

Hello Everyone,

"You can't win an argument. You can't because if you lose it, you lose it; and if you win it, you lose it." Dale

Carnegie

Substitute the words "civil unrest" for "argument" and Mr. Carnegie would be correct as well. Unfortunately, there are some who seem determined to stoke the civil unrest fires.

Today's missive broaches this uncomfortable subject, but not from the social, political, or governmental angles. But rather from the economic one. I know. Shocking. :>)

This is not a cheerful subject as we head into a beautiful September weekend; but it is one I hope helps you see current events in a slightly different light.

Signed, Your Never-Get-In-An-Argument-With-Someone-Who-Types-Faster-Than-You Financial Advisor,

Greg

KKOB 09.18.2020 Civil Unrest & the Markets

Bob: So, Greg, on Monday you started linking the rise of authoritarianism and intolerance with the economy and the stock market. Your three points were essentially this:

- First, when an economy is languishing, people tend to embrace an authoritarian figure...a strongman...to solve their problems. Even if it means losing liberties and freedom.
- Next, weak economies encourage intolerance. During good times, people are accepting of different views. During bad times, not so much.
- And finally, intolerant people and authoritarians tend to feed off each

other. Intolerant leaders demand laws to force compliance. And strongmen (and women) are more than happy to comply since it builds their power.

Greg: That's a good synopsis. So, now let's link those thoughts to another phenomenon we are seeing---- and that is the rise of civil unrest.

Bob, when I was at the Army War College, we studied civil unrest. Three things stood out to me:

- First, civil unrest comes and goes in somewhat predictable cycles. And, yes, we are right on time for a new wave.
- Next, the roots of civil unrest are almost always economic. Protest signs may proclaim justice and peace, but the underlying cause almost always comes back to money...or better said, the lack thereof.
- Finally, civil unrest and uprisings are rarely organic. They are organized, funded, and coordinated *across many sectors and disciplines*. Think political, economic, media, military, cultural, and even religious.

And, Bob, that last point is the one most people miss. They see civil unrest disproportionately through the political/government lens.

Bob: I think that is natural. When we see violence, we demand government leaders do something (!). And then we grade them on the effectiveness of their response.

Greg: Right. But those responses are almost invariably focused on the symptoms and not the cause.

So, it surprised me, when I recently read a story saying our intelligence agencies were monitoring social media to determine where and when the next protest/riot would take place. My thought was, "*Well OK. But if you really want to know where your next trouble spots are, come at it from the economic angle not the social media angle.*"

Bob: I can see that. And with respect to organization, I know many of our listeners have sensed an unseen hand trying to undermine the economy by burning buildings, destroying businesses, and forcing people out of work.

Greg: Sure. So, now expand that thought process.

Bob, what if you could bring all your resources to bear *on disrupting the broader markets?* Think the S & P 500, or the bond market, or even the massive currency markets. Use computer trading, social media, corporate media, & even military threats to disrupt finances at the national, or even international, levels.

Do that, and suddenly your impact vastly exceeds that of encouraging opportunists to smash windows and steal TVs in Minneapolis or Portland.

Bob: So, this is why on Monday, you urged our listeners to connect the dots between the economy and the unrest we have been seeing across America. Plus, if the stock

market falls, that would send a message that not all is well there either.

And, to me, this would also explain why President Trump has been such a cheerleader for an American economic comeback and a strong stock market.

What I can't reconcile, however, is this. Toward what end?

I mean, even the behind-the-scenes guys have a lot to lose if the economy craters and stocks sink.

Greg: In the short run, yes. But I have come to believe there is a core group of zealots who are more than willing to stomach short-term losses if it means a long-term consolidation of wealth and power. Remember, they know economic woes for the majority will lead to a rise in intolerance and authoritarianism. And in that environment, they gain power and control.

Bob: So, we are at war?

Greg: Sort of. We are on the brink of transitioning from social unrest to civil unrest. But it feels like war. And the best strategy to avoid this is to preempt it economically...not politically. Build a strong economy and the fuel leaves the civil unrest movement.

Bob: I love your perspective on things. It makes me see the world differently. How do people reach you?

Greg: My number is 250-3754. Or, go to my website at zanettifinancial.com.

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