



## **Zanetti Monday Missive 2023.04.24 Loser Nations**

**"Americans love a winner and will not tolerate a loser.  
Americans play to win all the time."  
~ General George S. Patton**

Hello Everyone,

Two weeks ago, we presented the concept of the Center of Gravity (COG). The COG being the source of strength. We then postulated that Russia, China, Brazil, Iran, and others had identified the dollar as America's COG.

They reasoned---take down the petro-dollar and you will take down America.

Is our currency, however, our Center of Gravity? Is that the real source of America's strength? America has seen her currency collapse and be devalued before. And America always emerged stronger.

The “continental” was our currency during the Revolutionary War. It collapsed in an inflationary heap. We started over with the dollar.

The dollar collapsed for both the North and South during the Civil War. And we started over. Became stronger.

During the Depression, President Roosevelt closed the banks, outlawed and seized private gold, and devalued the dollar 70%. We recovered and rose to super-power status.

In 1971, President Nixon took us off the gold standard. Technically, it was a default on our foreign debts. We substituted oil for gold. Still, massive inflation followed--- debasing the currency yet again. Yet, we recovered and won the Cold War.



So, while the demise of today’s “petro-dollar” is serious, does it mean the United States is finished? History would say, “No.”

So, how is it America has been able to recover from currency crises in the past and emerge stronger? And what would it take to do it again?

In 1998, Lieutenant Colonel Ralph Peters took a stab at identifying what made America great. He published an article in the US Army War College publication: Parameters.



He came at “the greatness” question backwards. How is it, he wondered, that a country like Saudi Arabia---with all the wealth in the world---hadn't contributed much to humanity? No great technological achievements. No advances in medicine. No great scientific breakthroughs. No intriguing philosophical thoughts.

Yet, on the other side of the globe, there was Hong Kong. A rock. No natural resources. It had a nice port, but many places do. How had Hong Kong prospered? Why was Saudi Arabia stuck? What lessons could America learn?

Peters then proposed a list of 7 things that separated the winners from the losers. Losers, he postulated, do the following things wrong:

- **Losers Restrict the Free Flow of Information.**
  - Censorship prevents truth.
  - Without truth bad decisions are made.

- Countries that make bad decisions can't compete in the modern world.
- **Losers Subjugate Women.**
  - Taking 50% of your talent and putting it on the sidelines means you can't compete.
  - Men's and women's strengths complement each other.
- **Losers Refuse Responsibility for Individual or Collective Failure.**
  - Playing the "blame game" never works.
  - Unaccountable societies cannot adjust or advance.
- **Losers Value the Extended Family or Clan Over Merit.**
  - Racism, Nepotism, Sexism dominated societies lead to conflict.
  - Incompetence results if "Uncle Louie" gets the job because he's "family."
- **Losers Allow Domination By a Restrictive Religion.**
  - Freedom of religion matters...but centralized theocracies can't compete.
  - Leaders who give themselves "divine authority" stifle advancements.
- **Losers Place Low Value on Education.**
  - Educations cannot only be for elites...or men.
  - Education cannot be seen as "you're just trying to be better than me."
- **Losers Assign Low Prestige To Work.**
  - Welfare and dependency are hallmarks of these societies.

If I were creating the list, I would add:

- Losers Do Not Adhere to the Rule of Law.
- Losers Do Not Defend Private Property Rights.

You get the idea.

In 1998, I could go down that list and say America scored relatively well in almost every category.

**Free flow of information:** Check. The Internet was coming of age and while it was the Wild West, information had never been so readily available.

**Women's Rights:** Check. There was still work that needed to be done, but "glass ceilings" were breaking everywhere.

**Accepting Responsibility:** Check. We were still beating ourselves up over the Viet Nam War. Plus, we had allowed the pollution and environment disasters of the 60's-70's to occur. Never again!

**Uncle Louie:** Check. Nepotism was frowned upon. Getting a cushy job, or a scholarship, because daddy was a big-shot was fading. Rejecting someone based on race or sex was increasingly scorned.

**Education:** Check. America had the best universities in the world. Foreigners flocked here for world-class educations. At the lower levels, private schools competed with public schools competed with home schools. The education space was vibrant.

**Hard work:** Check. While Europe pushed for a 35 hour work week, Americans were pushing for a 35 hour work day. Workaholics were everywhere. Maybe that wasn't good, but no one questioned America's work ethic.

And, in 1998, we did not have the obvious two-tiered justice system we have today. And government had a difficult time declaring immanent domain to take citizen's private property...or infringe on people's privacy.

It is now 2023. Go down the list. You can then decide America's trajectory. Are we looking more like a winner or a loser?

And, since our focus here at Zanetti Financial is on finance and investing, we care immensely about the societal health of our nation. Because it is from strong/winner societies that flow strong economies...not from weak/loser societies.

And that "winner vs. loser" analysis helps shape our investment strategy for you.

So to wrap this missive up...

If we restore the things on the list, will we emerge from the current situation better? Just as our ancestors did. I believe so.

Does that mean Peters' list reflects America's Center of Gravity?

I would say no. His list is the result of our Center of Gravity... not the COG itself. I'll take a stab at identifying our COG next week.

Signed, Your Doesn't-Putting-Paper-Straws-In-Plastic-Wrappers-Defeat-The-Purpose? Financial Advisor,



# Greg

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