

Hello Everyone,

“The growth of the power of Athens and the alarm that inspired in Sparta made war inevitable.” Thucydides

Every once in a while I take off the financial advisor hat and put on the general Zanetti hat. This is one of those days.

Today’s missive is an ambitious endeavor. I will attempt to do three things:

- Link ancient Athenian “trireme” ships of 1400 years ago to hypersonic missiles today.
- Explain how human nature is more powerful than any technology.
- Show how short-sighted politicians can derail both military strategic thought and financial strategic thought. (So yes, there will be an effort to link the military to finance.)

So here goes.

By now, most of you know China successfully demonstrated their hypersonic super weapon. The world was “stunned” by the technological leaps made by China’s military.

Despite the headlines, I don’t believe our Pentagon was surprised.

Long term readers of this little missive have known about hypersonic missiles for about three years. Vladimir Putin bragged about his hyper-sonics in a televised address to his nation in 2018. The US has been racing to catch up ever since. And we are succeeding. Three US hyper-sonics were launched earlier last week.

To think China wasn’t in the race as well isn’t reasonable.

Moving on...the point is we may be approaching a time where two (or three) countries have super weapons.

On the one hand, this implies the **Mutual Assured Destruction (MAD)** strategy of the Cold War could play out yet again. I hope so. The **MAD** thinking was (and is) no one would dare attack for fear of an “end-of-all-things” retaliation. Thus, no “total” wars.

On the other hand, it could also mean one side may decide to act first before the other side perfects its current super weapon.
Ugh.

So, let's bridge to the main point.

The root issue is not one of technology. It is one of human nature. Technology changes, but humans do not.

Let's look to history to see how super weapons and human behavior can interact.

Recently, Simon Black over at sovereignman.com recalled a war between two ancient superpowers---the Athenians and the Spartans.

After years of wars and skirmishes, the Athenians desperately wanted a decisive victory to ensure some sort of lasting peace. They knew the Spartans had better shields and stronger metals for their swords.

But Athens had the stronger economy, the larger force, and the better navy.

Thus, the Athenians decided to build a superior ship. The “high-tech” and expensive “**trireme**” fleet was designed to crush the Spartans once and for all.

And, their super weapon worked.

At the Battle of Arginusae Islands, the Athenian armada demolished the Spartans. The Spartans were now nearly defenseless. When news reached Athens, the people cheered.

However, as the details of the battle emerged, it was discovered the Athenians had lost 25 of their 150 expensive ships. Moreover, the crews of those ships had not been retrieved from the water. They had perished in a storm.

Opportunistic Athenian politicians railed against the admirals and generals who had presided over such a disaster.

And, yes, these were the same military leaders who had been hailed as heroes only days before. Nonetheless, the Athenian Assembly deemed the generals and admirals incompetent---- and ordered their executions.

When the people realized what the Assembly had done, they were outraged. They then demanded that the Assembly leaders who had executed the military men be executed themselves. So, they were.

During this “democratic dumpster fire” (Simon Black quote) the defeated Spartans showed up asking for a peace treaty. Which was exactly what the Athenians had originally wanted. However, the Athenians were so embroiled in their own internal lusts for power and revenge, they rebuked the Spartan offer.

The observant Spartans, however, were not blind to the raging dysfunction inside Athens. They raced home and mobilized what army and navy they had left. Then they attacked Athens by land and sea.

Of course, the Athenians had killed their experienced military leadership, so the Athenian response was both tepid and

disorganized. The Spartans then sunk the costly Athenian navy and routed the leaderless army.

Athens lost all its sovereignty and ended up under complete control of the Spartan Empire.

I will leave it to my intrepid readers to draw parallels to today.

So, what does this have to do with investing?

If we go to war with super weapons, the last thing you will be concerned with will be your investments. So, wartime investing is not the point.

It is the thinking/behavior we should focus on.

Remember, the petrodollar deal was predicated on US defense of OPEC. And despite our military superiority, the Afghan withdrawal has demonstrated that poor leadership can nullify technological superiority.

Since then, a quick look at the dollar index shows the dollar weakening precipitously as the petrodollar deal disintegrates. This is one of the reasons behind the inflation we are experiencing now. This is also why you are hearing more about the “great reset”.

These are both epic economic battles we should be addressing.

Yet our internal squabbles dominate the news. And opportunistic politicians do not see the message they are sending to both our economic and military foes. Foolish.

We need to stop looking inwardly---and look up and out. Until we do, the current trends will remain in place.

Signed, Your American-Made-Products-Don't-Get-Stuck-On-Cargo-Ships Financial Advisor,

Greg

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