



# FINANCIAL PREPAREDNESS

*"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen*

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## Geopolitical Risk

As a quantitative (as well as "value" and "contrarian") investor, I love to track and crunch the numbers in my massive stock-tracking spreadsheet, analyze the data, and make decisions based on that fundamental research, as it appeals to the rational left side of my brain.

However, the world is a messy place (especially today since we have never been surrounded by so many [complex systems](#)), so an investor cannot rely on fundamental analysis alone. One must also carefully consider how politicians might affect the prospects for each possible investment. As an investor, it is absolutely critical to always keep this statement in mind: *Never underestimate how much wealth politicians can destroy, or how quickly they can destroy it.*

So investing is not just a science (based on numbers) but also an art (based on political economy, psychology, history and human nature). As a result, I think the combination of my interests in investing (since 1990, including a master's degree in Personal Financial Planning) and politics (since ~1985, including a bachelor's degree in Political Science) have served me well in my profession since 1995.

I decided to write about geopolitical risk this week because *it has never been greater during*

*my adult lifetime, and therefore your wealth has never been more at risk from non-financial perils.* Now for a variety of reasons that I've covered in [previous newsletters](#), the risk to your wealth from *financial* perils (such as very high valuations and investor sentiment, [unprecedented global debt](#), an unfolding demographic collapse, etc.) is also at an all-time high. Either way, very hard and dark times are nigh.

First I want to discuss the most costly (in terms of both money and lives) government program, the human event that brings with it massive destruction, death, poverty and disease, what Randolph Bourne called “the health of the State”: war.

Currently, NATO (including the U.S.) is at risk of nonchalantly stumbling into World War III, which could easily end Western civilization. A couple of weeks ago, the Ukrainian military invaded Russia. The Guns of August being used on Russian soil include British-provided Challenger II tanks, [U.S.-provided HIMARS rockets](#) and apparently [American mercenaries](#).

Ukraine has also been launching [large-scale drone attacks deep into Russia](#), and President Zelensky has been “demanding that the West lift all restrictions for using [NATO-provided] long-range missiles inside Russian territory.”

Now “all is fair in war,” and after invading Ukraine, Putin shouldn't have been surprised that he eventually got punched in the face and embarrassed. Generally, in war, you want to use the element of surprise and attack places that are lightly defended.

The problem is that no one knows how this will play out. War spawns Black Swan events, and has a way of getting out of control in ways that no one can predict. One day you could wake up and find that we are now in a full-scale global war with Russia (and possibly Belarus, Iran, North Korea, China and other nations as well). The U.S. economy could be nationalized like it was during WWII, global trade could grind to a halt, and young adults could be drafted into the military.

Israel is embroiled in a two-front war against Hamas in Gaza and Hezbollah in Lebanon, and is expecting a promised retaliation from Iran for assassinating the political leader of Hamas in Tehran. Iran's last retaliation against Israel (which was massive) was so ineffective due to Israel's Iron Dome that it learned that it would have to take its game to a higher level next time if it wanted to inflict damage on Israel. This is a wild card that could drop at any time.

Let's now look at political risks. Currently, I estimate that the odds of Kamala Harris winning the election are about 45%, or over 50% if the Democrats again [engage in election fraud in the swing states](#). So let's examine her record, positions and proposals.

GovTrack rated her [“the most liberal” member of the Senate in 2019](#) (though that webpage was Memory Holed when Biden dropped out of the race) and the second “most politically left” senator for the 116<sup>th</sup> Congress in 2020. Notably, “The analysis in 2019 showed that Harris joined bipartisan legislation the least often compared to Senate Democrats.”

Unfortunately, since she was installed as the nominee, [she hasn't held a press conference](#) (I heard the last one was in December) or sat down for an interview, so her current views are unclear (which just so happens to make a great Manchurian Candidate, similar to Barry Soetoro).

Given her record in public office (and here I'm not talking about [the two state commissions that her far older then-boyfriend Willie Brown appointed her to](#)), I think it's safe to assume that she supports higher taxes, government spending, government borrowing and currency printing, regulation, “climate change” initiatives, ESG/DEI investing, immigration and socialized medicine. I'm sure she would also continue to basically wage a war against hydrocarbon energy.

[She supports a 44.6% tax rate on capital gains as well as an \(apparently annual\) 25% tax rate on unrealized capital gains](#) for taxpayers who are worth at least \$100 million. I'm sure that would unleash the “animal spirits” among investors, right? [She also supports increasing the corporate tax rate to 28%](#). Who would pay for that? Either customers or shareholders, since corporations don't *pay* taxes, they *collect* them.

Recently [she proposed price controls on groceries](#) and rent control. [Her “plan additionally calls for 'new authority' for the Federal Trade Commission \(FTC\) and state attorneys general 'to investigate and impose strict new penalties on companies that break the rules'.”](#) So grocers that already have razor thin profit margins and are having to deal with [a shoplifting crisis](#) would now face “strict new penalties.” Where do I sign up to invest in grocery stores? Might this policy result in more “food deserts”?

Rent control will lead to both a housing shortage (because who wants to build, invest in or own rental housing when rent is fixed during a time of high inflation) and lack of maintenance, resulting in slums.

Harris' plan also “[pushes for the construction of 3 million new housing units over the next four years \[and would\] provide first-generation homebuyers with \\$25,000 in down-payment assistance, along with a tax credit for first-time homebuyers.](#)” This looks like a scheme to house some of the 20 million illegal aliens she ushered into the U.S. as Biden's Border Czar (oops, [the Legacy Media is now reporting that she never was the Border Czar](#)).

I'm sure that illegal aliens would meet the definition of “first-generation” and “first-time” homebuyers. Giving them \$25,000 for a down payment will only increase the price of housing by about \$25,000, making housing even more unaffordable for non-immigrant buyers.

While in the Senate, “[Harris was one of the Green New Deal's biggest supporters](#)” and a [co-sponsor the plan](#). It included “ending the use of gasoline-powered cars, oil and natural gas—all in just 10 years. [It] also called for a massive new infrastructure plan, including a nationwide network of high-speed rail, basic income programs, a government jobs guarantee, upgrading all existing buildings in the U.S., the creation of a system of public banks, rebuilding the electric grid, trillions in wind and solar development, and the transformation of U.S. agriculture [to raising edible bugs], including an end to much of the

cattle industry. [It] also called for a single-payer health care plan.” What could go wrong?

[“When Harris ran for the Democrat presidential nomination in 2019, she made 'Medicare for All' one of the key parts of her policy agenda.](#) Under [her] proposal, newborns and uninsured would automatically be enrolled in a government-run health care plan, and those with employer-sponsored insurance would be phased into the plan over 10 years. Eventually, almost everyone would be stuck with government health coverage.” You know, besides being a source of patronage and graft, this is really just one part of their depopulation agenda.

Finally, Harris apparently has the political will to use coercion and violence to do whatever she wants. [Listen to her describe how she would “snatch their patents so we can take over.”](#)

In conclusion, it may soon be time to head for the hills, the same ones where [“Trump supporters are training to attack”](#) after the election. What should you spend your fiat dollars on? Food with a long shelf life.

## News You Can Use

[Retail Apocalypse](#)

[Operation Harris](#)

[Kam Wants Price Controls](#)

[Harris Proposes Raising Corporate Tax Rate to 28%](#)

[Buying Conditions for Houses and Cars Hits All-Time Low](#)

[Leading Economic Indicators Plunge for 29<sup>th</sup> Consecutive Month](#)

[Global Debt Hits New High of \\$315 Trillion](#)

[Commerce Secretary Not Familiar With Bureau of Labor Statistics](#)

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