.⁴¹⁰ Snowden thinks it’s a message from the Ruskies.⁴¹¹
- Reuters says the Army made \$6.5 *trillion* in accounting adjustments in one year to balance its books.⁴¹² It couldn’t find receipts and invoices—billions of them.
- There are 10 million more workers in government than in manufacturing.⁴¹³
- Boehner cashed in his chips, taking the revolving door to a lobbying firm.⁴¹⁴
- The White House spent \$1.5 billion for public relations.⁴¹⁵
- I’ve noticed that radio is *all* public service announcements (seat belts, car seats, stroke detection, etc.) Who is paying?
- Thousands of price gouging complaints were made after Hurricane Matthew. The folly part of this story is that price gouging is a government construct anathema to free markets. If you want plywood (or flood insurance), buy it before the storm. It’s expensive to be shortsighted and stupid.⁴¹⁶
- Obama warned us to prepare for emergencies.⁴¹⁷ What do they know? One theory is that there is a coronal hole in the sun. I think he knew one of the two candidates would win the election.

And for some quotes that rock . . .

“When I saw corruption, I was forced to find truth on my own.”

~Barry White

“The duty of youth is to challenge corruption.”

~Kurt Cobain

“The government is so out of control. It is so bloated and infested with fraud and deceit and corruption and abuse of power.”

~Ted Nugent

Panamania

“A Key Similarity Between Snowden Leak and Panama Papers: Scandal Is What’s Been Legalized”

~Glenn Greenwald, *The Intercept*

Well before the pre-election deluge from WikiLeaks, we had the publication of the Panama Papers—Panamania.⁴¹⁸ On April 3, somebody leaked 40 years of data from a Panamanian law firm, Mossack Fonseca, that specializes (specialized) in offshore bank accounts and money laundering.⁴¹⁹ Some suspected the Ruskies, while others suspected the Americans.⁴²⁰ It is oddly coincidental that HSBC CEO Stuart Gulliver and Chairman Douglas Flint got grilled by Congress on Mossack Fonseca money laundering schemes a month before release of the Panama Papers.⁴²¹ Hillary Clinton supported legislation in 2008 that fostered Panamanian money laundering.⁴²² Why?

The papers showed hundreds of thousands of people, including plenty of politicians, stashing cash offshore.⁴²³ HSBC and Credit Suisse, two egregiously lawless banks, led mega-banks in hiding clients via Panama.⁴²⁴ The Clintons and the Trumps showed up on the guest list of 18,000 account holders domiciled at the same address.⁴²⁵ The prime minister of Iceland resigned the day the Panama Papers were released.⁴²⁶ Undoubtedly, more resignations went unnoted. The Naval War College’s Thomas Barnett once said (paraphrased), “I read stuff in the *NY Times* that I’ve known for five years.” Nothing should surprise us, not even the connection made between the Clintons and the Kremlin revealed by Panamania.⁴²⁷ And, of course, this sordid affair is already forgotten.

Human Achievement

Every year, oddities capture my attention but don’t fit neatly into any category. Seems a shame to waste them. Before hitting the loopy stuff, let’s look at a few positives with a sports theme.

The high points of the 2016 Summer Olympics in Brazil (from the Yankee perspective) were Michael Phelps winning his 300th Olympic medal (OK, 28th).⁴²⁸ The Baltimore Ravens stopped a preseason game so that fans and players could watch him race.⁴²⁹ The women’s gymnastic team was referred to by *Slate* as “the indomitable, world-destroying, medal-hoovering Team USA.”⁴³⁰ Speaking of hardened gymnasts, 41-year-old Oksana Chusovitina (nicknamed Grandma) deserves a solid-gold participation trophy.⁴³¹ Britain’s Mo Farah fell in the 10,000 meter and still won gold (his second).⁴³² Those Brits might sound like wusses, but that was true grit. Skeet shooter Kim Rhode became the first athlete to win a medal in six consecutive Summer Olympic Games.

The Cubs won the World Series after 108 years. Mohammad Ali threw his final punch, but not without us understanding the totality of his greatness both in and out of the ring. It took me a better part of my lifetime to comprehend this. And then there was the 12-year

old kid who got to play in the inaugural round of a new golf course with Tiger Woods. The kid aced the first hole.⁴³³

Human Folly

Of course, the Olympics had its darker moments but far fewer than many expected in a bankrupt country. CNN never published a story about skeet shooter Rhode's historic 6 contiguous olympics with medals. Reporters, however, hounded her that she "must deal with the reality of mass shooting."⁴³⁴ What a bunch of dorks. A guy with a broken leg got dropped off the gurney for all to see. Everybody knows the diving pool turned green.⁴³⁵ It was said to be safe, despite the "smell of farts."⁴³⁶ The chemical explanation finally agreed upon was, in my humble opinion, total nonsense. A kayaker was rumored to have hit a submerged sofa on the Olympic kayak course. It is also rumored to have been a rumor, but everybody bought it (or so they say).⁴³⁷ A judo bronze medalist was arrested after "losing a fight" with a receptionist at his hotel.⁴³⁸ She was a *very* tough receptionist. Of course, Ryan Lochte lost millions in endorsements by *pretending* to lose a fight (get robbed) and then later being shown to suffer from terminal douchebaggery.⁴³⁹

"Places where what can go wrong will go wrong, had gone wrong, and yet in the end, had delivered me in one piece with a deepening situational awareness (though not a perfect science) of available cautions within the design in chaos."

~Sean Penn (or Thomas Friedman)

One of Hollywood's brightest bulbs, Sean Penn, interviewed drug kingpin El Chapo, estimated to have murdered more than 100,000 people.⁴⁴⁰ The interview led to El Chapo's arrest and a scramble to put Sean's life insurance policy into a risk pool.

Now let's look into the shallowest end of the gene pool, which is teeming with lower carbon-based life forms:

- A movie about Michael Jackson has cast Joseph Fiennes—a white guy.⁴⁴¹
- Ernie Els seven-putted from 3 feet at the first hole of the Masters.⁴⁴² Mickelson lost a ton betting he could make it in five.
- Mega drought continues to ravage California and the Southwest,⁴⁴³ leading some to speculate that high-density developments in deserts are ill-advised.
- Lake Mead hit its lowest level in history, dropping a dozen feet per year.⁴⁴⁴ Soon it will be renamed Lake Mud.
- For four hours during a debate, more people were searching online for info on our future leaders than for porn. USA! USA!⁴⁴⁵
- Anthony Weiner sexted a 15-year-old that he would "bust that tight pussy so hard and so often that you would be limp for a week."⁴⁴⁶ With the help of Donald Trump, "pussy" is now common usage, leading some to speculate the "C-word" is not far behind.

- LinkNYC removed web browsing from Wi-Fi kiosks after an epidemic of porn and masturbation.⁴⁴⁷ Anthony Weiner declined comment.
- “Neighbors 2” hired consultants to ensure the plot would not offend women.⁴⁴⁸
- Bob Dylan won the Nobel Prize in Literature.⁴⁴⁹ Hillary is rumored to be rigging the Grammy voting for best swan song.
- A gold dildo was sold for \$15,000.⁴⁵⁰ The price reflected the high mileage.
- An app turns your smartphone into a vibrator.⁴⁵¹ Careful: it sends your habits back to the company.
- Annaliese Nielsen berated a Lyft driver over a dashboard hula girl bobblehead as a “cultural appropriation” from the “continent of Hawaii.”⁴⁵² It went viral, Annaliese turns out to be a madam, and she is now busted.⁴⁵³
- Joey Chestnut regained the Nathan’s Famous Hot Dog Eating Contest title, downing 70 hot dogs and buns in 10 minutes.⁴⁵⁴
- KFC introduced sunscreen that smells like fried chicken.⁴⁵⁵
- A mother waterboarded her 13-year old son.⁴⁵⁶ Apparently time-outs weren’t working.
- Antonin Scalia was discovered dead in bed with a pillow over his head and unwrinkled clothes.⁴⁵⁷ No autopsy was performed.
- Steve Harvey crowned the wrong Miss Universe.⁴⁵⁸ Awkward. Her forced smile won her an Academy Award.
- CBS News says Caitlyn Jenner is rumored to be considering de-transitioning.⁴⁵⁹ I resisted thinking it was a stunt.
- Liberals expressed outrage over a story that the Trump boys killed a triceratops.⁴⁶⁰
- Rage disorder has been linked to a parasite in cat feces.⁴⁶¹ All these years we have been going catshit, not batshit.
- A Swedish soccer player was kicked out of a game for “provocatively farting.”⁴⁶² The perpetrator who pulled his finger was fined with no admission of guilt.
- Measles brought in by an inmate at a federal immigration detention center is spreading through the anti-vaxxer community.⁴⁶³
- A U.S. man has publicly condemned the actions of his mother, who married his sister after a previous relationship with his brother was annulled.⁴⁶⁴
- A girl got investigated for counterfeiting because she used a \$2 bill in the school cafeteria to buy lunch.⁴⁶⁵
- The Brits were allowed to pick the name for a new research vessel, but authorities ruled that *Boaty McBoatface* would *not* be used despite the landslide victory.⁴⁶⁶
- The Flint water supply became toxic because a municipal bean counter decided to save “\$80 to \$100 a day” on the treatment.⁴⁶⁷ A woman leading the drive to sue the Michigan government was shot and killed in her home (died of lead poisoning).⁴⁶⁸

NFL quarterback Colin Kaepernick was brought behind the woodshed when he “took a knee” for the national anthem.⁴⁶⁹ The perfect alibi is that he is a vegan⁴⁷⁰ with a job that demands protein—lots of protein—and has some form of induced dementia. Despite predictable public outcry, some consequences were unforeseeable. Veterans began Tweeting his right to protest. I’m not sure his for-profit employer would agree. This

public form of protest developed meme status. He won *my* heart with an explanation that the left-leaning media largely ignored:

“You have Hillary, who has called black teens or black kids super predators. You have Donald Trump, who is openly racist. We have a presidential candidate who has deleted e-mails and done things illegally. That doesn’t make sense to me. If that was any other person, you’d be in prison. So what is this country really standing for?”

~Colin Kaepernick, speaking truth

Civil Liberties

“Tyranny derives from the oligarchy’s mistrust of the people; hence they deprive them of arms, ill-treat the lower class, and keep them from residing in the capital. These are common to oligarchy and tyranny.”

~Aristotle

“I am not for the death penalty. . . . Illegally shoot the son of a bitch.”

~Bob Beckel, liberal commentator, on Julian Assange

“WikiLeaks is Getting Scarier Than the NSA”

~*Time* magazine headline, missing the irony of why WikiLeaks exists

I got lit up on the civil liberties issue a few years ago watching a kid go to prison on what I believe was a fabricated he said/she said conviction. I tried to help, speaking with family members, the accused, and even a friend who is a prison counselor, but I achieved nothing in the end. I continue to speak out against breaches in civil rights out of a primal need. In this section, I look at the generic stuff and save the breaches stemming from politics and militant political correctness for later. It is my strongest conviction, however, that the heckler’s veto by small numbers, what Taleb calls “minority rule,” risks our civil liberties, as does the majority remaining cowardly silent.⁴⁷¹ For the record, I am not a huge fan of guns, but I get the heebie-jeebies when constitutionally granted rights come under fire.

We begin with a stream-of-consciousness collection of random breaches of civil liberties. Some inspire disgust, whereas others just make you think:

- The United States Preventive Services Task Force wants mandatory depression screening for everybody to create a database.⁴⁷² Why? To ensure anyone labeled “mentally ill” can’t own firearms.

- A teacher who desecrated the American flag inside a North Carolina classroom wants the student who photographed him to be punished.⁴⁷³
- A proposed Kentucky law demands users of Viagra and other wood-hardeners to get spousal permission and “make a sworn statement with his hand on a Bible that he will only use a prescription for erectile dysfunction when having sexual relations with his current spouse.”⁴⁷⁴
- The FBI used Cellebrite to hack an iPhone. It was hoping to force Apple to give up data to set precedent.⁴⁷⁵
- Criminals are now being paid not to commit crimes.⁴⁷⁶ Destitute taxpayers are being forced into lives of crime.
- The use of echo parentheses —(((echo)))— refers to Coincidence Detector, a Google Chrome extension that was being used by white supremacists to track Jews . . . until it turned into a meme on social media.⁴⁷⁷
- San Francisco requires all sign-based advertising of sugary drinks to warn people that drinking such beverages causes obesity, diabetes, and tooth decay.⁴⁷⁸ First they come for your Pepsi, and they will not stop until they reach for your pork rinds.
- Here is a list (by state) of where it is legal to record phone calls.⁴⁷⁹ My advice: apologize later.
- One million people petitioned to boot a judge who gave the Stanford swimmer/rapist a light sentence: right or wrong, is crowd-sourced sentencing where we are headed?⁴⁸⁰
- Trapped drivers and truckers in Charlotte, North Carolina, plead with 911 operators for help as mobs looted backs of trucks. Blogger Glenn Reynolds got serious grief from his university and Twitter for advising to “run them down.”⁴⁸¹ That’s wrong, of course; you should leave the vehicle and give free hugs.
- A Bundy-Ranch-like militia standoff at an Oregon wildlife refuge got really weird when the matronly host of *Democracy Now*, Amy Goodman, was arrested and charged with inciting riots.⁴⁸² Apparently, 20 years of airtime, a camera crew, and actually reporting on a story does not make you a journalist, according to local authorities.
- The Department of Justice’s Operation Chokepoint shuts off the bank accounts of businesses such as gun dealers and check cashers because they are deemed to be immoral.⁴⁸³ Our new POTUS may have an opinion on that, too.
- That same Department of Justice says firing immigrant workers with expired papers is discrimination (and immoral).⁴⁸⁴
- Social workers were called on a woman whose kids played in the backyard while she did dishes.⁴⁸⁵
- A woman got sent to court without pants, three days without hygiene products, and a 75 day sentence requested for a first-time shoplift. Judge was PO’d.⁴⁸⁶
- According to Albany Chief of Police, kids under 16 should be supervised.⁴⁸⁷

If you follow a few of the legal beagles, you’ll find that the courts deliver up occasional surprises. I’m sure there are other sides to the stories, and some leave me ambivalent, but

...

- Recording police on your camera is not a First Amendment right.⁴⁸⁸
- A judge ordered a defendant to be tased in court.⁴⁸⁹
- Bribery has been declared free speech (and, no, this is not about Hillary).⁴⁹⁰
- The Supreme Court ruled medical marijuana can stay illegal.⁴⁹¹
- *The First Amendment does not protect your job from dumb tweets.*⁴⁹² (*Oh, shit: I'll be right back!*)
- The Supreme Court ruled that police can seize evidence from an unconstitutional search provided the suspect has one or more outstanding arrest warrants.⁴⁹³
- The Massachusetts attorneys general subpoenaed Alex Epstein, a climate change denier at the Center for Industrial Progress, prompting Epstein (likely not on the advice of counsel) to respond: "Fuck off, fascists."⁴⁹⁴
- A federal ban on the sale of guns to medical marijuana cardholders does not violate the Second Amendment, prompting thousands to say, "Wait! *What?* Hold my goddamned beer."⁴⁹⁵

Every year I take a serious swipe at the police for unnecessary violence against the populace. I continue to do so but have had a minor epiphany, however, realizing that they are (1) undertrained, and (2) put in unusually stressful situations far too often. I'll get to that, but let's look at the bad stuff first.

Civil asset forfeiture has been a hot topic for me;¹ there are only a few things to say this year that have not been said already. The *Atlantic Monthly* reminded us that when your belongings, including your wallets, are entered as any kind of evidence, you are unlikely to see them again. They quote one lawyer who said, "If our clients were doing what the police are doing, it'd be called robbery." The police now have wireless mechanisms to swipe cards in your wallet and retrieve assets ranging from Starbucks gift cards to bank debit cards.⁴⁹⁶ We learned that the government stole more assets from citizens than the property stolen by every thief and felon combined (\$4.5 billion).⁴⁹⁷ Let's say that again for the casual browsers:

"The government stole so much private property from its citizens that the total amount exceeded the value of all property stolen by every thief and felon in America combined."

~Simon Black, blogger

Simon says (argh) the cops now watch for evidence of future travel deemed suspicious.⁴⁹⁸ Oh, come on: That's *Minority Report*, starring Tom Cruise. California authorities opposed legalized pot because it will cut off federal support for the hapless war on drugs and cut way back on civil asset forfeitures.⁴⁹⁹ (Actually, the latter is incorrect because they don't need to charge you with a crime to seize your assets . . . seriously . . . no snark.)⁵⁰⁰

“If you can prove that you have a legitimate reason to have that money, it will be given back to you. And we’ve done that in the past.”

~Oklahoma Highway Patrol Lieutenant John Vincent

We had the usual seemingly senseless cop-on-citizen violence. A therapist helping an autistic guy got surrounded by police, laid on the ground, put his hands up, explained he was an unarmed therapist, and then got shot.⁵⁰¹ Police killed a couple on a date . . . while they slept in a car.⁵⁰² A video showed a guy getting shot in his car for what appears to be no reason.⁵⁰³ The cop was obviously *very* jumpy (maybe a rookie).

It’s not just guys. Three years ago, a woman at the U.S. border got a total cavity search, including a vagina-sniffing dog (quite the rarity—I’ve got two), X-ray, and CT scan. All came up total goose egg.⁵⁰⁴ She refused to sign a retroactive permission slip *and* got billed \$5,000 for her “exam.” The \$475,000 settlement covered incidentals. A disabled woman was beaten bloody by federal agents—actually, TSA guys—during an airport security screening while on her way to undergo treatment for a debilitating and behavior-altering brain tumor.⁵⁰⁵ A drug-addled chemist—another rarity—admitted to being totally “baked” every day for eight years (including on acid) while processing forensic evidence for judicial authorities.⁵⁰⁶ Appeals are pending.

“Only in a police state is the job of a policeman easy.”

~Orson Welles

Now for the other side of the story. Cops in Dallas, Philadelphia, Fort Worth, Texas, and elsewhere were getting shot by snipers this year. I predicted it in previous reviews, but it is *not* good. The cops who died weren’t culpable for any of the sins of others. It’s worth a gander at what cops face on patrol. Korryn Gaines was pulled over and apparently ended up dead.⁵⁰⁷ The backstory is that she opposed the police’s repeated and quite civil overtures for a half hour. She died during a fatal standoff at her house. She was looking for a fight the whole way, and she got one. A Chicago officer was beaten nearly to death out of fear to use her gun.⁵⁰⁸ Riots broke out over the shooting of a Keith Lamoat Scott in Charlotte, North Carolina.⁵⁰⁹ Video shows he had a gun. Arrest records from the riot show that the instigators were 70% out-of-towners (shipped in by buses.)⁵¹⁰

Alton Sterling was shot while in a tussle with cops on the ground. Video footage was unclear as to what happened.⁵¹¹ Public outcry and violence ensued. What did surface was a picture of Alton with his 8-year-old son (Figure 22). You’ve got to wonder if the cop brandishing his weapon knew Alton was dangerous. Here is some incredibly raw video showing the violence that cops face on a daily basis.⁵¹²



Figure 22. Alton Sterling and son (unconfirmed by Snopes).⁵¹³

A close friend of my family—a straight-A high school student with a drug problem—ended up in prison, which piqued my interest in the prison–industrial complex. One in four prisoners worldwide are housed in U.S. prisons.⁵¹⁴ The prison population rose 1600% beginning in 1990.⁵¹⁵ The female prison population has risen over 800%, of which more than 60% have juvenile children in the outside world (but not for long, perhaps).⁵¹⁶ More than 50% of juvenile facilities are for-profit. I was a big fan of privatization movements, but when providers are private and the payers are the government, graft flourishes. Private probation companies have proliferated, too.⁵¹⁷

When you get out of prison, you have paid your debt to society, but you have other debts to pay—legal financial obligations (LFOs)—including prison debts and pricey halfway houses.⁵¹⁸ A substance-abusing Jersey man got 36 months in prison and racked up \$35,000 in debt to the state.⁵¹⁹ Meanwhile, his résumé isn’t a fast track to riches, especially since a driver’s license is out of the question. If you don’t pay, you go back to prison. Sounds all very Dickensian to me. There are horrific tales of traffic violations that turn into losing battles with the prison system.⁵²⁰ Curiously, private prisons are being phased out.⁵²¹ It may turn into yet another lobbyist employment program. We shall see.

Campus Politics

“It is your responsibility as educators to listen to student voices. We have spoken. We are speaking. Pay attention.”

~Yale student to an administrator

“We’ve sold them a bill of goods about how they should be treated.”

~Traevena Byrd, general counsel at Towson University

College is a period of werewolf-like changes. Students enter as teenagers and leave as adults. It is a period of great intellectual growth, questioning social norms, developing a sense of self, getting wasted, having sex, and having more sex. None of that is new. My generation grew our hair, gobbled drugs, protested the Vietnam War, and wore bell-bottoms. Every generation suffers from an epidemic of dead grandparents around exam time.⁵²² That said, it seems to be getting just a little weird of late.

There is a small but increasingly vocal gaggle of activists that is raising holy hell on college campuses. The rules of behavior are in flux; free speech is anything but free. The risk of committing a pronoun faux pas is huge, and the punishment severe. Maybe this is just the same old craziness in new garb, but there are cringeworthy aspects. I see a much larger geopolitical power play, masterminded and fueled by the ultraleft (alt-left), that has commandeered the machinery of government. Obama’s Department of Education is at the vanguard, pushing their “Dear Colleague” letters (*vide infra*). Faculty political leanings have shifted severely left in recent years.⁵²³ The 2% are now completely muzzled. College presidents walk on eggshells;⁵²⁴ the lead activists—the social justice warriors (SJWs) to some and the more pejorative “snowflakes” to others—have been described as “addicted to indignation.”

“There is a kind of creeping totalitarianism in terms of what kind of ideas are acceptable and are debatable on college campuses. . . . I worry very much that if our leading academic institutions become places that prize comfort over truth. . . . a great deal will be lost.”

~Larry Summers

I highly recommend a lecture by Professor Jon Haidt describing how destructive victimhood is to its participants.⁵²⁵ For those pining for more basal entertainment, Triumph, the Insult Comic Dog at the University of New Hampshire may be more to your liking.⁵²⁶ Meanwhile, I take refuge in bulleted lists to convey the absurdities that many boomers will find largely unfamiliar to their own experiences in college but are actually the products of their own rearing practices. When everybody is a winner, nobody learns how to lose. Did boomers hurt their children by overprotecting them? I think so. Let’s see what has been wrought.

- Johns Hopkins students claim letter grades for freshman will cause a mental health crisis.⁵²⁷
- A CUNY professor was accused of sexual harassment because his syllabus contained a 10% effort grade, the assumption being that “effort” was code for sexual favors.⁵²⁸

- The Cornell student assembly pushed for race-based elections of representatives.⁵²⁹
- A transgender speaker at Brown University canceled a visit owing to opposition by a leftist group because she was invited by the Jewish students of Hillel.⁵³⁰
- An African-themed dinner at Cambridge brought on pestilence and plague because it was deemed to be “cultural appropriation.”⁵³¹
- A white student drew ire for “appropriating” black culture by having dreadlocks.⁵³²
- Protesters at St. Catherine University—97% women—denounced its “toxic rape culture.”⁵³³
- Students at universities across the country complained about chalk messages supporting Trump, causing “chalkenings” to reach meme status.⁵³⁴
- Student activists at Brown University complained of emotional stress and poor grades after months of protesting and blame the school for insisting that they complete their coursework.⁵³⁵
- A peace vigil honoring the victims of the Orlando terror attack degenerated into a verbal brawl between mourners and Black Lives Matter activists at the University of Missouri.⁵³⁶
- Madeleine Albright was protested as a speaker at Scripps College because she’s a white feminist.⁵³⁷
- University of Oregon students demanded removal of the Martin Luther King Jr. quote, “I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin, but by the content of their character” because it wasn’t inclusive enough.⁵³⁸
- Students at University of Iowa viewed a controversial sculpture as a “threat,” apparently suffering from Ghostbuster Trauma Syndrome (GTS).⁵³⁹
- Tulane students filed a complaint against a fraternity that posted a sign that said “Make America Great.”⁵⁴⁰
- Lebanon Valley College students demanded the school change the name of “Lynch Memorial Hall.”⁵⁴¹ Professor Richard Titball at University of Exeter had no comment.
- UC Berkeley wanted to rename Barrows Hall after Black Panther member Assata Shakur, who was convicted for the murder of a New Jersey state trooper and multiple other felonies.⁵⁴² I think Boaty McBoatface Hall would be better.
- Amherst students called for a speech code that would have sanctioned students for making an “All Lives Matter” poster.⁵⁴³
- A Dartmouth fraternity tradition of holding a “Phiesta” on Cinco de Mayo was canceled because the made-up word was deemed “cultural appropriation” and “a seriously phucked up idea.”⁵⁴⁴
- Christine Lagarde, head of the IMF, bailed on a speech at Smith College owing to Facebook protests against her.⁵⁴³
- The N.Y. Federation of College Republicans revoked recognition of the Cornell chapter after it endorsed libertarian Gary Johnson.⁵⁴⁵ High ranking sources—I have them—say they were getting death threats because of Trump.

- Colorado college students claimed that teaching students about healthy lifestyles was tantamount to “body shaming” and “body privilege.”⁵⁴⁶ That’s phat!
- A poll showed that more than 50% of students nationwide support campus speech codes.⁵⁴⁷
- Activists want athletes to play for whichever team they identify with according to gender. Meanwhile, women on steroids get disqualified.⁵⁴⁸ Rumors of East German female athletes⁵⁴⁹ coming out of retirement are unconfirmed.
- Students at one school called for a police investigation over a Post-it with words “Get over it, pussies” inscribed on it. (I’m surprised Post-its, bearing several deeply embedded subliminal messages, are allowed on campus.)
- *The Vagina Monologues*, the legendary feminist monolog, was canceled at Mount Holyoke because it was deemed offensive to “women without vaginas.”⁵⁵⁰
- A student was kicked out of college for “lung-shaming a smoker.” OK. I lied. You get to piss all over smokers on college campuses.
- Young Harvardians expressed their outrage over the low return on their schools endowment...sowing the first seeds of mediocrity and evils of inbreeding.⁵⁵¹

“Discriminatory policies of gender dichotomized bathrooms need to end. . . . [W]e wish to erode and subvert the gender binary.”

~Vassar activist on same-sex bathrooms

“Protest what is truly egregious, not what qualifies as simply real life.”

~John McWhorter, Columbia University professor

Students are raising hell, but that’s their job. What’s the problem? In short, the problem lies with adults: they are failing to bring voices of reason (as I see it, at least). Problems appear in many ways. At the lowest level, they are what one might call goofy stuff with little or no lasting effects, but some are oppressive. In many instances, adults needed to bring some judgment and gravitas but failed. You are entering the no-spine zone:

- The University of Houston’s student government vice president must undergo mandatory diversity training for tweeting “Forget #BlackLivesMatter; more like AllLivesMatter.”⁵⁵²
- More than half of America’s colleges and universities now have restrictive speech codes.⁵⁵³
- Springtime—the commencement-speech time of year—is now dubbed “disinvitation season.”⁵⁵⁴
- Students filing a sexual harassment grievance can now ask for extra time on tests because they are impaired. (I refuse to name the school.)
- Professors across the country gave students safe spaces after the trauma of the presidential elections. Cry-ins and coloring sessions are a few examples.⁵⁵⁵

- Schools across the country are providing rules for microaggressions, which include phrases like, “I love your shoes” that emphasize appearance over substance.⁵⁵⁶
- The president of Northwestern University says that anyone who opposes “trigger warnings” or dismisses those who oppose safe spaces an “idiot” and a “lunatic.”⁵⁵⁷ Excuse me, President Hypocrite, but aren’t those microaggressions?
- Three students at the University of Wisconsin–Platteville wearing “three blind mice” Halloween costumes were punished because the costumes were deemed offensive . . . to the blind . . . who can’t see them . . . and probably couldn’t care less.⁵⁵⁸
- Maryland University (Towson) had a lecture titled “White People are a Plague to the Planet.”⁵⁵⁹
- A professor at the University of Wisconsin–Milwaukee is calling for the complete “abolition of whiteness.”⁵⁶⁰
- Barry University banned its golf team from using a Trump golf course to practice.⁵⁶¹
- The president of Emory University said students are scared and “in pain” after someone wrote “Trump 2016” in chalk on campus *during the primaries*.⁵⁶²
- Skidmore College banned the phrase “Make America Great Again.”⁵⁶³ (Problem solved.)
- Princeton published a guide to political correctness.⁵⁶⁴
- A recent Knight Foundation survey of students nationwide found that 63% favor schools banning costumes and half believe that news reporting on campus protests should be prohibited.⁵⁶⁵
- A University of Northern Colorado campaign, #LanguageMatters, warned students against offensive language like “crazy,” “poor college student,” and “hey, guys.”⁵⁶⁶ (I once was admonished by some rabid moms for using “ladies” and was told to use “guys.”)
- Administrators at the University of Northern Colorado post signs around campus warning against “offensive” speech and have a “bias response team” that takes swift action against transgressions.⁵⁶⁷

“It appears University of Northern Colorado leadership has decided that so-called tolerance and diversity is justification for intolerance and intimidation.”

~Senator John Cooke, University of North Carolina graduate and member of the Senate Judiciary Committee

“I’m hoping we’ll get a little respite while we get our act together about how we are going to handle this better in the future.”

~Kay Norton, president at the University of Northern Colorado

The student demands listed above suggest academic damage might be close behind. In some cases, the damage is real and careers destroyed because cowardly adults fail to say “no” or “stop” or even “go back to the library.”

- A DePaul president stepped down under pressure because he let Milo Yiannopoulos speak on campus.⁵⁶⁸
- The University of Iowa announced it will now offer a degree in social justice, which is fine provided nobody pays >\$100,000 to get one.⁵⁶⁹
- Seattle University caved to student activists and put a dean on administrative leave because the liberal arts curriculum focused too much on classical Western history and philosophy.⁵⁷⁰
- The two Yale profs in the middle of the epic shitstorm over Halloween costumes resigned from their duties as live-in faculty in student housing.⁵⁷¹ More video shows what happened.⁵⁷²
- An Asian female gender studies professor at Dartmouth was denied tenure, and protests ensued.⁵⁷³ Careful here, Dartmouth: you could cross the academic Rubicon and start crowd-sourcing your tenure decisions. (Point of interest: Dartmouth College was the first institution in the country to be declared by the Supreme Court to have constitutional rights normally granted only to citizens.⁵⁷⁴)
- SUNY Binghamton has a “StopWhitePeople2K16” course focusing on how to deal with white privilege.⁵⁷⁵
- Wayne State is swapping the math requirement with a diversity requirement.⁵⁷⁶
- Barnard College is replacing a language requirement with a course called How to Think (a guide to political correctness).⁵⁷⁷
- Pomona College’s faculty voted to change the criteria for tenure to specifically require candidates to be “attentive to diversity in the student body.”⁵⁷⁸
- Cal Tech will allow students to take *either* quantum mechanics or statistical thermodynamics to be more inclusive. (Sorry, I made that one up.)

“It’s a bizarre experience to watch a documentary that expects the viewer to root for a bunch of accused rapists.”

~Christina Cauterucci, *Slate*, on the Duke University lacrosse case about *falsely accused* rapists

Title IX, the brainchild of the Obama Department of Education, at the outset had the admirable goal of protecting students (mostly women) from violence on campuses.⁵⁷⁹ Colleges receive “Dear Colleague” letters, which are thinly veiled threats to ensure they are punishing misbehaving young men, and they scare the bejesus out of legal counsels and administrators alike.⁵⁸⁰ The activism is occurring with increasing zeal, demanding social norms and actions that have shaken administrations to their foundations. It seems to stem from a study reporting that 20% of women experience sexual assault.⁵⁸¹ The Department of Justice says 0.6%.⁵⁸² My math says that the disagreement is outside the error bars.

Misbehaving covers the gamut from sexual attacks worthy of leg irons to a much more gray area covering dubious actions. The legality of “Dear Colleague” letters is working through the courts,⁵⁸³ but for the time being, we find underqualified academics adjudicating cases with highly variable understandings of due process and what constitutes a punishable offense. Some college administrators reach deep to try to find the truth, whereas others bring social agendas or act out of fear of looking too timid. The mess-ups undermine the intent and occasionally destroy lives. Would you want Christina Cauterucci adjudicating your son’s case? Suicides of the accused are rumored to be nontrivial. I’ve written about it before; here are a few more low-water marks.

- An Auburn University student got cleared in court, but the school had already booted him.⁵⁸⁴
- A female student admitted to lying about an Auburn football player, but he got kicked off the team for good measure.⁵⁸⁵ When in doubt . . .
- A guy falsely accused of rape killed himself, then his mom killed herself.⁵⁸⁶
- A Yale student was expelled when his girlfriend’s roommate, *a year later*, asserted that their sex was not consensual. The putative victim and attacker both vehemently denied it. He got expelled.⁵⁸⁷
- An accused student who was suspended for sexual assault settled out of court when the accuser admitted she “may have stretched the truth” because she was “pissed off” when she realized he’s just another douchey frat dude.”⁵⁸⁸ And what happened to her?
- A double amputee at Augustana University was accused of rape. The cops said no way within 24 hours. The school kicked him out.⁵⁸⁹ There *must* be something more to this story.
- Due process suits are piling up and settlements out of court are plummeting.⁵⁹⁰
- A Title IX official resigned after being accused of sexual assault, which could be both true and ironic.⁵⁹¹
- A black Roanoke College student was acquitted of raping a white student by a jury in 25 minutes as well as by an on-campus tribunal, but activists demanded removal from campus.⁵⁹²
- UC San Diego was discovered to have routinely hidden the identity of witnesses from those accused of wrongdoing to render the defenses of the accused more challenging.⁵⁹³
- University of Texas guidelines on sexual assault cases were found to explicitly *eliminate* (rather than underscore or resolve) contradictions and inconsistencies.⁵⁹⁴
- A USC couple dated for months. A paper trail of text messages showed that she was going to falsely accuse him of rape. On a call that was not disconnected, the investigator and Title IX person were documented referring to the accused as a “motherfucker.”⁵⁹⁵
- And in the youth division, a dozen teenage girls charged a boy with sexual assault. Appears to be a case of “dog piling”.⁵⁹⁶ Text messages show they schemed to get him.⁵⁹⁷ What do you do with those dozen girls on a rocky road to what is probably a normal adulthood?

“America’s universities are in the grip of a dangerous presume-guilt-and-rush-to-judgment culture.”

~George Will, conservative columnist

“Some say government must be involved in this issue in order to ensure that private businesses do not violate individual rights. Those who make this claim are accepting the idea that rights are no more than a gift from the government that can be revoked at the will and whim of legislators and bureaucrats.”

~Ron Paul

Books about the epidemic of political correctness are being written as I type. Some might be, paradoxically, bestsellers *and* very unpopular. In the extreme, you have characters like Milo Yiannopoulos, a British gay provocateur with an odd mix of refined rhetorical skills and social graces that would make Trump blush.⁵⁹⁸ In the category of “way over the top,” one university president noted that “This is hard for you because you think of the students as cuddly bunnies, but you can’t. You just have to drown the bunnies . . . put a Glock to their heads.”⁵⁹⁹ I’m not sure he was cut out for that job anyway. Whereas some administrators display an odd mix of fear and bad judgment, others stand boldly for free speech. When students protested the Trump chalking, Emory University President James Wagner chalked the words, “Emory stands for free expression!” The University of Chicago tells freshman not to expect safe spaces and trigger-free existences.⁶⁰⁰ A “Take Back Dartmouth” petition got 1,300 signatures in three days.⁶⁰¹ We will find the requisite happy medium where the rights of everybody are protected.

“There is clearly an element of irrationality in political correctness. It is a form of censorship without a censor; we impose it on ourselves. Yet, it keeps us away from the reasoned discussion of social issues which everybody can see are important, consequential, and desperately in need of wide-ranging analysis.”

~Howard Schwartz, professor emeritus of Oakland University

This section wins the award for the most edgy. I comment further on this point in the conclusion.

Elections



Islands in the stream,
That is what we are,
No one in between,
How can we be wrong?

We started this gigantic November Madness Bracket with 100–200 million eligible candidates for the presidency and, through a grueling process, whittled it down to just over a dozen truly uninspired choices. It was obvious to anybody with half a brain that it would become a rematch of the Battle of the Dynasties, Bush versus Clinton—that is, until the unexpected collapse of the House of Bush. Nonetheless, we managed to identify two candidates that unified the nation in the common belief that we could really be screwed. Of course, you could vote for Gary Johnson with his catchy “Feel the Johnson” slogan or Jill Stein hugging a spotted-owl-infested tree with one hand and fund-raising with the other, but that seemed pointless for most. We’re told that a vote for a third party is a vote for somebody who won’t win to justify voting for a loser.

“My advice to both candidates is basically the same, with different punctuation: 1) Don’t choke, Hillary; and 2) Don’t choke Hillary.”

~@DaveedGR

Through a colossal waste of brain cells, millions of Americans sought the Holy Grail—identifying the lesser of two evils. The question seemed to boil down to how we define morality: is it about a candidate who seemed capable of repudiating all social norms (see Andrew Dice Clay) and a penchant for absurd behavior or is it about a particularly unlikeable one with a wanton disregard for the law? We all know the outcome (presuming the electoral college concurs), but the path was gruesome. With unusual reservations, I offer a few thoughts on the Electoral Borg that devoured 2016.

“And how many more of these stinking double-downer sideshows will we have to go through before we can get . . . a chance to vote for something, instead of always being faced with that old familiar choice between the lesser of two evils?”

~Hunter S. Thompson, 1972, who died without an answer

The next two sections consider the role of rigged primaries. Rigging is not quite the right term. We the People have this quaint notion that the primaries are part of the Great Democratic Experiment, but that is not even remotely true. The two parties are not-for-profit organizations—let’s just leave it at tax-exempt at least—playing a gigantic game of capture the flag. Primaries are about the parties handing us candidates of *their* choosing, unfettered by any constitutional mandate for fairness. As political pundit Samantha Bee said astutely, “They can pick a candidate with a Ouija board.” Even after a contentious Nevada Democratic primary, a judge ruled that Samantha Bee was right: the parties can do anything they damn well please.⁶⁰² Their only restraint is to ensure that John Doe and Jane Roe believe that this professional wrestling match is real, a critical prerequisite to retaining wealth and power. Despite having a deep bench of players, the Republican National Committee (RNC) fielded a remarkably weak team. That’s a good place to start.

“Now it’s just an oligarchy, with unlimited political bribery being the essence of getting the nominations for president or to elect the president. And the same thing applies to governors, and U.S. senators and Congress members.”

~Former President Jimmy Carter, 2016

Rigged Primaries: RNC Division

“Congratulations to the Republican party and its nomination process; it’s all going great. Keep it up.”

~President Barack Obama at the White House Correspondents Association dinner

The #neverTrump campaign was launched in the first primary debate when Megyn Kelly asked him what it would take to make him drop out. Seems a little off in retrospect. I return to that in the section on Trump. We also learned in the first debate that “excuse me” is debate speak for “shut the f*ck up because I am talking, and you are an insignificant twit.”

“His poll numbers tanked—that’s why he is on the end.”

~Donald Trump on John Kasich

Week after week, the media regaled one of the dozen right wingnuts as lurching into the lead—trial balloons that all burst. Trump knocked off Little Marco, Low Ebb Jeb (my

name, actually), Ugly Carly, and the rest of the dirty dozen like it was a game of Whack-A-Mole. Ben Carson begged somebody to attack him in the debates. Ben: They thought you were dozing. It's also hard to take a guy seriously whose answers included, "The fruit salad of their life is what I would look at." Jeb was wobbling but went down for the count the day he was at a rally, delivered what should have been a punchy phrase, and felt compelled to say, "Please clap." Jeb will not be back. Cruz and Kasich colluded to knock off Trump, a marriage of necessity that was annulled within 24 hours.⁶⁰³ Eventually the party and the media put all its eggs in the Cruz basket.

"As a moral question it is straightforward. The mission of any responsible Republican should be to block a Trump nomination and election."

~*Washington Post*

Cruz was by no means the perfect candidate. By all reckoning, nobody liked him. His college roommate wrote screeds about the wretch.⁶⁰⁴ He had a half dozen sex scandals, baffling all in light of his total lack of sex appeal.⁶⁰⁵ His stances were extreme: in opposition to the use of dildos (ironically), he noted that "There is no substantive due process right to stimulate one's genitals for nonmedical purposes," which prompted a campaign to legalize medical masturbation. He was rumored to have appeared on *Maury* in drag (and was rather ugly . . . not to face-shame him.)⁶⁰⁶ He was rumored to be Canadian,⁶⁰⁷ nearly causing an international incident. A poll showed that 38% of the population of Florida thought he was the Zodiac Killer.⁶⁰⁸ Trump was ruthless with him, however, noting that not one senator endorsed him because they didn't like him. The Donald went on to say that "If I can't beat [Hillary], you're going to get killed." It was probably right at this moment that the RNC wondered why it didn't back Rand Paul.

Trump began the morning of the Kansas primary with a "double-digit lead" over Cruz according to a prominent polling group⁶⁰⁹ and then lost to Cruz by "double digits." Huh? Trump was polling at a 12% lead heading into Oklahoma⁶¹⁰ and lost that one too. (His campaign spelling it Oaklahoma didn't help,⁶¹¹ even though few noticed). Cruz threw an air ball in the Indiana Hoosier Dome by drawing attention to the height of the "basketball ring."⁶¹² Tennessee started screwing around with the number of at-large delegates to help him.⁶¹³ The *Wall Street Journal* noted that Cruz would end up with more delegates from Louisiana than Trump despite Trump's win, prompting a few choice tweets.⁶¹⁴ Colorado and Wyoming said "screw it," cancelled the non-binding straw polls, and gave all their votes to Cruz, prompting a full-blown tweet storm.⁶¹⁵ The state of Washington gave Cruz 40 of 41 delegates weeks after Cruz dropped out.⁶¹⁶ Rick Santorum managed to win Iowa—forgot about him, didn't ya—prompting the San Francisco Fed to tweet, "Rick Santorum didn't win . . . anything that matters. Iowa is . . . Iowa,"⁶¹⁷ which then prompted a quick deletion and an apology.

"Trump may be a rat, but I have no desire to copulate with him."

~Ted Cruz

None of this mattered. Trump took 'em down like a gangster. Cruz finally quit the same day Trump accused his father, Rafael Cruz, of assassinating JFK. Did Cruz quit using the insanity defense? More on that below. After Trump won the nomination, one of my colleagues referred to his “incompetent tactics.” Um . . . didn't he just win the nomination against insurmountable odds?



Rigged Primaries: DNC Division

“Unpledged delegates exist really to make sure that party leaders and elected officials don't have to be in a position where they are running against grassroots activists.”

~Debbie Wasserman Schultz, chair of the DNC (at the time)⁶¹⁸

The Democratic primary was produced by Quentin Tarantino and filmed using authentic Russian dash cams. Early in the game, a notoriously effective Latin American election rigger—the big leagues of election rigging—said he had signed with an undisclosed team.⁶¹⁹ My money is on Team Clinton. Volumes have been and will continue to be written on the transparently crooked Democratic primaries. Anything and everything involving chicanery that seemed vaguely criminal at the time eventually was confirmed by WikiLeaks—a treasure trove documenting despicable behavior that became so voluminous we all stopped paying attention.

Let's flesh out Debbie Whatshername Schultz's quote with some additional clarification:

“The Democratic Party benefits from the current system of unpledged delegates to the National Convention by virtue of rules that allow members of the House and Senate to be seated as a delegate without the burdensome necessity of competing against constituents for the honor of representing the state during the nominating process. . . . We passed a resolution in our caucus that we would vehemently oppose any change in the superdelegate system

because members of the CBC might want to participate in the Democratic convention as delegates, but if we would have to run for the delegate slot at the county level or state level or district level, we would be running against our constituents, and we're not going to do that."

~Debbie Wasserman Schultz, former chair of the DNC⁶²⁰

Leaked memos showed that Debbie rigged the primaries for Hillary. After getting booted off the stage at the Democratic National Convention,⁶²¹ Debbie stepped down as the DNC chair. As a free agent, she was immediately picked up by Team Clinton, having already co-chaired Hillary's 2008 campaign. Then she became a casualty of the collapse of the Clinton Dynasty. Fear not—Debbie is still a congresswoman from Florida and will be kept plenty busy crowdsourcing her retirement domestically using Wells Fargo and Panamanian banks. As we all know, Debbie was replaced by Donna Brazile, an A-team election rigging workhorse or, as Hillary called her, a "brain-dead buffalo" (*vide infra*).

The ruse began when Hillary took half the delegates from New Hampshire despite getting her ass kicked in the actual vote. The so-called "super delegates"—a collection of politicians, lobbyists, and big donors constituting 20% of the total—essentially all went to Hillary. The media stopped reporting on them because the ruse was becoming too transparent for comfort.⁶²²

Soros's cronies were said to be deeply embedded in the Utah primaries.⁶²³ Hillary stole the Arizona primary using fairly standard tactics: (a) long lines favored Hillary because the early voters were older women supporting her; (b) limited polling access was provided in Hillary's weaker districts; and (c) with lines around the block that, ironically, looked like a Trump rally, her media cronies announced victory based on 1% of the vote, which helped to shrink the lines.⁶²⁴ Michael Krieger summarized the shenanigans in the New York Democratic primary involving various forms of voter suppression.⁶²⁵ A video of the Nevada primary showed pandemonium as verbal votes were obviously going to Bernie and yet were declared to be going to Hillary.⁶²⁶ The chairwoman, dazed and confused, carried out her role with yeoman resolve.

"This was not supposed to be a democratic process."

~Chris Wicker, vice chair of the Nevada convention

Hillary won six precincts in Iowa by six consecutive coin tosses.⁶²⁷ Leaving aside why a primary has coin tosses, what were the odds? One in 64: keep up. It just wasn't Bernie's day. One surreal video shows overcounting in an Iowa precinct when the vote counters repeatedly called out, "Are there any more Clinton voters?" and, miraculously, more hands would shoot up each time.⁶²⁸ Angry Bernie supporters were told to "take it up with the election commission." Hillary declared Iowa victory and escaped by helicopter under sniper fire.



The Big Rig was the California primary. It was clear that Hillary was well ahead of Bernie nationally, but California looked like it could be Bernie's, which would cause a critical loss in momentum for the Clintonostra. The day before the primary, the Associated Press (AP) announced that Hillary had won the nomination.⁶²⁹ As DNC confetti flew and Wellesley College fired off an exceedingly well-produced and very well-presented speech from Hillary's college days,⁶³⁰ the Sanders camp's Feeling the Bern was really more akin to an STD. Even mainstream media outlets found the AP report to be astonishingly unprofessional. Only John Harwood defended it, noting that "the Associated Press is not rigged." WikiLeaks showed that John was in on the rig.⁶³¹

In my opinion, the story that got missed was that the premature announcement was *not* made to bias the primary the next day. It's not even obvious which team would become more fired up to get to the polls. The announcement was a cover story to hide massive vote rigging. I was as positive as can be without a shred of data. I tweeted that day that the AP announcement was a decoy:



Of course, Hillary won by a landslide the next day, and nobody asked why an estimated 20–30% of Bernie voters simply disappeared.

“The DNC is rigged.”

~Donald Trump (@realDonaldTrump)

“Presenting your favorite conspiracy theorist . . . the Republican nominee for President.”

~Debbie Wasserman Shultz (@DWStweets), head DNC conspirator

“The democratic leadership used its power to prevent a fair and democratic process from taking place.”

~Bernie Sanders, nouveau conspiracy theorist

Eventually WikiLeaks showed the underbelly of the DNC. Mark Paustenbach, the DNC’s national press secretary, described in detail how they would use anti-Semitism to Do the Jew.⁶³² There are nice compilations of damning DNC emails.⁶³³

“The Democratic Party got exactly the ending it deserved.”

~Glenn Greenwald, founder of *The Intercept* (@theintercept)

Bernie

“We’ve got the bright new face of the Democratic Party, Bernie Sanders.”

~Barack Obama at the White House Correspondents Association dinner

A 75-year-old Brooklyn Jew—a self-professed socialist—proved to be the purest, most endearing candidate of the 2016 elections. He could have won it all running a clean campaign. Leaks showed that Bernie agreed to lay off Hillary’s bank speech transcripts⁶³⁴ and not mention her massive and completely disreputable wealth accumulation.⁶³⁵ But then he hit the Clinton Political Machine, run by folks with what Peggy Noonan referred to as “the soul of an East German border guard.” E-mail leaks told the story: Bernie was a team player, and Hillary and the DNC carried out a political execution. They overtly persecuted him without a sense of remorse or irony.

“Bernie Sanders, to me, is almost more stunning than some of what’s going on in the Republican side. How is that happening, why is that happening?”

~Steve Schwartzman, billionaire

Bernie was never supposed to win anything. He was a sparring partner, a prop for fake Democratic debates. The angry public, however, had different plans for Bernie. They wanted an outsider. Jill Stein offered for Bernie to take over her ticket to run as an

independent,⁶³⁶ but Bernie played for the team. Insiders say his wife begged him not to endorse Hillary.⁶³⁷ I'm not sure it mattered; voters feeling the Bern may not have rallied behind Hillary after she finished ravaging his carcass. Your politics suck, Bernie, but you are an honest and heroic figure—a socialist people could like. I joined you as you teared up at the national convention. You became a rock star *and* you don't have to be president. Mazel tov.

“And when you watch these Republican debates you know why we need to invest in mental health.”

~Bernie Sanders

Hillary Clinton

“[S]he has lied so many times, about so many things, that most Americans no longer believe a word she says—even if she's telling the truth.”

~Marc A. Thiessen, *Washington Post*

“You know that Donald Trump is an unstable imbecile. But this knowledge doesn't oblige you to discover new qualities in the bottomlessly cynical, power-mad grifter Hillary Clinton.”

~Michael Brendan Dougherty, *This Week*

In the olden days, Supreme Court nominee Douglas Ginsberg was disqualified because he smoked pot in college.⁶³⁸ Gary Hart became unelectable because of a photograph showing a little monkey business with a blonde.⁶³⁹ Howard Dean yelled too loud at a rally.⁶⁴⁰ Edmund Muskie bailed after breaking down from total exhaustion on the campaign trail.⁶⁴¹ Dig long and hard enough and you eventually find the bottom of the barrel. The Clintons are a family of revenants, showing us that career-ending screw-ups are quant notions.⁶⁴² That said, the Clintons created a top-heavy edifice of fibs, lies, inconsistencies, and hypocrisies.⁶⁴³ The Clinton Bubble had to pop. They desperately tried to push the reckoning day past the elections, hoping for an Obama pardon if needed. Indeed, the bubble was popped not by the FBI, a vast right-wing conspiracy, the alt-right, Congressional investigators, election hackers, WikiLeaks, fake news, poor handlers, or a the beast with a bad comb-over. It was the Clintons themselves.

“Everything HRC touches she kind of screws up with hubris.”

~Colin Powell, leaked e-mail

I have an indigestible 62 single-spaced pages of notes, quotes, and links on the Clintons destined for recycling. The plotline can be followed through compilations of Clintonobilia focusing on Hillary's lying, cackling, coughing, falling, fainting, hectoring,

perjuring, deleting, stealing, pandering, dying, and even assassinating plastered across Youtube.^{644,645,646}

“Americans of all political persuasions are coming to the sad realization that our first lady—a woman of undoubted talents who was a role model for many in her generation—is a congenital liar.”

~William Safire, 1996

Some voted for Hillary out of fear of Trump. I get that. Others desperately wanted to see a female president. I view that as misguided but still get it. (Did y’all support Sarah Palin for VP?) There are those, however, who think Hillary is a good person and great for the country. I can’t fathom that one. All year long the media played Marco Polo trying to find Hillary and get her in front of microphone to answer a few questions. Some suspected the DNC was playing a *Breakfast at Bernie’s* scam on us, ironic title and all. Others started scanning milk cartons and post offices for her image. Even supporters were calling for a shot clock on press conferences. With the press AWOL and the Republicans ambivalent about whom to support, it took the likes of Guccifer, DCLeaks, Julian Assange, and yes, maybe even the Russians to provide answers to pressing questions.

“We’ll have a press conference when we want to have a press conference.”

~Joel Benenson, senior Clinton strategist

I took my best shot at Hillary and her foundation last year,¹ so the details emerging this year did not shock me and, on some level, are unworthy of repeating. The volume of the skeletons coming out of the closet, however, was so staggering that we were soon plunged into a vat of lidocaine. I can’t do more than a cursory overview of Hillary’s Wild Ride, but here goes. Buckle up.

“Hillary can change her issue positions as frequently and as totally as she changes her hairstyle. She can flip on the Keystone Pipeline and flop on the Trans-Pacific trade deal. But she cannot go back and delete her lies, evasions, half-truths, and distortions.”

~Dick Morris, former head strategist for Bill Clinton

Let’s start with a physical checkup. We’re all dying—nobody gets outta this one alive—but Hillary appeared to have a commanding lead.^{647,648} Over 70% of the surgeons in the Association of American Physicians and Surgeons surveyed called Hillary’s health problems “serious.”⁶⁴⁹ The coughing fits were frequent and protracted.⁶⁵⁰ The collapse at the 9/11 memorial service was clearly serious,⁶⁵¹ and nobody bought the pneumonia story pitched by media cronies.⁶⁵¹ The footage of her spitting phlegm into a glass of water was,⁶⁵³ in my opinion, spitting out a cough drop. She took a dive into an airplane that could easily have been just a stumble,⁶⁵⁴ but stairs were not her friends all year. My theory is that she needed a Kaine—vice-presidential nominee Tim Kaine, who was so

oddly non-left wing (pro-life, for example)⁶⁵⁵ that the republicans could support him to defeat Trump if Hillary faltered physically.



Figure 22. Hillary helping Secret Service agents up stairs and without her goggles.

A putative seizure caught on film was said to be real by many doctors,⁶⁵⁶ but I’m dubious. That said, an undenied blood clot in her head attributed to a fall at home (but rumored to stem from a plane crash in Iran)⁶⁵⁷ was real. Neurologists identified the beer goggles with gratings as needed to solve that lazy eye problem.⁶⁵⁸ When Dr. Drew Pinsky was interviewed on talk radio to dismiss these concerns as conspiracy theory, he shocked everybody by saying she looked “brain damaged” and was getting barbaric treatment (medical, that is.)⁶⁵⁹ The next week, CNN canceled Dr. Pinsky’s weekly gig to allow him time to pursue other interests . . . like finding another gig.⁶⁶⁰ He was not the only CNN reporter released to the wild for breaking from the script.



The plotlines wouldn’t die when she gave a couple of post-collapse press conferences looking to be on horse tranquilizers in one⁶⁶¹ and crystal meth in another.⁶⁶² “Why aren’t I 50 points ahead?” she exclaimed with a crazed look in her eye (the good eye). Bill slipped up and admitted she spent months recovering from the clot.⁶⁶³ He seems to be doddering to me, prompting the alt-right to hurl epithets about late-stage syphilis (of which many have considerable experience).



Figure 23. Beer goggles with gratings.

“The Clinton Foundation is, by all accounts, a big force for good in the world.”

~Paul “Don’t Ever Change” Krugman

Sure, Paul. After signing a memorandum of understanding with the Obama administration promising not to rape and pillage the world with her foundation, Hillary welched on that promise almost immediately.⁶⁶⁴ Calling the Clinton Foundation a conflict of interest is like calling Jeffrey Dahmer a glutton. I see no evidence that legal actions against the foundation are off the table during the Trump administration, so we may learn a lot more before it’s over. Peter Schweizer delineated profound conflicts in *Clinton Cash* that are said to have been used as a road map by the FBI.⁶⁶⁵ Charles Ortel picked up the baton in a series of detailed reports.^{666,667} He claims the quoted numbers backing the foundation are low by multiple decimal points, running upwards of \$100 billion.

“Do I have a problem when a sitting secretary of state and a foundation run by her husband collect many, many dollars from foreign governments— governments which are dictatorships? Yeah, I do have a problem with that. Yeah, I do.”

~Bernie Sanders on CNN

Here are just a handful of the problems that surfaced owing to a tsunami of leaks. Many of these were known, but they offer a glimpse of the foundation’s modus operandi.

- One hundred eighty-one Clinton Foundation donors simultaneously lobbied the State Department.⁶⁶⁸
- Hillary put a Wall Street trader on the federal board that regulates nuclear weapons because of a big donation to the Clinton Foundation.⁶⁶⁹
- The Crown Prince of Bahrain got access to the secretary of state after pledging \$32 million to the Clinton Global Initiative.⁶⁷⁰
- The State Department showed favoritism to FOB (Friends of Bill) in its \$10 billion Haiti fund.⁶⁷¹

- Hillary supported a \$29 billion military arms deal with Saudi Arabia but only after the Saudis donated \$10 million to the Clinton Foundation. Boeing tossed in another \$900K.⁶⁷²
- Australia and Norway ceased donations in the millions the week after Hillary lost the election. What about the children?⁶⁷³
- Bill Clinton was an honorary chairman of Laureate Education. The Clinton State Department provided \$55.2 million in grants to Laureate; Bill collected \$16.5 million in fees.⁶⁷⁴

There are hundreds of such examples. Critics argue there is no evidence of quid pro quo. Yeah? Money changed hands—proof enough.⁶⁷⁵ Intrepid reporters and investigators have a treasure trove of e-mails for building a case against the Clintons (but probably won't) and Clinton Foundation (possibly will). I imagine many books will be written detailing the sordid plotlines. There is one e-mail, however, that is the Rosetta Stone to the corruption. After throwing a fit about Chelsea sticking her nose into foundation business where it shouldn't oughtta be,⁶⁷⁶ Doug Band, president of consulting firm Teneo and foundation operative, wrote a 13-page screed describing how he redirected tens of millions of foundation donations to Bill's personal coffers.^{677,678} Marcia Clark could win this prosecution.

E-mailgate was a total mess. The evidence that Hillary breached national security laws was overwhelming.⁶⁷⁹ The investigation started out looking authentic: 147 FBI agents chasing down leads.⁶⁸⁰ Head of the FBI, James Comey, seemed like a stand-up guy, having been confirmed with a 97:1 vote of confidence from the Senate. Who *didn't* vote for him? Rand Paul.⁶⁸¹ Maybe Rand remembered Comey's background at Bridgewater Associates⁶⁸² or that Comey was involved in the Clinton Whitewater investigation 20 years back that came up with nothing. In the theater of the absurd, Comey squared off against Clinton Whitewater lawyer Loretta Lynch.⁶⁸³ It was clear, however, that the public was only partially engaged, but Hillary was methodically digging a very deep hole with specious protestations.

The FBI was ready to make the call about prosecution that, ironically, was not theirs to make, when Attorney General Loretta Lynch and Bill Clinton by chance ran into each other on a tarmac, which was witnessed only by chance. They were just two old snakes on a plane chatting about grandchildren.⁶⁸⁴ Soon thereafter, Comey stood in front of the world and delineated Hillary's transgressions in lurid detail.⁶⁸⁵ It was as though he had collected her disclaimers—I'm confident he did—and then nuked every single one of them. Hillary was toast. He gets to the climax and . . . convictus interruptus—a political dirty Sanchez. He announced there was nothing whatsoever to prosecute and scampered off the stage under sniper fire. A couple days later, he testified to Congress confirming how much Hillary had lied, providing plenty of treasons to indict.

Here was my initial take on it. Comey took the bullet for Lynch. Lynch is required by law not to prosecute long shots. Is there *anybody* who thinks Lynch could get a 12:0 vote out of a jury against what would likely be a sitting president years later? They had to let her walk, but before doing so, Comey convicted her in the Court of Popular Opinion. In

return, the Republicans attacked the decision but passed on every opportunity to attack Comey.

But then it got weird. Rumors of a coup d'état within the FBI rank and file came via leaks. They pointed to obstructionism by Comey and Lynch the whole way.^{686,687} The DoJ let key witness Cheryl Mills serve as Hillary's lawyer, which allowed her to avoid being deposed.⁶⁸⁸ *They allowed Team Clinton to destroy evidence.*⁶⁸⁹ That sent Hillary on a frozen rope straight to Pennsylvania Avenue! Yeee-haawwww!

“How does it feel for a much younger, younger generation, you will be their first white president.”

~Zack Galifianakis to Hillary on “Between Two Ferns”

But then it got *really* weird. An altogether independent investigation of Anthony Weiner's sex offense blew 650,000 of Huma Abedin's e-mails into the public eye. I suspect that Huma backed them up on the horned toad's computer as a life insurance policy; she knew how Clintons dealt with threats. Comey announced the Hunt for Hillary was back on. They finally had her. A week later, in yet another Roseanne Roseannadanna moment, Comey said, “Never mind.” Hillary was stumbling toward Pennsylvania Avenue with only two days before the election. At this point, Comey was probably planning quality time with his family.

I cannot skip the darkest part of the Clinton mystique—the Clinton body count. Rumors of dead enemies have dogged the Clintons for years. It's not just Vince Foster.⁶⁹⁰ Almost 50 people are on an admittedly generous list of victims.⁶⁹¹ (I'm guessing the Carter body count is less impressive.) I don't know if any of the stories are true, but they are disturbing. At one point this year, five people who were explicitly dangerous to the Clinton campaign died in only six weeks.⁶⁹² The most notable was Seth Rich, shot to death with no motive identified on the morning he was to testify against the Clintons.⁶⁹³ WikiLeaks confirmed he was a DNC insider who had turned.⁶⁹⁴ Assange offered a reward for more information on Seth's death.⁶⁹⁵ Ironically, a cat burglar was chased off the Ecuadorian embassy in the wee hours.⁶⁹⁶ It's not hard to imagine what (or whom) he was looking for.

What astonished me watching Hillary weave and bob to avoid problems of her own creation was the totality of her hypocrisy. Of course, the web has a long memory, so it didn't take long to recall that Hillary was actively pushing the birther story in '08⁶⁹⁷ as well as the Obama-in-a-turban photo.⁶⁹⁸ Few know that Bill and Hillary, to their credit, used the “Make America Great” slogan years before Trump.⁶⁹⁹ Her heroic efforts to summon federal aid for earthquake-ravaged Haiti was eventually shown to be a slovenly grab of lucrative contracts by friends of Bill and Hillary, who then proceeded to do almost nothing for the Haitians.⁷⁰⁰ The Clinton Foundation had boots on the ground in Haiti again after the hurricane, going door-to-door soliciting donations of any size (please laugh). The family's speaking fees fetched them a cool \$200 million net worth as civil servants in what was undeniably a pay-to-play scam of monumental proportions.

Hillary's profound hypocrisy is most easily conveyed, however, by letting her speak for herself:

"A man with this much contempt and disrespect for women has no business becoming president."

~Hillary Clinton

"Every survivor of sexual assault deserves to be heard, believed, and supported."

~Hillary Clinton

"Go fuck yourself."

~Hillary to her secret service agent in response to "Good morning."

"What we have here is pretty much what I have been saying throughout this whole year, and that is that I never sent or received anything that was marked classified."

~Hillary Clinton

"You stare at the wall like a brain-dead buffalo while letting fucking Lauer get away with this betrayal? Get the fuck to work janitoring this mess: do I make myself clear?"

~Hillary Clinton to Donna Brazile

"You wanted it, didn't you?"

~Young Hillary Clinton to a now-sterile 12-year-old rape and beating victim on the witness stand (after exiting the coma)

"But if everybody's watching, you know, all of the backroom discussions and the deals . . . you need both a public and a private position."

~Hillary Clinton, on the Goldman tapes

"I have a lot of experience dealing with men who sometimes get off the reservation."

~Hillary Clinton

“It is one of the most important challenges the next president is going to face.”

~Hillary Clinton on cybersecurity

“The real key to cybersecurity rests with you. Complying with department computing policies and being alert to potential threats will help protect all of us.”

~Hillary Clinton to her staff

“This is a man who says . . . women don’t deserve equal pay unless they do as good a job as men.”

~Hillary Clinton, first presidential debate

“I want the Iranians to know that, if I’m president, we will attack Iran.”

~Hillary Clinton

“I’ve been the most transparent public official in modern times.”

~Hillary Clinton

“I often feel like there’s the Hillary standard and then there’s the standard for everybody else.”

~Hillary Clinton

“We are going to write fairer rules for the middle class, and we are going to raise taxes for the middle class.”

~Hillary Clinton, probably just garbling her words owing to brain trauma

“Name one thing anybody has influenced me on.”

~Hillary Clinton

“The company you keep says a lot about you.”

~Hillary Clinton

“We did not lose a single American in that action.”

~ Hillary Clinton on Libya

“I do not believe that they did anything that they believed was in any way inappropriate.”

~Hillary Clinton, supporting those who sent e-mails to her insecure server

“There’s just a deep desire to believe that we can have free college. . . . I don’t want to overpromise. I don’t want to tell people things that I know we cannot do.”

~Hillary Clinton, on a Goldman Sachs video after publically promising free college

“As the FBI said, everything that I’ve said publicly has been consistent and truthful with what I’ve told them.”

~Hillary Clinton

“Can’t we just drone this guy?”

~Hillary Clinton on Julian Assange

“Anyone not willing to accept the result of an election is a danger to democracy.”

~Hillary Clinton

Besides what appears to me to be a lifetime of criminal behavior befitting that of a clinical sociopath, what were Hillary’s biggest mistakes? I view three as truly colossal screw-ups by an otherwise coldly calculating political veteran.

(1) Hillary called approximately 25% of the voters (half of Trump’s supporters) a “basket of deplorables.” You attack the candidate but never the voters. What was so egregious was that she turned them into nouns. They were not deplorable but rather deplorables. You could actually hear her minions after the fact trying to reverse that grammatical subtlety. The noun form was dehumanizing. Hillary was dehumanizing.

(2) Hillary feigned interest in the environment—her first loyalty remains to her—supporting green energy as preferable to coal. Her enormous mistake was that she told the most downtrodden working class in America—coal miners—that she was going to put them out of work. It revealed a lack of compassion—a monumental political blunder.

(3) She and her team rigged the polls and controlled the media. The control was absolute, because the media (even Fox News) had turned on Trump. The blunder was that *she then believed the media reports and the polls showing she was winning*. Team Clinton lied to itself on a grand scale. Meanwhile, she slowly but ever so steadily lost the millennials, the Bernie supporters, and even minorities in significant numbers. I return to the minority shift in the next section. It's important.



Figure 24. Poll showing Clinton lead on *November 7th*.

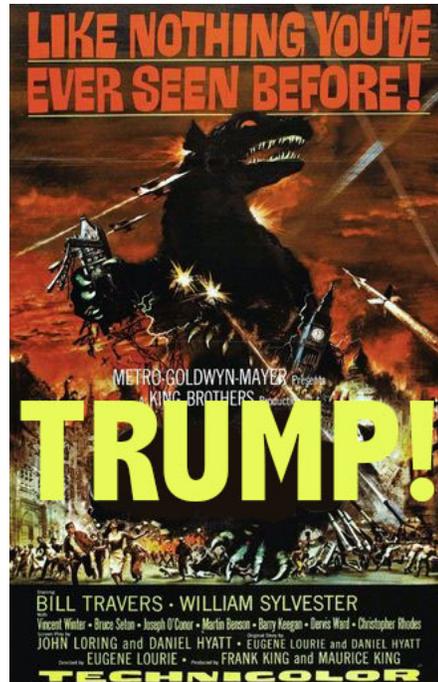
Before closing, I must mention Huma and the Weiner, which refers not to a sitcom but to Huma Abedin and her sex-crazed husband and former politician Anthony Weiner. I am confident that Huma's moral bar is at the wrong level.⁷⁰¹ The scandals about her 10-year stint as the associate editor of the *Journal of Muslim Minority Affairs* are innuendo but remain disquieting.⁷⁰² Maybe *JMMA* is just the Saudi comeback to *Cosmo*, but maybe not. The e-mail leaks from the DNC and ultimately from the Weiner clearly showed that Huma played a key and dubious role in what I believe will prove to be the largest scandal



Figure 25. Caption contest.

of them all, the Clinton Foundation. The close affiliation with Hillary Clinton is condemning. But here is the impressive part: Huma's role as Hillary's chief of staff—a role that demanded dealing with unimaginable pressures daily—tells me that she must be working at the highest possible level of competence. Huma has gravitas. Somebody will hire her and get their money's worth, even if there is a little interim time spent in public housing—orange is the new black—or in a witness protection program.

Trump



“This year represents a paroxysm in the political system that is rejecting the attempts to control the election from the halls of power. . . . They might find a way to take Trump down, but he’s not going down easy.”

~David Collum, BTFDtv, January 2016

The media and two parties beat Trump unceasingly. Even the Hillary-hating ultra-right power brokers Bill Kristol, George Will, and Mitt Romney supported Hillary. Ruth Bader Ginsberg, breaking federal law precluding a sitting Supreme Court justice from making political statements, noted, “I can’t imagine what the country would be with Donald Trump as our president. . . . He is a faker.” The Donald fired back, “Her mind is shot. She should resign.” They could both be correct. Conservative pundit Andrew Sullivan referred to a Trump presidency as an “extinction-level event.”⁷⁰³ Ex-CIA head Michael Hayden suggested the troops would not follow his orders, which sounds very Roman. Of course, Wall Street veterans like Buffett and Paulson hated him because he might not even be for sale, let alone have bargain-basement price tag of \$200,000 and a Buy-Now

button at Amazon.

“If trump wins the election I am moving out of the country goodbye America
hello Hawaii”

~@BasedPaco

We just witnessed a victory that was every bit as improbable as the 1980 U.S. hockey team winning the gold in Lake Placid (albeit lacking the universal appeal . . . except, ironically, from the Russians). How did this happen?

I’m not going to pile on. I am trying to avoid being one of the billions who underestimated the man. Admittedly, Trump has a huge error bar tattooed on his ass, and I could be doing some serious mea culpas in the future. Some may be irritated if not appalled that I am writing past his obvious flaws this year and looking at his achievements; next year there will be some serious hard data to work with. I am, however, optimistic that he is in this for real and that there is a chance—possibly a long shot, mind you—that he will be transformational. The single best source of upbeat analysis of Trump came from cartoonist Scott Adams of *Dilbert* fame. He opened with a snarky endorsement of Hillary noting, “I’ve decided to endorse Hillary Clinton for President, for my personal safety.”⁷⁰⁴ Later blogs, however, supported The Donald and dissected his tactics. While most heard Trump babbling simple, mind-numbing platitudes, Adams witnessed somebody using classic linguistic ploys to win—as you might expect from a guy who wrote *The Art of the Deal* and has been closing deals for his entire life. I was reminded of sections of the classic book *Influence*, in which Robert Cialdini describes how we are influenced by others.

“It turns out that Trump’s base personality is “winning.” Everything else he does is designed to get that result.”

~Scott Adams (@ScottAdamsSays)

At the outset, a meeting of the Clintons and Trump before he threw his hat in the ring convinced me Trump was a stalking horse for Hillary—a decoy to disrupt the Republican nominating process. *National Review* suggested he might be a “Manchurian candidate.”⁷⁰⁵ Maybe this was true, or maybe, just maybe, he was setting Hillary up for The Sting. No matter, soon he smelled blood like Bruce the Shark in *Finding Nemo*, and the hunt for the presidency was on.

Megyn Kelly opened the debates asking Trump what it would take to get him to drop out. Was he below the minimum standard that was obviously quite low, or had he already scared the establishment? My wild-ass theory is that he and Megyn choreographed a highly visible Battle Royale to advance both of their goals: *The Kelly/Trump fight was staged*. Cui bono? Both. *That* would be classic Trump. From there, he proceeded to emasculate and then defeat a bevy of losers in the Republican debates. He then set his sights on Hillary.

Trump was so totally unconventional. He spent little on campaign ads, instead relentlessly baiting the media into reporting anything he said. He would tweet 140 characters, and the media would write volumes and talk about it incessantly. He called a press conference under a false pretense and then presented them with whatever he had on his mind. They called it getting “rickrolled,” and it got huge coverage.⁷⁰⁶ While Hillary was a mediaphobe, Trump was a mediophile. While Hillary ducked press conferences, Trump held over a dozen, taking all questions and answering them with highly quotable zingers.⁷⁰⁷

His penchant for throwing out wild-eyed conspiracy theories had his opponents and the media apoplectic. The funny part is that despite protestations to the contrary, his exaggerated and hyperbolic assertions always had shards of truth. His accusation that Obama and Hillary played a role in creating ISIS is considered common knowledge by many.⁷⁰⁸ He accused a Mexican-American judge of bias. If you read the analyses, Trump was a nutty racist bigot. If you actually watch the video,⁷⁰⁹ however, you see a well-presented assertion (whether true or false) that his plan to build The Wall was compromising the judge’s impartiality. Ironically, several judges, including former Attorney General Alberto Gonzalez, jumped to Trump’s defense.⁷¹⁰ It was said that “Trump’s prediction of a ‘massive recession’ puzzles economists.”⁷¹¹ ‘Nuff said by me on *that* one.

“Just getting nasty with Hillary won’t work. You really have to get people to look hard at her character.”

~Trump (way before the first debate)

Trump resurrected the Vince Foster death as “very fishy,” which again brought the media into a frenzy over a long since “debunked” conspiracy theory.⁷¹¹ Vince’s death was indeed *profoundly* fishy,⁷¹² as was the Clintons’ behavior after his death. How about that loopy claim that Ted Cruz’s father, Rafael, assassinated JFK? The media declared that one beyond the pale. Curiously, that rumor has been working the back channels for years.⁷¹³ Rafael was a politically active Cuban national at the right time and place. A video shows Oswald and another man handing out pamphlets.⁷¹⁴ The other man is said to be Rafael. I can’t tell, but Trump’s claim was not completely out of thin air, and a frustrated Lyin’ Ted quit the day Trump made the accusation.

“That would be impossible.”

~George Bush Sr. on Trump’s offer to be his VP

Trump’s rallies were spectacles. There was serious violence. After getting pelted with eggs by anti-Trump forces,⁷¹⁵ a blonde Trump fan suggested, “Maybe I egged them on.” This is a surprisingly witty comeback for a subhuman, alt-right Trump supporter.⁷¹⁶ One rally was canceled owing to the violence.⁷¹⁷ In others, cars were tipped over.⁷¹⁸

Shockingly, this all got hung on Trump by the media, somehow not noticing that the Trump supporters were boisterous but largely nonviolent. Oh, right: it was his rhetoric.

“Figure out how to extract yourself and your car or truck from an angry mob *before* you confront the problem. Your options are limited, and time will be short.”

~Me channeling Reginald Denny

What was suspected and eventually confirmed by a combination of WikiLeaks and an undercover video by *Project Veritas* was that the violence was orchestrated and paid for by the DNC.⁷¹⁹ The guy who admitted *on camera* to doing it, Robert Creamer, also happened to have visited the White House 340 times, including more than 40 trips to see President Obama.⁷²⁰ Robert may do some serious jail time before the next administration is done with him. The DNC, by contrast, came out unscathed, albeit totally discredited. Euthanasia seems appropriate to me. Give the egg lady a bat and 10 minutes with Creamer and you might get some justice.

The other noteworthy feature of the rallies was that they were huge. While Hillary was having fake rallies with hundreds, The Donald was filling arenas with lines stretching for blocks. The rallies were this era’s Woodstock. While the crowd chanted “lock her up” and “drain the swamp,” the master showman would use phrases like, “It’s just me up here. Just you and me.” He hammered foreigners, but he gave nothing but big hugs to Americans. It was declared racist, Islamophobic, xenophobic, and bigoted, but many Americans liked the general message.

“No one ever went broke underestimating the intelligence of the American public.”

~P. T. Barnum

Trump’s truly momentous scam was classic Trump and *nobody* noticed: he threw the first debate against Hillary. *What? He threw the friggin’ debate?* Pundits breathlessly reported on the day of the long-awaited political event that “insiders” were saying he “wasn’t ready.” Don’t be so gullible, dudes: *real insiders tell you only what they want you to hear*. In the debate, he looked terrible. Hillary landed body blow after body blow on his support for the Iraq war (which was oddly ambiguous⁷²¹) and his tax returns, *and he didn’t even throw a real punch*. How did he let himself get caught on the ropes so badly? The media declared the election was over. Trump was incompetent *and* un-presidential. (The two are not the same.)

Here’s your homework assignment: List Hillary’s 15 biggest scandals—The Donald had them committed to memory—and then go back and watch Debate I. How many did Trump attack her on? None. Nada. Zero. There were some minor slip-ups, but he left those skeletons securely in the closet. Why? When I pointed that out to friends, they would declare he was simply *that* stupid.

Tweeter @JPCompson and I, in a series of private messages, saw it as a classic rope-a-dope. In round I, he took her best shots without returning her volley. He was saving himself for Debates II and III, because once you've attacked her, it becomes unusable old news. We were *positive* he would knock her out in Debate II. Unfortunately, "grab them by the pussy" appeared the week before this debate, so we'll never know what his original plan was: now he *had* to knock her out. Meanwhile, Hillary thought she would spend the evening having her way with this ball-gagged, pussy-grabbing sexual predator. Indeed, Trump spent the first five minutes of Debate II defending his groin against an assault, looking for metaphorical and literal castration, and then he destroyed her. She was dazed and confused the remainder of the night. He even managed to play a seemingly losing hand on abortion by describing Hillary as a baby killer. *He hung late-stage, third-trimester abortions around Hillary's neck by the umbilical cords.* You'd swear Hillary actually ran an abortion clinic. There was one exchange that took top billing in the Debate Hall of Fame:

Hillary: "You know it is just awfully good that someone with the temperament of Donald Trump is not in charge of the law in this country."

Trump: "Because you'd be in jail."

But wait a minute there, Sparky. Didn't the widely (universally) cited CNN poll show she won 51% to 39%. Yes, it did, but the polls were as fabricated as the election coverage, which was also ultimately outed by WikiLeaks. I knew Trump won big by a simple survey. I searched "who won" on Twitter—a nonpartisan Boolean search covering the entire political spectrum without bias. In 27 spot polls, he destroyed her in many and, most important, *he beat her in 25 of the 27 polls.* Meanwhile, the voters kept getting told by all the major news outlets that Hillary won.

From the outset, Anne Coulter defiantly declared that Donald Trump would be the next president.⁷²² People laughed at her like she was Peter Schiff declaring there was a huge real estate bubble. Right-wing pundit Sean Hannity stepped into the right-wing buzz saw to give him fair treatment. It was hard to find them, but Trump supporters in prominent places slowly crawled out of their safe spaces. Eventually Gingrich and Giuliani jumped into the fray. Wall Streeters Peter Thiel and Jeff Gundlach lent support. A month before the election, I sat at a table with a dozen highly educated, affluent friends from college and was shocked to discover 100% supporting Trump. This is inconsistent with the storyline about his base being wife-beating, alt-right sexual predators. Closet Trump supporters were coming out of their closets.

"No, I would not vote for Hillary Clinton . . . and Trump is not the typical detached, corrupt, greedy, globalist U.S. president we've become so accustomed to. This is precisely what his supporters are picking up on and why they love him."

~Jim Webb, Democratic presidential hopeful

The weirdest subplot of them all is *still* off most radars and may never fully take form: minorities seemed to start support Trump. Mind you, it was just a flicker, but The Donald courted them as the democrats lethargically assumed they would lose *zero* votes from the minority community from here to eternity. Trump, of course, had given plenty of reasons for Hispanics to dislike him, but black Americans were visibly showing support.⁷²³ Blacks for Trump rallies were appearing:⁷²⁴ I don't remember Blacks for Mitt. Ice Cube articulated Trump's appeal, falling short of endorsing him.⁷²⁵ Dave Chapelle, before his legendary post-election SNL appearance⁷²⁵ seemed intrigued with Trump.⁷²⁶ Shaquille O'Neal, Mike Tyson, 50 Cent, Sean Diddy Combs, and other prominent blacks openly supported Trump.⁷²⁷ Football legend Jim Brown said Trump "is going to be for all the people."⁷²⁸ Malik Obama, Barack's brother, supported Trump.⁷²⁹ Quanell X, the head of the New Black Panther Party, told us to ignore the package and listen to the message.⁷³⁰ Quanell X's message was simple: we have given the Democrats our love for a half a century, and what do we have to show for it? The head of Blacks for Bernie, undoubtedly still smarting from the abuse Bernie took from Team Clinton, threw his support for Trump.⁷³¹

Is it possible that, much the way Southern Democrats morphed into Southern Republicans (for admittedly different reasons), black Democrats are shifting their allegiance? Some of the post-election stats hint at this, but one can find many more stating the opposite. It would, however, be a sea change of unimaginable political consequence. A lot will depend on the next four years.

"You're living in poverty, your schools are no good, you have no jobs, 58 percent of your youth is unemployed. What the hell do you have to lose?"

~Donald Trump to African Americans

Media

“The mainstream media bet the farm on Hillary Clinton, confident that their dismissal of every skeptical inquiry as a ‘conspiracy’ would guarantee her victory. It now appears they have lost their bet.”

~Charles Hugh Smith, OfTwoMinds

Let me be clear to the mainstream media as a collective: you guys suck. I’m talking *really* suck. A Gallup poll showing your credibility dropping to single digits—below the percentages who believe in Sasquatch—says I am not alone in my disdain.⁷³² I know some great reporters; painting everybody with a big brush is not fair, but I would slather most of the news organizations with tar, throw some feathers on them, and wait for Chapter 7 liquidation. One side of my brain says, go ahead. Define your media niches. If it destroys your brands, that was a business decision. You will be replaced by an honest (digital) product that people demand. The other lobe worries that Big Money will just keep buying up or, if necessary, sabotaging new media. As fledgling outlets emerge (think Huffington Post), they get swallowed by the Borg Collective. Is this really free press? Are there analogues of Woodward and Bernstein? We desperately do not need whores and gigalos groping people in power simply to gain access. It’s showtime: risk your access or risk your role in a democratic society.

I’m sure this problem is bipartisan, but fear of Trump and agenda-driven support for Hillary caused a political lopsidedness. Emblematically, the winner of the election didn’t get a single endorsement—not a one—from the top 100 media outlets.⁷³³ Maybe Hillary should have batted 0 for 100 as well. WikiLeaks showed that hundreds of reporters were in cahoots—had their noses right up the butts of Team Clinton to a shocking degree.⁷³⁴

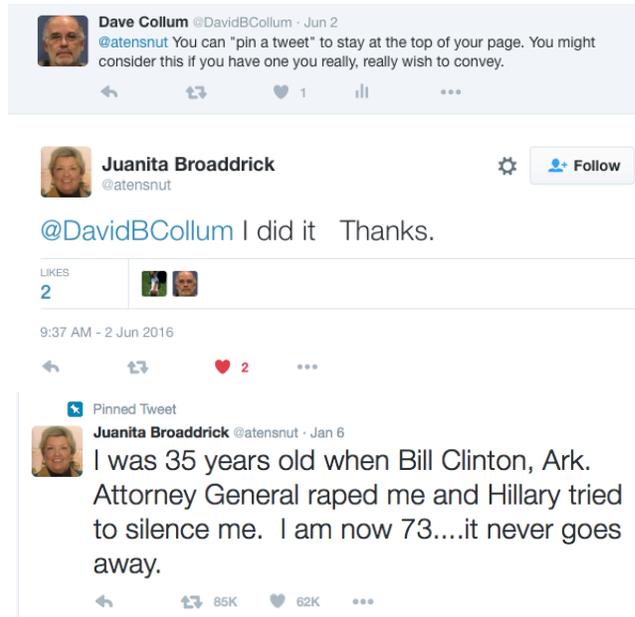
“We couldn’t help [Hillary] any more than we have.”

~ Chris Cuomo, CNN correspondent

First off, quit donating to campaigns and crime syndicates masquerading as nonprofit foundations. Time Inc. was a big Hillary donor.⁷³⁵ Politico reported—thank you, Politico—that NBC Universal, News Corporation, Turner Broadcasting, and Thomson Reuters are among the many media organizations that donated to the Clinton Foundation.⁷³⁶

The network that took the absolute worst beating this year was CNN—the Clinton News Network. Time Warner, owner of CNN, was Hillary’s seventh largest donor.⁷³⁷ At the microscopic level, you could see it. CNN reporters criticizing Hillary would be cut off mid-broadcast.⁷³⁸ You also should probably stop *firing* reporters for content that you find inconsistent with your endorsed candidate’s views.⁷³⁹ You let Team Clinton feed *you* questions for interviews,⁷⁴⁰ and you fed them questions for the debates:⁷⁴¹ *you rigged the debates.*

Thank God for the wild free-speech zone offered by social media, where everything and anything can be said. In one 24-hour period, I chatted with the former president of Microsoft, countless journalists and hedgies, one of Bill Clinton’s rape victims, and a vice president of the St. Louis Fed. I taught Juanita Broaddrick how to “pin” a Tweet and she pinned a zinger:



There were some funny mishaps. Rumsfeld hit Twitter endorsing a flat tax, but it quickly turned into a war crime Tweet-A-Thon.⁷⁴² TayTweets, an artificial intelligence (AI) program designed by Microsoft to interact with people on Twitter, was pulled when it began spewing anti-semitic hate speech and pro-Donald Trump campaign slogans.⁷⁴³ It has the AI guys and the AI debate on the DEFCON scale. As noted above, the NY Fed thought exposing itself to the Fever Swamp was a swell idea. Shoulda listened to Geraldo when he advised not to tweet late at night shirtless.

“[I]t takes a special kind of asshole to actually get banned from Twitter.”

~*New York* magazine

A decidedly unfunny covert war is being fought against the openness of it all. The major tech companies are beginning to sift through content and decide what is right or wrong. I reiterate, I support the right of these companies to destroy themselves, but I think something much more sinister is going on. Facebook, Google, and Twitter all showed a distinct bias against right-leaning content. Polarizing figures were getting banned and their content blocked.⁷⁴⁴ Facebook deleted highly popular pro-Trump pages in social media’s variant of the Night of the Long Knives.⁷⁴⁵ YouTube blocked some content providers at the cash register—prevented ad revenue—when the content didn’t fit its definition of what’s right and wrong.⁷⁴⁶ The techies profess to be saving us from being subjected to hurtful ideas. Although this year was anti-right-wing bias, I suspect it’s a less

partisan content control bias. It's wrapped in a protective cloak with an anti-terrorism or anti-hate-speech logo, but it's about suppressing free speech.

A few random flesh wounds and head shots to and from the media are summarized as Bad Bullets:

- The *New York Times* dropped superdelegates from its tabulations to protect the DNC.⁷⁴⁷
- The AP announced Hillary's victory in the Democratic primaries before it was hers and specifically timed the announcement to influence the impact of the California primary (*vide supra*).
- An Obama aide was hired and fired by NBC/MSNBC *on the same day* when it was discovered that she was helping him get his Supreme Court nominee through the system.⁷⁴⁸ Nice stick save.
- Chuck Johnson, right-wing investigative reporter, was the first to be banned from Twitter and warned Breitbart tech analyst Milo Yiannopolous he would be banned.⁷⁴⁹
- Milo Yiannopolous was first unverified (which is just weird) and then banned from Twitter for what was clearly polarizing content that would be constitutionally protected in a public setting.⁷⁵⁰
- Twitter CEO Jack Dorsey claims Twitter censors nothing.⁷⁵¹
- An ex-CIA guy who had been on Fox News for years turned out to be a total fake, getting him 33 months in prison.⁷⁵² What happened to the other fakes?
- A former *Zero Hedge* employee outed marginally concealed *Zero Hedge* founders in Bloomberg and then discovered the hard way that he'd left a paper trail of his personal misdeeds a mile long.⁷⁵³
- CNN reported that 200 million people died from 65 million surgeries.⁷⁵⁴
- Michael Savage's radio show got blacked out in a number of cities when he started talking about Hillary's health.⁷⁵⁵
- Headline: Game Developer Mark Kern Banned On Twitter For Saying Radical Mosques Should Be Surveilled—even though they *are* being surveilled. We all are.⁷⁵⁶
- Scott Adams got “shadow banned” on Twitter, which meant that, unbeknownst to him, his tweets weren't showing up.⁷⁵⁷
- Roger Ailes of Fox News got accused of “grabbing the pussy” of aspiring female journalists, generating a digital exam of his own genitalia.⁷⁵⁸
- Michael Isikoff unsuccessfully called for the unedited Juanita Broaddrick interview, including the deleted part wherein she hammered Hillary.⁷⁵⁹
- Christina Hoff Sommers was silenced on YouTube for anti-feminist views.⁷⁶⁰
- RBS shut down the banking functions of RT, backing down eventually but showing a totalitarian side.⁷⁶¹ The irony is palpable.
- The *Economist* tweeted, “Donald Trump must be stopped before it's too late,” showing that it's not only their coverage of economics that is dubious.⁷⁶²
- When Trump pulled into the lead, Reuters changed its polling methods.⁷⁶³

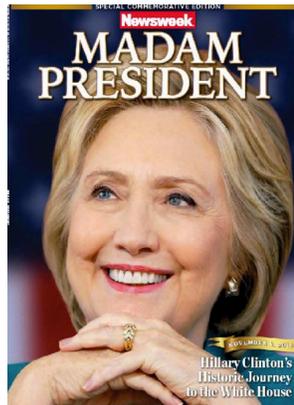
- Lester Holt was so bad in the first debate he got nicknamed “The Third Debater.”⁷⁶⁴
- Martha Raddatz “lost her shit” and started arguing in a debate . . . and then cried when Hillary lost.⁷⁶⁵
- Searches for the “Clinton AP story” gave results limited to stories from left-wing publications discrediting the story.⁷⁶⁶ (I checked; it was true when reported.)
- Chris Wallace shined.

Pamela Geller, after some boots and bans owing to what was deemed anti-Islamic content, has filed a joint lawsuit against Attorney General Loretta Lynch and tech giants Facebook, Twitter, and YouTube for “unlawful discrimination based upon their religious and political beliefs and views.”^{767,768}

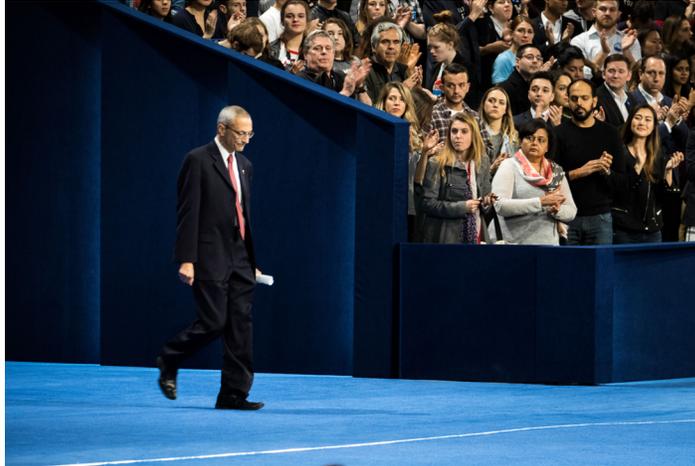
“The Watts case involved a young man who claimed that if he was drafted and made to carry a rifle, then ‘the first man I want to get in my sights is L. B. J.’ The Court found seemingly violent ‘hyperbole’ is constitutionally protected.”

~Glenn Reynolds (@Instapundit), about a bygone era

Conclusion



And in a flash, it was over—the election, the year, a clockwork orange. *Newsweek* released the results in a commemorative issue just a wee bit too early. *Time* waited and got it right. The gravity and despair on the left was often captured by images of Hillary supporters crying, but the most poignant image might have been that of John Podesta walking into the arena the night of the election. He was to announce that the dreams of a Clinton presidency—of the first female president—were dashed and that their candidate would not be coming out that night. John’s burden is palpable. Despite my disdain for the Clinton political machine and even his role, I can feel his pain. Another oddly moving experience for me was listening to Kate McKinnon in her role as Hillary Clinton on Saturday Night Live singing “Hallelujah.”⁷⁴⁸



Trump was not a cause but rather an effect. For me the wildly uplifting nonpartisan message is that we threw the bums out. The voters took the wretched candidates offered by the two political parties and said, “No. We will be choosing our own president this time, warts and all.” The risk to the elites is that the movement is global. Britain and Italy voting to leave the EU is the same plot.⁷⁴⁹

“Trump’s election is going to be the biggest fuck you ever recorded in human history, and it will feel good.”

~Michael Moore

One might ask whether transformative change really required someone as extreme as Donald Trump? My answer is a resounding yes. No other candidate could challenge the system so profoundly and defeat it. To shake a rotten system to its foundations truly required an unprecedented performance. I encourage you to hold your doomsday prophecies for some data.

“You can’t always get what you want. But you just might find you get what you need.”

~Rolling Stones

Amazingly, *nobody* can see past February. Even Trump supporters are watching quizzically. I am guardedly optimistic that Trump is more cunning and calculating than his political foes realize. The post-election press conference in which he denounced them as liars and scoundrels was, like Trump, paradoxical. On the one hand, it was seriously ham-fisted. On the other, many are lying scoundrels. We have the right to a free press, which is slipping through our fingers because the press forgot to do the job that is so important in a functioning democracy. Without a strong First Amendment, the populace will naturally turn to its backup—the Second Amendment.

I am confident that Trump plays to win. Trump the candidate will not be the same competitor as President Trump because the task is different. The Carrier jobs move, calls to Taiwan, and Stinger missiles shot at Boeing are consistent with a simple message from the pre-POTUS: he is not going to take any guff. Of course, there will be some yuge missteps. Some say his political appointees are a disaster. Others might argue that they are not so nuts if his goal is to shrink the footprint of government.

I don't worry about Trump as much as I worry about the abrogation of free speech. From my vantage point, the alt-left seems more dangerous than the alt-right because the former is charging at our right to free speech with venomous aggression. Recent moves to censor and eliminate "fake news" are not just political footballs. They are attacking the most fundamental right of our democracy—the right to free speech. Give that up and you give up everything. I can ignore Nazis, communists, cultists, and fringe elements of almost all kinds provided they come as a consequence of free speech. Aristotle said that an educated person—actually, he said educated man—can entertain an idea without endorsing it. We should be careful not to give up the right to entertain all ideas.

I have a solid record as a college professor. I get good teaching reviews in courses, have not been rejected on a federal grant since 1987, publish in the best journals, have served as the associate editor of a prominent scientific journal for 20 years, and have held administrative positions of some importance for 15 years. I have helped coach two sports at the collegiate level, advised a number of clubs, and fallen on my sword in more ways than I can say in public (including one right now). Nonetheless, writing this review poses unknowable risk. In the midst of a very left-leaning faculty discussion, I got a text from a high-ranking administrator that stated succinctly, "Dave: you need to speak up." I did *not* say a word. That was a small moment of shame—a microshame.

I am reminded of the universal maxim "this too shall pass." Randy Pausch's wife once said that when you start obsessing just say to yourself, "this is not helping." Mark Twain or Will Rogers suggested that "Worry is the interest you pay on a debt you may not owe." And lest we forget, there are always more elections to worry about:

Presidential Election 2036:
Trump versus Clinton

Books

"Books serve to show a man that those original thoughts of his aren't very new after all."

~Abraham Lincoln

Every year I attempt to attenuate the growth of my 35-page wish list on Amazon by reading a handful of books, but I am losing the fight. I choose carefully owing to limited bandwidth. The books end up being an eclectic mix with one unbroken theme: they all profess to be nonfiction. I am not spending good money without attaining personal

growth loosely referred to as knowledge. Novels just don't cut it for me. Here is my 2016 reading list for what it's worth.

Destiny and Power: The American Odyssey of George Herbert Walker Bush by Jon Meacham

This book is the amazingly uplifting story of a humble, very sensitive, family-oriented guy who lived a very moral existence. The occasional mishaps hurt him deeply. He created wealth, not (just) inherited it. His loss in the second term stemmed, in part, from ambivalence about whether he really wanted it. You get some minor but telling views about his opinion of the Clintons and absolute respect and loyalty to Reagan. The book seemed a little too supportive of GW's presidency (through the fuzzy eyes of a proud father.) Overall, I finished with a substantially amplified opinion of GHWB.

http://www.amazon.com/Destiny-Power-American-Odyssey-Herbert/dp/1400067650/ref=sr_1_1?s=books&ie=UTF8&qid=1459613983&sr=1-1&keywords=george+bush

The Kennedy Men: 1903–1963 by Laurence Leamer

This book is an oddly imbalanced mix of the Kennedy men including Joe Sr., Joe Jr., John, Robert, and Teddy. The description of the kids in childhood was all about Joe Jr. and John. Bobby gets short shrift. That said, Bobby is depicted as a total hothead. Teddy is an afterthought. There is quite a bit on the womanizing but not so much that it risks being just salacious garbage. I enjoyed the book, but the imbalances and dubious organization made it less than it could have been.

https://www.amazon.com/Kennedy-Men-1901-1963-Laurence-Leamer/dp/0688163157/ref=cm_cr_ar_p_d_product_top?ie=UTF8

Moonwalking with Einstein: The Art and Science of Remembering Everything by Joshua Foer

Foer describes the odd world of memory experts—the guys who learn how to memorize vast quantities of often worthless information in very short order. (Homer is a great example of one of the original memory junkies.) What makes the story interesting is that Foer taught himself how to do it and excelled. I had seen Foer speak and was captivated by the idea. I gotta confess that (a) the book did not move along fast enough for my tastes, and (b) I didn't finish it. It conveyed the ideas, but I was not getting to the question of how. It may just have been my impatience. The two-star reviews at Amazon (checked after writing this review) confirm that others had similar problems, although the overall rating is high.

https://www.amazon.com/Moonwalking-Einstein-Science-Remembering-Everything/dp/0143120530/ref=sr_1_1?s=books&ie=UTF8&qid=1477236158&sr=1-1&keywords=moonwalking+with+einstein

Malcolm X: A Life of Reinvention by Manning Marable

Manning tells the transformational tale of Malcolm X. In some odd way, this book is a follow-up to the original Alex Haley version. In Marable's version, Haley is actually part of the plot. It is a story of redemption. A young man—a caricature of sorts—heading to nowhere but a life of crime and prison becomes one of a transformational characters of

the twentieth century. While Martin Luther King Jr. was rallying the rural South, Malcolm was more militantly rocking the cities. The role of Islam (the Nation of Islam) in his metamorphosis is profound and compelling. I would've loved to see what he'd have done had he lived his full life. The only downside is that the book, like so many historical treatises, is filled with characters that, despite some memorable ones (Mohammad Ali, Louis Farrakhan), are simply not of interest to the general readership. You can't live with 'em but ya can't live without 'em.

https://www.amazon.com/Malcolm-X-Reinvention-Manning-Marable/dp/0143120328/ref=cm_cr_ar_p_d_product_top?ie=UTF8

The Catholic Church: A History by William Cook

I'm a huge fan of The Teaching Company's audio series: college-level, trimester-length courses on interesting subjects taught by talented lecturers. This course was exactly what I had hoped for—a historical rather than religious look at the role of the Catholic Church in society through the years. The origins and early history in the ancient era was the best part. The more modern periods were of far less interest to me. The course is not about God or Christ but rather about the institution we call the Church (capital C).

https://www.amazon.com/Great-Courses-Catholic-Church-History/dp/1598035975/ref=sr_1_1?ie=UTF8&qid=1477238482&sr=8-1&keywords=history+of+the+catholic+church+teaching+company

The New Case for Gold by James Rickards

Jim is an occasional acquaintance and frequent e-acquaintance with a common interest in gold as a means of wealth preservation. His book is an easy read that will be enjoyed by gold fans but is really more important for neophytes interested in wrapping their brains around gold. I have only one disagreement: I do not buy the notion that gold is money and that its price represents the price of the dollar denominated in gold. The prices of goods and services denominated in dollars are, in the short term, stable. By contrast, goods and services priced in gold vary daily with the price of gold. By this standard, gold is not yet money. It is, however, a store of wealth in the long term.

https://www.amazon.com/New-Case-Gold-James-Rickards/dp/1101980761/ref=sr_1_1?ie=UTF8&qid=1477238865&sr=8-1&keywords=the+new+case+for+gold

Why We Make Mistakes: How We Look Without Seeing, Forget Things in Seconds, and Are All Pretty Sure We Are Way Above Average by Joseph T. Hallinan

This book is one of many, many neuropsychology books on biases. It's sort of Gladwellian. I'm not sure I can recall what was in it, nor can I recall why I read yet another. I remember it being enjoyable, but I can lip-synch this genre now.

https://www.amazon.com/Why-We-Make-Mistakes/dp/B001THVZLG/ref=sr_1_1?ie=UTF8&qid=1477239579&sr=8-1&keywords=why+we+make+mistakes+audible

Flashpoints by George Friedman

As the former CEO and founder of Stratfor, George is on the front lines of the geopolitical world. He describes Europe as a series of regions (tribes) with long

memories surrounded by “borderlands” that reminds one of the bar in Star Wars—huge opportunities for a brawl. The tribalism has led to huge numbers of wars and will continue to do so. George doesn’t see a conflagration but would be even more shocked if we avoided a generic shitstorm. He does not spend a lot of time on the recent immigrants, but I bet he would have if the book had been written a year later.

https://www.amazon.com/Flashpoints-George-Friedman-2015-02-26/dp/B0182QDO6U/ref=sr_1_2?ie=UTF8&qid=1477239816&sr=8-2&keywords=flashpoint+george+friedman

Foolproof: Why Safety Can Be Dangerous and How Danger Makes Us Safe by Greg Ip
Greg does a credible job of describing the ages old maxim that stability breeds instability in financial markets. He draws ample analogies to excessive risks that appear with overly aggressive fire prevention, financial intermediation, and car safety. There was some dry discussion of the financial crisis (blah, blah, blah . . . like I need more of that).

Unfortunately, he gives the Fed a pass for the most part, ignoring its role and simply pointing out why it did what it did. I would recommend passing on this book.

https://www.amazon.com/Foolproof-Safety-Dangerous-Danger-Makes/dp/0316286044/ref=sr_1_1?ie=UTF8&qid=1477237076&sr=8-1&keywords=foolproof+greg+ip

Rome and the Barbarians by Kenneth Harl

This audiobook is another Teaching Company trimester-length collegiate course in audio. These courses are, almost without fail, exceptional. Harl does a great job of describing in a relatively chronological order the expansion of the Roman Empire and the various “barbarians” confronted along the way. I enjoyed it immensely.

https://www.amazon.com/Rome-and-the-Barbarians/dp/B00DTO5ZFO/ref=sr_1_1?ie=UTF8&qid=1477236593&sr=8-1&keywords=rome+and+the+barbarians+kenneth+harl

The Professor and the Madman: A Tale of Murder, Insanity, and the Making of the Oxford English Dictionary by Simon Winchester

I’ve always wondered how one would ever create a monumental body of work like the *World Book Encyclopedia* in this era . . . and along came WikiLeaks. You crowdsource it! But what about the past? The story of the creation of the *Oxford English Dictionary* with in excess of a million entries is actually quite similar: it was crowdsourced using thousands of people globally over a 70-year period. The great historical storyteller Simon Winchester describes the creation of the monumental, first-of-a-kind compilation of words and definitions. The plot within the plot is the specific role of a crazy bastard in a sanitarium. For 20 of those years, he contributed profoundly, yet nobody knew he was completely nuts. (He requested and received zinc-plated floors to keep demons from climbing up through the floorboards at night and having sex with him.) It’s an entertaining tale, although in a bit of irony, one could get the basic story by simply going to Wikipedia.

https://www.amazon.com/Professor-Madman-Insanity-English-Dictionary/dp/0060839783/ref=sr_1_1?ie=UTF8&qid=1477240631&sr=8-1&keywords=the+professor+and+the+madman

Crisis of Character: A White House Secret Service Officer Discloses His Firsthand Experience with Hillary, Bill, and How They Operate by Gary J. Byrne

Gary Byrne was a Secret Service agent charged with protecting the Clintons for eight years. To the dismay of millions of alt-righters, he was very good at his job. Of course, if you hadn't figured it out by now, I read this book simply because I find Hillary to be a deplorable human being with no socially redeeming qualities. Unfortunately, the book was disappointing. He hammers Hillary but very nondescriptly. At its release, I'd hoped Hillary would "feel the Byrne." Little did I know that she would deflect much, much worse. Bill Clinton takes a beating as Gary describes relentless examples of bimbo-banging in the Oval Office and the icky cleanup after the fact. He describes testifying to Congress under oath, during which he was precluded from telling the truth (and we don't get that part either). Monica comes off as a stalker-level groupie. It's also disconnected, with a lot of chapters about the author's life away from the Clintons.

https://www.amazon.com/Crisis-Character-Discloses-Firsthand-Experience/dp/1455568872/ref=sr_1_1?ie=UTF8&qid=1477241210&sr=8-1&keywords=crisis+of+character

Prosper!: How to Prepare for the Future and Create a World Worth Inheriting by Chris Martenson and Adam Taggart

I've watched most of Chris Martenson's metamorphosis into town crier about disaster coming our way. I tuned into *Crash Course* when the sections were still incomplete. It was great. This book is about the transition from panic to relative tranquility that comes through preparing oneself for coming adversity. It's about prepping, but it transcends the apocalyptic version and provides a more measured version in which you simply organize your life for a sustainable existence that is not reliant on fragile support systems that could give way to serious problems. (Only two days before my typing the first draft of this review, the Internet experienced a significant denial-of-service hack attack.)

<https://www.amazon.com/B017GH53DS/ref=dp-kindle-redirect?encoding=UTF8&btkr=1>

America's Bank: The Epic Struggle to Create the Federal Reserve by Roger Lowenstein
Roger is best known for his description of the Long-Term Capital Management collapse in *When Genius Failed*. Presenting a polar opposite view of *The Creature from Jekyll Island*, Lowenstein describes the creation of the Federal Reserve in the most favorable light possible. It is absolutely clear that Roger is a big Fed fan and thinks its detractors are idiots or, even worse, conspiracy theorists. After the insults, I found the book to be an enlightening read in which the author convinced me of the problems of the fragmented banking industry of the nineteenth century and the merits of a collective approach (a cabal if you wish). If only the Fed could be a more humble institution unfettered by the Hayekian fatal conceit.

https://www.amazon.com/Americas-Bank-Struggle-Federal-Reserve/dp/0143109847/ref=sr_1_1?ie=UTF8&qid=1477254498&sr=8-1&keywords=america%27s+bank

Origins of Great Ancient Civilizations by Kenneth W. Harl

In yet another Teaching Company trimester-length course, Kenneth Harl describes a number of ancient civilizations. I love this stuff even though I have trouble remembering any of it for more than a few weeks after listening.

https://www.amazon.com/Origins-Great-Ancient-Civilizations-Courses/dp/1598030876/ref=sr_1_2?ie=UTF8&qid=1477254885&sr=8-2&keywords=origins+of+ancient+civilizations+teaching+company

Barbarians at the Gate: The Fall of RJR Nabisco by Bryan Burrough and John Helyar
The authors describe the pandemonium that results when hot money chases overvalued assets driven by testosterone-infested money guys (KKR). The story dates to the 1980s—in the wake of disco, to place it in context. I found it interesting, but the magnitude seems quaint in light of the modern-day barbarians. Still, it was an enjoyable read, albeit non-technical.

https://www.amazon.com/Barbarians-Gate-Fall-RJR-Nabisco/dp/0061655554/ref=sr_1_1?ie=UTF8&qid=1477255134&sr=8-1&keywords=barbarians+at+the+gate

“Read the best books first, or you may not have a chance to read them at all.”

~Henry David Thoreau

Acknowledgments

This manuscript sits on the shoulders of diligent individuals providing fresh content as well as invaluable sifting through extant content. We all crowdsource news now. There are individuals who make my personal pursuits to understand the world very special. Of course, Adam Taggart and Chris Martenson deserve hearty thanks for allowing me to provide content as well as giving a healthy dose of their own. *Zero Hedge*, supposedly one of the primary sources of “fake news” according to the alt-left and the elites, provides content that is remarkably useful given its putative total lack of authenticity. Guys I interacted with this year include some regulars as well as some newcomers. Although their exchanges are not always voluminous, they generously include me in their sphere. They include Stephen Roach, Nassim Taleb, Grant Williams, Michael Krieger, Benn Steil, Steve Hanke, Catherine Austin Fitts, Jack Barnes, Jim Kunstler, Dale Pinkert, Jacob Taylor, Dorsey Kindler, Sam Kitterman, Susan Lustick, and the boys at *Zero Hedge*. Twitter is an amazing source of anything you want. With great hesitation, I mention a few of the people I follow, recognizing that many will be left off. In many cases, the connection is almost illogically strong given that I’ve never met them and don’t always know their names or backgrounds:

@RudyHavenstein
@TheLimerickKing
@dandolfa (David Andolfatto)
@nntaleb (Nassim Taleb)
@EmanuelDerman

@RaoulGMI (Raoul Pal)
@mikehalen
@DowdEdward
@CGrantWSJ (Charley Grant)
@BrendanEich
@JPCompson
@jamessaft
@stevesi (Steve Sinofsky)
@tkinder (Terry Kinder)
@iuubob (Bob Lehmann)
@TFMkts (Peter Tchir)
@timfprice
@reinman_mt
@rcwhalen (Chris Whalen)
@JoelHeyman
@AutomaticEarth
@ddobell
@StockCats
@MarketWeight
@DividendMaster
@Smaulgd
@BamaTrader
@chigr1
@GreenMonsterah
@BennSteil
@ollieblog
@cate_long
@pkedrosky
@cabaum1 (Caroline Baum)
@azizonomics (John Aziz)
@Stevephenni (Steve Henningsen)
@credittrader (Tim Backshall)
@vexmark (Mark Constantine)
@JamesGRickards (Jim Rickards)
@PopescuCo (Dan Popescu)
@nanexllc (Eric Hunsader)
@addictiondocMD (Howard Wetsman)