# 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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## Phase Transitions

Last week I wrote, "The widespread revulsion to the assassination of Charlie Kirk was one of the most remarkable socio-political phenomenon of my lifetime."  Certain domains (such as war, politics, financial markets, weather, supply chains, the power grid, etc.) fall in the realm of Extremistan instead of Normalstan like all other domains.  These *complex systems* have *emergent properties*, so their results cannot be predicted in advance, and occasionally spawn wild, seemingly improbable results.  These *Black Swan* events cause history to leap, and are thus a source of latent terror for those who are familiar with complexity theory. The modern world is not as placid and predictable as it appears.

The five hour memorial service for Charlie Kirk (I watched all of it, along with many millions of other Americans) was a *phase transition*, a freakish event that (in the physical world) appears to violate the laws of physics.  A perfect example of this is what happens just before an avalanche.  Hidden under the snowpack on the side of a mountain are hidden arms of instability.  When a snowflake lands on one of those arms in just the right spot, a phase transition occurs, and the force that was holding up all of the snow suddenly collapses with no warning.

Another example: Do you know what can happen to the ground during an earthquake?  "In areas with loose, saturated soil, liquefaction can occur, where the soil temporarily loses strength and behaves like a liquid....This process can cause buildings and infrastructure to sink or tilt." How crazy is that? The peak of the phase transition during Kirk's memorial service was when his widow forgave his assassin, which blew me away (as I'm sure it did millions of other people around the world). That was the exact moment that a moral avalanche fell on top of the Left (who were completely unprepared).

If you are to survive and thrive in this world, there are certain things you must know about and understand. For example: (1) there are plenty of people who would like to hurt or even kill you; (2) you may develop a fatal disease such as cancer that could eat away at your body for years without your knowledge; and (3) fiat currency is backed by nothing, can be created in infinite amounts at no cost, and will eventually revert to its intrinsic value: zero. If you don't become familiar with complex systems and how they operate, eventually, you'll become roadkill.

What are some other examples of phase transitions? Flash crashes in financial markets where the price of even large and widely held securities such as blue chip stocks or U.S. Treasury bonds can suddenly lose the vast majority of their value or even go to zero. When this happens, the computer trading algorithms that normally dominate trading volume go haywire or cease to function.

An incident (such as an accident, assassination, attack, misunderstanding, etc.) that suddenly prompts two nations (or alliances) to go to war with each other, possibly resulting in an extremely destructive war that drags on for years. (In recent days, Russia has violated the airspace of several European countries with drones and fighter jets, which could easily trigger World War III.)

The mass formation psychosis that gripped the vast majority of the world during the COVID-19 event, preventing people from being able to think or act rationally.

Sudden loss of confidence in a government (e.g., Nepal), a story (e.g., companies involved with AI will earn large profits) or a fiat currency.

The tribalism in Rwanda that led to mass butchery.

The attitude of the guards in the Stanford Prison Experiment.

In conclusion, this history PhD student has been posting helpful short analyses of the situation since Kirk's assassination. In this video, she shows the sequence of possible events in a flow chart. And in this video, in which she states that there is always a second event, she says: "What you're looking for is whether or not the country has stabilized again and recovered from the first event. If it has not recovered, if that wound hasn't started to heal, it's gonna set things off. We are between events right now because there's a lot of tension in the atmosphere. There's a lot of *increased* volatility. And there are *a lot* of people calling for something else to happen. There are a lot of people pushing for something to kick off. If the temperature in the nation does not cool down by the time somebody successfully creates a second event, we will possibly see another rupture in history."

What I hear people calling for are (in order of decreasing number of voices): From the Right: a religious revival and the government dismantling violent Leftist groups.  And from the Left: additional assassinations and their age-old desire for a Marxist revolution. I don't think the recent shooting at the ICE facility in Dallas was the second event, so now I'm waiting for a second event.  Although Trump has now designated Antifa as a terrorist organization, I don't think it will go peacefully into the night.

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