

Hello Everyone,

The streets were quiet today coming into the office. Government offices, banks, and the bond markets are all closed. I made record time driving to our mostly empty office parking lot.

The stock market, however, remains open. It's not that wall street isn't patriotic, but after the crash of 1929 Congress was concerned wall street could close for extended lengths of time thereby denying investors access to their money. Thus, wall street is often open when other institutions are closed.

I find the phones are quiet and I can catch up. :>)

Today's missive links money and the military. This linkage shouldn't come as a shock to any of you. Nevertheless, I hope it gives you a different perspective on what is going on in the world today.

Signed, Your Studying-Beans-Bullets-And-Booty Financial Advisor,

Greg

PS Booty is used in terms of war spoils not....never mind.

## KKOB 11.11.2019 Military and the Markets

**Brandon:** So, Greg, happy Veterans Day. And today you want to link the military with the economy, right?

**Greg:** well, it seemed appropriate. And, yes military might and economic strength do go hand-in-hand.

So, let's start with this.

What you will notice in history is empires are generally categorized into either land powers or sea powers. Athens was a sea power. Sparta a land power. The Chinese,

Russians and French have historically been land powers. Meanwhile, Britain and the US are regarded as sea powers.

Now that's not to say land powers can't have capable navies or sea powers strong armies--  
-- *but geography* typically dictates whether you can project power more efficiently over land or water. Are you with me so far?

**Brandon:** I am. Because if you can dominate the trade routes you can control the flow of wealth and money. And if you get rich, you can pay for a large military. So, you end up with a self-reinforcing economic-military system.

**Greg:** Exactly. But maintaining that system is tough. Historically, every empire has done the same things wrong. They become too indebted, too corrupt, and too bureaucratic. Then, eventually, the military overreach drains the treasury.

New rivals---sensing the empire's weakness--  
-arise. It is then incumbent upon the empire to remake itself...or give way to the new power. The Romans remade themselves 12 times. Amazing.

**Brandon:** So, is this where we are today? I mean it's not hard to see two land powers-- Russia and China--uniting to undermine the US.

**Greg:** Many are making that case. And where we see the tension evident today is along Marco's Polo's famous Silk Road.

Let me explain.

About 15-16 years ago, Vladimir Putin gave a speech to a group of world leaders that went something like this.

*Why are we here on the Eurasian continent kowtowing to the British and the Americans? We have some of the best technological and engineering capabilities in the world in Europe—particularly Germany. We have all the natural resources you could want in Russia and the “stans” (Uzbekistan, Kazakhstan, Turkmenistan, etc.). And, we have the factory floor to the world in Asia.*

*Let’s unite. Let’s build roads, bridges, pipelines, communications systems.*

*Let’s build parallel banking and stock exchanges-- independent of the US.*

*Let’s form military and trade pacts that protect each other’s interests.*

*In short, let’s form a giant land power to rival the US. We don’t have to fight them. We can ignore them.*

*And to all our friends in the Middle East, join us! Unite your energy resources with Russia’s and together the 21<sup>st</sup> century will belong to us!*

*Let’s build the New Silk Road!*

**Brandon:** That’s a grand vision. I can see how it would have made some people’s hearts beat faster. So, this is how the New Silk Road initiative got started, right?

**Greg:** It is---but it is now called the Belt-and-Road Initiative---- and since that

speech, they have done exactly what Putin said. Railroads now connect Asia to Europe. Pipelines crisscross the continent. They have built (and modernized) banking, commodity, and stock exchange systems.

And the irony of all this is... if you laid a map of Marco Polo's Old Silk road over the New Silk road, your jaw would drop. They are almost identical.

**Brandon:** As an American, this seems a little scary. But now I also see why President Trump is addressing this. This is far bigger than just a China-US trade deal.

**Greg:** You're right. But, look, they have issues over there, too. The friction between Muslims, Hindus, Buddhists and Christians...it's very real. There are historical wounds and distrusts go back thousands of years.

Plus, they have corruption and cultural clashes that shouldn't be underestimated. So, the outcome isn't a foregone conclusion.

And, I'm convinced we can be remake ourselves as Rome did.

**Brandon:** And all this affects investments because you need a strong military to keep trade routes open---- whether they are on land or sea.

**Greg:** Exactly. So Happy Veterans Day. Without those sergeants, petty officers, and lieutenants we would not have the vibrant world economy we have today. The

world economy has done quite well under America's protective umbrella.

**Brandon:** Great report. Have a good week and we'll talk again on Friday. How do people reach you?

**Greg:** My number is 508-5550. Or go to my website at [zanettifinancial.com](http://zanettifinancial.com) By accepting this material, you acknowledge, understand and accept the following:

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