AMERICAN CONSEQUENCES
IDEAS THAT MATTER
EDITED BY P.J. O’ROURKE

WILL INVESTORS TAKE A BUBBLE BATH IN 2021?
This time last year, the world was gripped with fear. Now, we’d like to think that’s been replaced by hope. The spring-time light at the end of the tunnel is here... But how has the world that’s opening back up changed?

On the anniversary of the global pandemic lockdowns, editor-in-chief P.J. O’Rourke takes a cultural retrospective, wondering if America learned the wrong lessons from the pandemic (if any at all) and what COVID has really cost us.

And after these 12 months of being locked up, P.J. has freedom on his mind... He delves into a quantitative analysis of freedom (hint, wealth plays a big role).

Writer Christine Rosen uncovers who is to blame for this nation’s pause on school this past year... our children’s education and livelihoods suffering during the pandemic.

Switching gears, publisher Trish Regan takes an inside look at the politicized minimum-wage debate and all its messy implications.

And while America busies itself with culture wars and canceling old children’s books, executive editor Buck Sexton wonders whether the Biden administration is up to the task of its greatest geopolitical challenge: keeping pace with China.

Speaking of the Sleeping Giant, veteran Washington Post writer Keith B. Richburg details how the Chinese Communist Party has claimed its latest casualty: the once-prosperous Hong Kong.

New to the American Consequences team, writer Andrew Amundson interviews a wildcatter from Texas who has the inside scoop on what went wrong in the Lone Star state last month.

Executive Editor Kim Iskyan details how right now it’s a bubble market in everything, as evident by celebrity SPACs and Dogecoin, and offers some tips to keep your portfolio from going pop when the you-know-what hits the fan.

Which could be sooner than you’d think... Dr. Steve Sjuggerud details how this historic stock Melt Up will inevitably come crashing down in 2021 – and shares everything you should do as an investor to prepare for it.

And in a new feature we’re unveiling this issue, Dunce of the Month, we take a stab at uncovering the latest face-palm-inducing jerk in finance and politics. Click here to find out this month’s winner.

Regards,

Laura Greaver
Managing Editor, American Consequences
It happens like clockwork...

Movies go digital. Netflix soars.

Retail goes digital. And a little company called Amazon takes off – up more than 150,000% all-time.

Every analog business and technology in the world is going online.

Leading to historical “digital shift” opportunities like:

• Digital customer service... 5,600% gains on Salesforce.
• Digital auctions... 6,700% gains on eBay.
• Digital music and games... 44,000% gains on Apple.
• And digital money... with extraordinary gains of more than 1,000,000% so far on bitcoin.

Now we aren’t promising gains as high as these extraordinary historical examples of course.

But this trend is far from over, in my view.

But for the chance to see the same kind of gains... you have to zero in on the “analog” technologies that are just going digital for the first time, right now.

Like this one.

I believe it’s a bigger opportunity than movies... retail... or anything like that.

Because this is something that almost everyone in the world is required to have.

And a crypto-based technology is leading its permanent “digital shift” right now.

Creating a market opportunity I estimate is six times bigger than bitcoin.

The amazing thing is: You can buy a stake in this technology for a tiny fraction of the price of bitcoin. And without ever touching a confusing wallet or exchange.

I recommend you learn what to do as soon as possible because I predict this technology could take off quickly, with a potential huge boost from the U.S. government.

For now, you can get the full story, for free, right here.
“THANK YOU FOR THE GREAT ADDITION OF TRISH REGAN TO YOUR ROSTER.”

– GARY S.

“SO HAPPY TO FIND TRISH REGAN HERE... I SUBSCRIBED IMMEDIATELY.”

– SCOTT J.

“LIKED YOU ON FOX, LIKE YOU NOW – KEEP UP THE GOOD WORK!”

– DAVID M.

“TRISH IS A GREAT REPORTER OF TRUTH. SHE TELLS IT STRAIGHT WITH INSIGHT. YOU DID GOOD.”

– DAVID L.

If you’re looking for an unfiltered opinion and real information surrounding the world’s most important issues... then you’re in the right place.

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Re: Love us? Hate us? Let us know how we’re doing!

Love your publication! I enjoy and learn from you! – Charles C.

P.J. O’Rourke Response: Enjoy and learn! Those two words just don’t go together often enough. (I’m recalling my high school algebra class. Although, come to think of it, I not only didn’t enjoy myself, I didn’t learn much algebra either.) Anyway, Charles, we take that as the highest praise.

Love reading the articles every morning, keep them coming!! – Craig M.

P.J. O’Rourke Response: Thank you, Craig. We shall. But let me suggest that some of our articles (mine) might better be read in the evening, after a couple of drinks.

Trish Regan Response: We will, Craig. Keep reading and we will keep writing. Thank you! And don’t forget our podcast! It has some of the best interviews you will hear in the investing, political, and economic world.

I would just like to thank you personally for the feeds I have been following and now the subscription. Pretty sheltered here and I don’t even watch the news on TV anymore so you have helped me understand some of the issues and make me aware of others. Doing a great job and you keep it real. – Michael S.

P.J. O’Rourke Response: Michael, we’re flattered to be your eyes and ears (and nose – when things stink). We try to keep it real. But we confess, the way things are going these days, we sometimes wish we could make it “just pretend.”

Trish Regan Response: So glad you’re following us. We will make sure you hear all the news that matters.

Your news stories are a great alternative to the biased stories we are fed daily from mainstream media sources. I have found information that is very useful for investment decision-making. – Steve S.

P.J. O’Rourke Response: Steve, it makes use proud to be of use! But, as to bias in the media, it’s important to remember that all reporting contains bias of some kind. The besetting sin of traditional media is their refusal to admit (even to themselves) the bias they have. We’re biased too. But we come clean about it. We’re biased toward individual liberty, individual dignity, individual responsibility – and the free market that these liberties entail.

Trish Regan Response: The bias is pretty over the top. I agree with that, Steve. This is a place where we try to always make sure we are absolutely fair.

You need a bigger megaphone! – Hilton D.

P.J. O’Rourke Response: We couldn’t agree more, Hilton. And we’re doing our best to improve our means of communication. We
have a daily newsletter and the monthly magazine, and we've got Trish Regan doing a wonderful podcast. But to a certain extent, we're still, so to speak “using bagpipes to call from hill to hill” the way my Irish ancestors did during times of trouble. Please climb your hill, Hilton, and pipe the message onward.

Trish Regan Response: Yes, please keep telling your friends! Spread the word... We appreciate your support!

Love your perspective and honest journalism!! – Mike

P.J. O’Rourke Response: Thank you, Mike. We do our honest best to stay honest. The perspective thing is tougher. One of the few things I sort of know how to do is mechanical drawing (taught by my dad, a draftsman in the Navy “Seabees” during WWII). Rendering things in perspective is difficult. You have to figure out where the “vanishing points” should be. We try not to let anything important vanish from American Consequences’ perspective.

Trish needs to add some singing to her wonderful podcast from time to time! Not necessarily every one, but sometimes and the more the better. Her glorious voice must be heard and shared – both on the issues of the day, opera, or even the occasional pop tune! –

Jonathan W.

Trish Regan Response: Ha! Thank you, Jonathan! You’ve inspired me. We’ll see. Maybe a Christmas album...?

Re: Biden’s Window of Opportunity With Iran Is Closing

I loved your column about nuclear weapons and the Iran deal. You did a great job of summarizing the existential nuclear weapons threat. Somehow, we must get rid of these terrible weapons. I have been working on this problem with George Shultz and Bill Perry at the Hoover Institution. Shultz was writing about the problem almost to the last minute until he died at 100 years old. – Walter L.

Kim Iskyan Response: Walter, thank you for your e-mail. It seems that nuclear weapons are the toothpaste that’s out of the tube... There’s no putting it back. For the sake of humanity (and my kids, and their kids, and everyone else’s kids’ kids), I certainly wish there was.

Dear Kim, thank you for your article discussing the current status of the Iran nuclear agreement. I have typically shied away from these subjects. As the mom of a special forces soldier, I try to limit my exposure. Your article was interesting and well written.
Additionally, I have been responding to Pew Surveys for years and was pleased to see they were mentioned and my efforts aren’t futile!

Thank you for your passion and talents. Your efforts and skills are appreciated. – Lisa R.

**Kim Iskyan Response:** Lisa, thank you for your thoughts. I can only imagine that in your shoes – with a special forces soldier possibly in a faraway place – I’d feel similarly about this kind of issue (thank you for reading my thoughts on it!). Also, I use Pew Research frequently – it’s one thing to rely on what you see and hear and experience, but another (and, analytically, far more valuable, of course) to see what the data say... and Pew is a fantastic resource. (I find it to be something of black magic that it’s free.) So... thank you also for being part of the edifice that is Pew Research – much appreciated on that front as well!

**Kim is truly the only balanced commentator in your stable. In fact, she is the star among a bunch of right wing sycophants.** – Richard L.

**Kim Iskyan Response:** Richard, many thanks for your thoughts. I aim to be balanced (my editor helps me a lot on that front)... and I appreciate it.

(A side thought... in fact, I’m a he, not a she – not that you’d have any reason to know it from my writing.) My parents liked the main character in the eponymous Rudyard Kipling novel, who is a boy in India... But yes, in the West, Kim is usually a woman’s name (I’ve met half a dozen male Kims in the U.S., ever). When I’m in the U.S., people often assume from my name that I’m a woman; many an Uber driver has looked at me quizzically as I climbed into his car. However, in Asia, most people figure – before they meet me – that I’m Korean since there, it’s a last name as common as Smith or Jones. So when I’m in Asia, I also get a double-take – for a different reason than in the U.S. – when someone puts my face to my name.

**Re: Why America Loves Conspiracy Theories**

Dear P J, I love your humor, (are we distantly related?) but I will go to my grave believing the 2020 election was stolen. No matter what the lame-scream media and even Fox say. Sad when we have to have businessmen like Mike Lindell analyze the data of where the voting machines were connected to. Epoch times did the best analysis– anyone who stands up to the CCP is an ally of mine. Conspiracy? Ask the folks in Antrim County, MI. Nuff said. –Mike O’Rourke

**P.J. O’Rourke Response:** Cousin Mike, were your people from County Roscommon? Mine came from there to (coincidence?) Roscommon County, Michigan. They emigrated during the Famine to work as timber-cutters. Do you have any latent lumberjacks among your relations? We may be kin. But even if we’re family, I beg to differ about the 2020 election being stolen. Yes, there was some cheating. There always is. And the Democrats did a swell job of turning out their “swag vote” – people who never go to the polls unless they’re promised goodies. Plus I agree that voting machines are problematic
(or George W. Bush might not have gotten into the White House). And yet the election wasn’t “stolen.” I speak from some experience here. As a reporter, I’ve covered every U.S. presidential election since 1972. I’ve also covered elections in Paraguay, the Philippines, South Korea, Panama, and the U.K. during the Brexit vote. Furthermore, thanks to my involvement with the non-partisan pro-democracy Freedom House organization (see my “Price of Freedom” article in this month’s issue) and with the approval of the U.S. State Department, I was an “International Independent Poll Watcher” during the 1990 Nicaraguan election where Violeta Chamorro defeated Danny Ortega and the 1996 Russian election where Boris Yeltsin was reelected. I’ve seen elections that were definitely stolen (the Philippines) and elections that were definitely not stolen despite their surprise outcomes (Brexit and Trump in 2016) and elections where everything possible was done to steal them and they came out honest anyway (Nicaragua). Neither the Democratic nor the Republican party has the kind of organizational strength and coherence, let alone the kind of police powers, that would enable them to achieve a true election theft.

Oh, come on, PJ! It’s all about the captains and the kings. The 2020 election cycle really showed our top billionaires in action. Now we’re supposed to pretend we didn’t see anything so our house of cards doesn’t fall down. We get it. OK, conspiracy theories aren’t real. Wink wink. Everybody gets 10 lashes with Occum’s razor strap. Peace out. –Thea M.

P.J. O’Rourke Response: Thea, I give you points for your reference to “Recessional,” Rudyard Kipling’s magnificent poem about the end of empire...

The tumult and the shouting dies;  
The Captains and the Kings depart;  
Still stands Thine ancient sacrifice,  
An humble and a contrite heart.

But I think that what our 2020 election cycle most clearly showed was our nation’s deep left/right division about what the empire that is America should be and do. Whatever America is or does, I hope, in my humble and contrite heart, it’s no house of cards. And as for Occam’s razor, I lash conspiracy theories – as well as myself – with the philosophical principle that “entities should not be multiplied unnecessarily.” That is to say, “The simplest explanation is most likely to be correct.” So, to bring this back to politics, I don’t think the American left is complexly wrong in a highly structured manner, I think it’s simply wrong. We should look at our situation with open eyes – no winking. Or blinking. Or nodding. (P.S., I wouldn’t like Trump for a King. And I wouldn’t care to go into a battle with Biden as my Captain.)

P.J., Have loved your work for decades. As to conspiracy theories, I have only a couple of words: JFK Assassination. Once you start to recognize even just a little of what happened before, during & after that obvious coup, some other “conspiracy theories” start to make sense. Also, do a little reading about the history of the CIA. – Rick F.
FROM OUR INBOX

P.J. O’Rourke Response: Rick, I refer you to Thea above and her threats of a spanking with Occum’s razor strap. When it comes to the CIA, you’ll have to ask Buck Sexton. I was never considered worthy of recruitment. That said, half a century of reporting has brought me into contact with a lot of people in the intelligence business (or who I’m pretty darn sure were in the intelligence business). Mostly I’ve found them good company – even those who were on the “other side.” And mostly their work involves research drudgery, of the kind that would make for a very dull James Bond movie. As a good friend of mine, who has Top Secret clearance at an intelligence agency that will go nameless, says, “I could tell you what I do, but I’d have to bore you to death first.”

Re: America’s Populism Problem

I very, very rarely comment on articles but I have to say your article on populism is spot on and very thought provoking. All too few people can write with this kind of razor-sharp analysis. – Cosman T.

P.J. O’Rourke Response: Cosman, I greatly appreciate the compliment. But what is it with razors in this month’s Inbox? We can’t seem to get away from the subject. Thank you for calling me sharp. I try to keep an edge in my writing, but, frankly, there are some kinds of analysis that probably should be done with a hammer instead of a Gillette Blue Blade.

P.J. You have long been my favorite conservative. Both the McConnels and the Trumpists – not to mention the Dim-ocrats – seem to be “ideology uber alles”. You seem to be still able to think, which makes you a minority. Plus your books were very funny. God bless – Joe S.

P.J. O’Rourke Response: Joe, I respond with gratitude. Ideology and all other forms of idealism add unnecessary layers of complication to simple human nature. They’re the “Occum’s hammer” way of responding to reality. My old friend Christopher Buckley (who writes really funny books) recently alerted me to a quote from H. L. Mencken: “An idealist is a person who, having noticed that a rose smells better than a cabbage, decides the rose will make a better soup.”

Re: The Future of the GOP

Hi Buck, Really liked your piece today about former President Trump and the future of the GOP. And totally agree with you that Florida is a great state and applaud Gov. DeSantis for his vision to keep the state open vs lockdown. I believe Trump will be too old to run again in 2024, but he could help the GOP regain majorities in the House and Senate. And given that he is being cancelled on various media outlets, he may be able to launch a new media service that helps conservatives. Always enjoy reading American Consequences on a daily basis. – Lois L.

Buck Sexton Response: Thanks so much for your kind feedback, Lois. Gov. DeSantis has come through the pandemic as a national-level political figure and a hero to many conservatives across the nation. His state has become a beacon of freedom during a time
of mass hysteria and lockdown insanity. As much as I know a lot of people on the Right don’t want to hear this, Donald Trump may not be able to run in 2024. He’s already 74, and four years can be a big difference in terms of health and energy at that stage. I hope Trump continues to be vigorous and healthy for many years to come, but the GOP would be foolish to count on that.

Re: Who Is Responsible for America’s COVID Disaster?

I agree with Buck Sexton’s take on Fauci. In fact, after this COVID mess has settled down, there should be an independent investigation into the performance of the CDC. After all, they are the group charged with “seeing” into the future to prepare ordinary citizens from harm. Much like the Pentagon war games future scenarios of combat, I would have expected the CDC to “war game” future possible pandemics and prepare the infrastructure for them. Why was there a shortage of masks and PPE equipment? Did they recognize the needs for such equipment in the past and sound the alarm? (Rather than spending time and money on gun violence studies, which is not their charge.) As I recall, we had the same problem (lack of PPE) when Ebola came to Dallas. Why the slow recognition of the severity of the disease that might have led to an earlier sounding of the alarm? These people are the experts after all. And why is Fauci being paid $400k a year (better than a lot of CEOs) for the misinformation and confusion he caused. If they can’t show him the door, then he should be demoted to an army base hospital with a quarter of his salary. The American people have trusted the CDC to be the people on watch guarding the country from outside (pathogen) invaders. They were sleeping on their watch. Time to clean up the ranks. –Gene A.

Buck Sexton Response: Gene, thanks so much for writing in. I couldn’t be more fed up with that totalitarian Smurf. Fauci is the worst public sector employee in my lifetime. I’d even say he’s more awful than James Comey, the man who single-handedly ruined the FBI’s reputation and betrayed the trust of a sitting president. Fauci has been wrong over and over again, pretends that he doesn’t know the difference between “the science” and policy judgment, and has created untold anxiety and misery. He’s a power-mad lab coat totalitarian who should have been fired a year ago.

Outstanding commentary by Buck Sexton on the Gremlin Fauci. It takes a lot of nerve for Dr. Strangelove to claim the USA did the worst when the government was listening to him. Trump had it right last year. Reopen the economy Easter 2020 (never should have closed it) and put the gremlin in the microwave or the blender. –Scott E.

Buck Sexton Response: Scott, I simply couldn’t agree with you more. Thank you for seeing lockdown reality and appreciating my ability to do the same. I advocated publicly for reopening at Easter last year and received more hate mail and threats of violence than perhaps any other time in my life. But I was right, lockdowners were wrong, and what they’ve done to this country is utter madness. Fauci is not America’s cuddly grandpa... He’s our smarmy bureaucrat overlord who thinks he should get the Nobel Prize for telling us every five minutes to wash our hands.
ANOTHER DISEASE WE COULD CATCH FROM THE CORONAVIRUS
Covid has me worried...

I suppose what I should be worried about – given that I’m a 73-year-old who smokes and drinks and whose idea of exercise is getting up at 3 a.m. to take a leak – is getting the disease.

But personal worries are a bore. (Do you really want to know exactly where I’ve been squirting my hand sanitizer?) General worries are more interesting. (Now that the weather’s getting warmer, should we insist that all children fill their Super Soakers with Purell?)

My worry is that we’re going to emerge from this pandemic having learned the wrong lesson. Not necessarily the wrong medical or epidemiological lesson, or even the wrong monetary or fiscal lesson...

(Although, post-plague, it will be fascinating to sort out who was right and who was wrong about measures to contain the contagion and ease its economic effects. Maybe we all ought to have gone mask-less into the mosh pit while central banks returned to the gold standard. Maybe we each should have received a $1 million stimulus check on the condition that we seal ourselves into a six-foot personal Ziploc bag for the duration. I expect we’ll be arguing about this forever.)

My worry is that we’re going to emerge from this pandemic having learned the wrong lesson.

The wrong lesson I worry we’ll learn is...

The Need for Central Planning.

America’s response to the COVID-19 pandemic was a chaotic mess. Former-President Trump couldn’t think of what to do or say, which didn’t keep him from doing and saying everything he could think of to make the situation more confusing.

Fifty states, Washington, D.C., plus various U.S. territories had more than 50 different sets of pandemic rules and regulations,
making what was permitted and what was forbidden an “open and shut case” – as in open, then shut, then reopen, then shut again... And, by the way, one thing that should shut up and stay that way is you, Gov. Andrew Cuomo. Now, vaccine distribution is another chaotic mess.

It’s hard to emerge from an experience like this and not think, “There should have been a plan.”

Well, here’s some bad news. There was a plan. I quote from the Centers for Disease Control and Prevention’s website...

In 2005 and 2006, the White House Homeland Security Council outlined the National Strategy for Pandemic Influenza [17 pages] and National Strategy for Pandemic Influenza Implementation Plan [233 pages] to guide the United States’ preparedness and response activities in an influenza pandemic. These plans aimed to stop, slow or otherwise limit the spread of a pandemic to the United States; limiting domestic spread, mitigating disease, suffering and death; and sustaining infrastructure and lessening the effects on the economy and society as a whole. At the same time, HHS [the Department of Health and Human Services] framed its Pandemic Influenza Plan [52 pages] around a doctrine that laid out guiding principles for pandemic influenza preparedness and response.

In fact, there were, as you will have noted, 302 pages of a plan. And this plan had been in place and ready for 14 years. Unfortunately, the coronavirus didn’t read it.

The problem isn’t a lack of central planning. The problem is that central planning doesn’t work.

Central planning shifts responsibilities and resources away from individuals. It gives those responsibilities and resources to a political entity. A political entity – once it has lured individuals into electing it or has used individuals to force its way into power – cares nothing about individuals.

And this is all the more true of a political entity that claims it will “take care of you.” The rancher takes care of his beef cattle. The swineherd cares for his pigs. Lambs led to the slaughter have received tender, loving care from the shepherd.

... central planning doesn’t work because it assumes that concentrating responsibility and resources in one place is somehow better than spreading responsibility and resources to every place.

Besides the natural callousness of the political entity...

(Shut up, Andrew Cuomo!)

... central planning doesn’t work because it assumes that concentrating responsibility and resources in one place is somehow better than spreading responsibility and resources
to every place. This is like having a high school Spanish teacher who says, “I’m the only person in this classroom who knows Spanish, and I intend to keep it that way! I’m not about to give you kids any of my ability to speak Spanish. You can just sit there and watch videos on your phones until the bell rings. But no Telemundo!”

An example of non-central planning is the remarkable speed with which individually owned and controlled pharmaceutical companies were able to develop a variety of different but effective coronavirus vaccines. Perhaps centrally planned scientific research and centrally controlled vaccine manufacture could have achieved the same goal in the same time span.

But to suppose so requires a thought experiment where a layer of government bureaucracy is put on top of inoculation R&D. Do you think your car would go faster and handle better with an elephant (or a herd of donkeys) on its roof? And would you really prefer to get the Chinese vaccine? Or the Russian shot in the arm?

One more reason that central planning doesn’t work is that a single, central plan assumes that we know which single, central thing it is that we need to plan for.

When I was a kid, we were planning for a nuclear war with the U.S.S.R. We had to get under our school desks for Civil Defense drills. While I was under there, I started wondering how much protection a school desk would provide if the school were hit by an atomic bomb. That caused me to sit up and think – and crack my noggin against the bottom of the desktop.

That’s just the smack on the head that central planning needs.
It has become a bit too easy to describe the recent price dislocations and the short squeeze tumult in GameStop, AMC, Koss, and others as David taking on financial Goliaths. But it’s interesting to note, quite similar to the biblical version, this showdown was not a skirmish of chance, but one of design. It was an unmeek and not-at-all-helpless David disrupting the status quo.
But first, some backstory...

Day trading and individual investing have imploded over recent market sessions, with much of the chatter being discussed on social media platforms like Reddit. And a plethora of this short squeezing and volatility is taking place over at Robinhood, the mobile app offering commission-free access to stocks, options, and exchange-traded funds.

Much of the activity has focused on stocks no longer in grace, those that were beaten down due to corporate fundamentals or as part of an out-of-favor industry segment. Going back to 1971, it was the over-the-counter platform known as the National Association of Securities Dealers, or NASD, that first saw the introduction and uptake of day trading.

A dozen years later, NASD created the small order execution system (SOES), making it easy for individuals to execute stock trades automatically so long as the orders were for 1,000 shares or less. Trades placed through SOES bypassed the phone lines used to make most trades and placed orders in a matter of seconds instead of minutes. Some initial restrictions were implemented in terms of the frequency one may enter the market, but in essence, day trading was born.

The Securities and Exchange Commission (“SEC”) defines day trading as...

Day traders rapidly buy and sell stocks throughout the day in the hope that their stocks will continue climbing or falling in value for the seconds to minutes they own the stock, allowing them to lock in quick profits. Day trading is extremely risky and can result in substantial financial losses in a very short period of time.

So as you’d expect, the companies that have the most connectivity points to exchanges and electronic communication networks (ECNs), with cutting-edge speed and technology, rule the day. They stream orders or quotes to the various exchanges with the hope of capitalizing on small price dislocations, which, if done a great number of times, produces the desired outcome. Securities are not held for long lengths of time, and transactions are based on a pattern of change, velocity, and magnitude. Sometimes this is the “nickels in front of a steamroller” analogy... But when done specifically and timely enough, it becomes your model or strategy.

The hubbub around Robinhood comes down to how much the Reddit marauders really matter with their own unique style of day trading. Apparently, they matter enough...

The hubbub around Robinhood comes down to how much the Reddit marauders really matter with their own unique style of day trading. Apparently, they matter enough...

The House Committee on Financial Services met on February 18 for a hearing regarding recent market volatility, GameStop’s and AMC’s rally and subsequent sell-off, and the various brokerages’ roles in the chain of events. Robinhood CEO Vladimir Tenev, Reddit CEO Steve Huffman, and popular...
WallStreetBets member Keith Gill were ready and eager to testify.

Among the sentiments bandied about by various committee members and panel experts, they heard concerns akin to what an EU market regulator brought forth in a market analysis...

“Discussing the opportunity to buy or sell shares of an issuer does not constitute market abuse,” the EU’s top market regulator said in a statement. “However, organizing or executing coordinated strategies to trade or place orders at certain conditions and times to move a share’s price could constitute market manipulation.”

How is what “the Street” does and promotes any different than what occurred with what the Reddit crowd did in GME and AMC?

That was leveled at the Reddit community for its bulletin board obedience to ply into certain depressed stocks. But it sure seems like it should apply to professional market-making groups of the world. And at the retail level (you, me, and others that do not understand or care to understand some of the complexities of financial products), don’t we get pumped with newsletters and broker dealer house research reports that offer buy and sell signals?

Knowing that the average hedge fund is not long (see: short sellers) and that it runs a multiple of strategies within a given asset class, I would posit that hedge funds and market makers have more muscle than the “you only live once” (YOLO) crowd. A key differentiator would be what Citadel, Wolverine, Virtu – the professional market makers and proprietary trading groups – are doing is viewed as risk-mitigating investing or trading and liquidity provision, whereas the YOLOs are gambling.

And we should give credence to that. Again, day trading differs radically from investing in that it’s based on very brief movements in the price of stocks. For these very reasons, day trading is more akin to gambling than investing. But wait, aren’t these market-making groups also day trading? Yes, they are... But one needs to consider the day trades as part of a bigger strategy or portfolio picture playing out at the market making or hedge fund.

So, if these market-making groups are in the business of printing money – and if they can do it, oftentimes in concert, with other market-making shops to beat down an already depressed company – how is that any different than an online community of upstarts throwing their own caution to the wind (not hedge-fund investors’ dough) and trying to benefit from a contrary position? How is what “the Street” does and promotes any different than what occurred with what the Reddit crowd did in GME and AMC? It’s not, in my opinion. And while many market professionals may not equate it with price transparency and liquidity discovery, what takes place across Redditt and Robinhood is fairly transparent.

And then on January 28, Robinhood
restricted the trading on certain Reddit stocks... on the very platform that was party to the recent price swings. This had a rather agog Twittersphere affect with levies of hedge-fund elitism and manipulation purported to help the funds being thrown about.

We do need to understand the financial onus that this entire market scenario, especially the short squeeze, could have created... which exposes a problem at the clearing house level. That comes down to the fact that the shares of the targeted short sellers exceeded the total shares outstanding of that particular firm. So as the prices moved higher, the shorts defaulted at their brokerages who needed to cover, causing further upward price movement and put the brokerages in the untenable position of defaulting at the clearing house.

Conceivably, the U.S. regulators never could have predicted this scenario, with a short squeeze applying upward pricing pressure on the very groups standing to benefit from a group of non-market fundamental upstarts.

So what makes Robinhood popular? Well, free commissions for starters... but the large broker dealers can also claim the same economics for their clients. Its cachet comes in how it was designed for a generation of mobile platform friendlies... users that could quickly, and from the same device, load up a Spotify tune and order over Grubhub, all while trading on an uncomplicated, no-minimum-balance trading platform, specifically marketed to this demographic.

So, if Robinhood is basic compared with the traditional houses and does not charge commission, how does it make money? The usual business models for this type of enterprise are in place, from interest made by lending out investors’ idle cash much the same as your local bank does, or with premium accounts that grant a certain level of margin trading. And then there is payment for order flow (“PFOF”). According to a 2018 Bloomberg report, Robinhood makes more than 40% of its revenue from PFOF. And from its website we learn:

Robinhood sends “your orders to market makers that allow you to receive better execution quality and better prices. Additionally, the revenue we receive from these rebates helps us cover the costs of operating our business and allows us to offer you commission-free trading.”

So instead of orders being processed on a designated contract market exchange, companies like Robinhood make money by directing trades through behind-the-scenes partners that provide the other side to the trade and warehouse that position internally.

Consider this... Disney is at or about $195 per share, and you want to buy 10 shares.
“Let it all ride” was the mantra... YOLO was the reverberating theme. Pretty easy, right? Just like house flipping...

What became clearly apparent was that the Reddit marauders were not interested in what’s “in their best interests,” as they were far too busy not just bidding up GME... but leveraging up... That’s because many were using options to achieve their pay dirt. And in many cases, it was short-dated options with two weeks or less to expiration. And these options were (originally) far out-of-the-money options, which are inexpensive to buy but can skyrocket in value if the underlying stock makes a move.

To buy a share of GME stock and hope it rallies is not the same payoff as if I buy one GME out-of-the-money option, giving me the right but not the obligation to exercise it into 100 shares of GME. That folks, is when the leverage kicks in. Remember that one option purchase, put or call, gives you access to 100 shares. That’s where many of these hedge-fund slayers were profiting. As the stock went up, their low premium options, including ones bought dirt-cheap and out of the money, are now rather nicely in the money. And now you either sell it at a higher premium... or when properly margined in your account, exercise your right to acquire 100 shares of GME.

Buy a cheap one-lot option, watch it rally, exercise into the stock, and sell your 100 lot of stock that was catapulted higher during the short squeeze. “Let it all ride” was the mantra... YOLO was the reverberating theme. Pretty easy, right? Just like house flipping... except there does exist an industry adage or maxim if you prefer. And that is, the bulls make money, the bears make money, and the pigs get slaughtered. Rooting for...
the underdogs of the world to take on the
Goliaths makes for good lessons learned and
even better press. And certainly, it’s interesting
sport when you look at how the marauders
thump their public chests in the chat rooms.

Good, bad, or “meh” may describe the
long-lasting impact and effect of this quasi
discipline of trading. I only wish they were
around and targeted the American Motors
and National Lampoon stock that were 1987
deadweight in my account.

Rooting for the underdogs
of the world to take on the
Goliaths makes for good
lessons learned and even
better press.

Jay Caauwe is a well-traveled
Chicagoan that still resides within three
blocks of where he was born. Before
cofounding Supercritical LLC, a cannabis
and hemp advisory and management
solutions firm, Jay was drawn by the
allure of open outcry, beginning at
the Chicago Board of Trade in 1983.
Working through the ranks, he became
a floor trader at CME Group in 1987,
trading stock index futures and options.
He left the trading floor in 2004 to join
the Chicago Board Options Exchange,
where he oversaw the exchange’s
global business development effort for
the CBOE’s futures products based on
the VIX Index.
We don’t have any proctologists on staff at American Consequences, but we still know an a**hole when we see one. The only problem is that there are so many in America. There’s such a toxic ocean of idiotic, petulant, sociopathic, hypocritical candidates, it’s a chore to find the crowning one each month... Which sphincter will hold the scepter?

But at American Consequences, we’ve dug through the trough, like truffle pigs in reverse, finding you the worst of the worst... And remember, if you’re having an awful day (or year), rejoice in the fact that at least you’re not this person.

THE WINNER (LOSER) FOR THIS MONTH? TED CRUZ

For as long as anyone can remember, Ted Cruz has been an a**hole. But not just the standard kind you can order up on Amazon prime. The Texas Senator has honed and owned this identity for years, a veritable master of the game, spinelessly hacking and flailing his way through American politics for years now.

Whether he’s hyping up the Capitol Siege MAGA crowd on January 6 or hamming it up on the CPAC stage in February, Cruz is an absolute star of the GOP. And as such, he has always garnered rave reviews from fellow Republicans.

Former Speaker of the House John Boehner once gave him the adorable nickname of “Lucifer in the flesh.” And Lindsey Graham has gushed, “If you killed Ted Cruz on the floor of the Senate, and the trial was in the Senate, nobody would convict you.” Five stars, Ted.

THE WORST IN SHOW: AN AWFUL HISTORY

The blustering Cruz loves a good filibuster. In 2013, he spent nearly a whole day on the Senate floor blathering against the Affordable Care Act and, yes, reciting Green Eggs and Ham, thereby ruining Dr. Seuss forever (more on America’s favorite children’s author later).
"If you killed Ted Cruz on the floor of the Senate, and the trial was in the Senate, nobody would convict you."

This marathon showcase of horror contributed to that year’s government shutdown while also answering the eternal question: What are kids even more scared of than the Babadook at bedtime?

In 2018, Senators voted 97-1 to advance the debate over whether illegal immigrants should have a path to U.S. citizenship. The lone vote against it? You know it, people. Uh, Cruz, you’re Canadian-born with a Cuban father... Pot, meet kettle ...

Very few displays of constantly reversing, toxic public affection reveal politics’ vapidity more than Cruz’s on-again, off-again media courtship with Donald Trump. Before 2016, Cruz dubbed Trump a pathological liar, utterly amoral, and a next-level narcissist. He even joked on Jimmy Kimmel about running Trump over with his car. But when Trump landed in the White House, few in the GOP were as avidly, consistently Trumpian as Cruz – with Cruz even leading the charge in the U.S. Senate against certifying President-elect Joe Biden’s election win – that is, until a few weeks ago.

In a recent interview with a Houston TV news outlet, Ted claimed that “[Trump’s] language and rhetoric often go too far ... I disagree with it, and I have disagreed with [his] language for the last for years.” The best (worst) part about Cruz is how everything he says means nothing, even more so than the average politician.

CANCUN CRUZ

Months ago, Cruz had a hardline regarding politicians and travel during the pandemic: don’t you dare. He hassled Austin Mayor Steve Adler and Democrats for traveling as the pandemic surged, calling them all hypocrites. But Ted’s real issue is that they weren’t hypocritical enough.

In February, when his Texas constituents were abandoned without power, water, or heat for days on end as their state power grid buckled under the weight of a winter storm, Ted thought, what would Honest Abe do? That’s right, fly to Mexico.

So he hopped on the first flight to Cancun with his family, because from poolside at the Ritz-Carlton, he could better assess the severity of the Texas Blackouts, ingeniously figuring out how to winterize his state’s power plants while cozying up with an umbrellaed, frosted mojito and hate-scrolling AOC’s Twitter feed.

Once photos of him at the airport leaked, though, he immediately boomeranged back to the states and backpedaled the narrative, scapegoating both his wife and tween daughters as the masterminds of the getaway. They don’t teach you that move in A**hole School – you have to learn that one on the streets.

Because when you have a state facing twin crises, with citizens in dire need of humanitarian aid, you can always rest assured that Ted Cruz won’t be there for you.
U.S. Teacher Unions

The National Education Association ("NEA") is a beast whose shadow looms large as our country’s largest labor union. Yes, teachers are often under-appreciated and should make more money. But our children also need to be in school. Throughout the pandemic, the NEA has been inflexible in its position of not going back to work while swaths of other “essential” workers in health care or service industries have.

We all know remote learning is hot garbage – all my seven-year-old daughter has learned this year is how to share her screen and put herself on mute. Parents, it’s time to make your voices heard.

New York Governor Andrew Cuomo

Et tu, Andrew? Cuomo’s Icarus-like fall from grace is staggering... Once hailed as a pandemic hero for his surreal daily press conferences a year ago that gave some comfort to the American people, he now finds himself embroiled in two scandals.

There’s Nursing Home-Gate, which brought to light that he and his team knowingly underreported and subsequently tried to cover up COVID deaths in New York assisted living facilities. And on the heels of that controversy, there’s now multiple women accusing him of sexual harassment. Completing the implosion, former aides have come forward to paint the man as a toxic, berating bully.

Cuomo’s one of the only people (along with Dr. Fauci and Big Tech oligarchs) who could claim 2020 was their best year ever.

Those Who Tried to Cancel Dr. Seuss

Horton hears a what? Whether you pinpoint this to organizations like Kid Conscious or Virginia’s Loudoun County Public Schools, it’s the same extremist, woke, social justice warriors smiling over their newest victim, blade in hand. So now, since some early Seussian illustrations may or may not have been racially insensitive, six Dr. Seuss books you’ve never heard of, such as The Cat’s Quizzer and McElligot’s Pool, have been banned. From there to here, from there to here, cancel culture is everywhere.
Joe Biden isn’t wasting any time.

And if you’re over the age of 50…

His first 100 days could affect your wealth for the next decade.

Biden’s top priority is his $1.9 trillion “American Rescue Plan” – one of the biggest stimulus bills in modern history.

Millions of Americans are eagerly awaiting another round of checks.

What they don’t know is that this one divisive piece of legislation could help trigger the most dramatic financial event in 20 years.

And that the next few months could determine who becomes very wealthy in 2021 – and who gets left behind.

Today, one Finance PhD and former hedge-fund manager is stepping forward to make sure regular Americans aren’t blindsided.

Dr. Steve Sjuggerud is one of the most widely-followed financial analysts in the world, with over 500,000 people relying on his market predictions.

And he just announced:

“The clock just started on the biggest financial event in decades. Fortunes will be made and lost – and you likely have weeks to decide which side you’ll be on.

It all comes down to knowing what’s coming, and positioning yourself, before Biden’s first 100 days are up.”

I recently sat down with Dr. Sjuggerud to get the real story about what’s headed for our country’s financial system, and how to position yourself before it arrives.

Including the No. 1 stock to buy before the next round of stimulus hits our economy. (You’ll get the name and ticker symbol, completely free.)

To watch my interview with Dr. Steve Sjuggerud, free for a limited time – click here.

P.S. Dr. Sjuggerud’s message is spreading quickly – 3 million people have already seen it. To watch and learn how to take action on everything he recommends, before it’s too late, click here while the video is still available.
THE CRASH IS COMING

THE MELT DOWN IS COMING, MY FRIEND...
UNFORTUNATELY, IT WILL ARRIVE THIS YEAR.

UNTIL IT ARRIVES, LET'S ENJOY THE MELT UP WHILE WE CAN.

If you take nothing else from this story, I hope you remember these two things – and I hope you really take them to heart...

I've been pounding the table for years about the Melt Up – the massive, blow-off top in stocks at the end of a major bull market. And regrettably, what follows is the eventual Melt Down.

CLICK HERE TO READ THE WEB VERSION
Look, here are the basics: An investment “bubble” has just kicked in recently. And it will certainly end. Unfortunately, most folks who just started dabbling in the markets this year will lose money. A good portion of them will lose a lot of money.

Here’s how it will go:

• New investors will make a good amount of money on the way up. They will gain confidence.

• With that confidence, they will add even more money to their accounts, as they will believe they know how to succeed.

• Then the market will turn against them... and they will start to lose money.

• At first, they will see it as a golden opportunity to invest even more money, as things are “on sale.”

• Ultimately, they will lose even more money on the way down than they made on the way up.

It will take tremendous personal and emotional strength to avoid that path... to not end up like everyone else.

Your instincts will tell you to buy more. But your instincts will be wrong. In fact, you will need to do the opposite – you will need to sell, just when you feel like you want to buy.

Importantly, you will need a plan – set in advance – for how you will get out with most of your gains still intact. If you don’t have that plan in advance, then you will sink with the ship. And even then, having the plan doesn’t guarantee that you will follow it.
If you are to keep most of your money, you will need to follow the plan.

That’s because – unlike the fall we saw in March last year – a true Melt Down doesn’t end quickly...

“As the market goes down, will people rotate out of speculative stocks into less speculative ones?” one of my colleagues asked in the office.

“No, they won’t,” I replied. These market newcomers will ultimately give up after big losses. They will throw in the towel. They will pull what little money they have left out of the markets – and vow to never return.

At least that’s the way it went in the 1999 to 2000 Nasdaq Melt Up... that ended in an 80% fall in the Nasdaq stock index between the March 2000 peak and the bottom in 2003.

The exodus you see during a Melt Down doesn’t happen overnight. People are stubborn. It takes a while. Therefore, the Melt Down could, too. And it could be severe. This slow exodus gives us time to exit our positions before most everyone else.

My goal is to have us participate in all of the upside potential that is left in the Melt Up... and then get us out with most of our gains when the Melt Down arrives.

Now, let me explain why the Melt Up will most likely end this year...

WHY WILL THE MELT UP END IN 2021?

“Steve, why are you so sure the Melt Up will end in 2021?”

It’s a fair question. The markets have been going up for years (with the exception of the COVID-19 crash a year ago). So why now? What makes this year different?

Your arguments are good ones:

• Stocks have been expensive for years and it hasn’t mattered.

• The Fed has promised low interest rates for a while.

• The economy is recovering from COVID-19.

• The new Biden administration will most certainly spend a lot of money creating jobs and sending out stimulus checks.

You are right on those points, and more. Heck, they’re some of the reasons I’ve said the good times would continue – and for longer than anyone imagined.

My goal is to have us participate in all of the upside potential that is left in the Melt Up... and then get us out with most of our gains when the Melt Down arrives.

(You are right on those points, and more. Heck, they’re some of the reasons I’ve said the good times would continue – and for longer than anyone imagined.)

Times are good right now, based on those points. In its latest Global Fund Manager
Survey, Bank of America hit the nail on the head: “The only reason to be bearish is... there is no reason to be bearish.”

There is far more to that sentence than you might think. You see, that’s the exact situation you tend to encounter before markets peak.

Specifically... Markets peak when there is nobody left to buy. That is all you need to know.

Unfortunately, we are getting close to that point right now. And that is exactly what makes this year different than previous years.

When music stars Snoop Dogg and Gene Simmons (of the band KISS) are talking up cryptocurrency Dogecoin on their Twitter accounts, you know speculating is starting to get out of control.

Markets peak when there is nobody left to buy. That is all you need to know.

I have personally gotten texts from rock stars... from pro surfers... and from my kids’ friends... all wanting to get in on the game. None of them were interested in the markets a year ago. Heck, none of them were interested in stocks or investing just two months ago, at the start of this year.

The reality is, most of these folks are not looking to become students of the markets. Most aren’t looking to study the competitive position and profit margins of Target versus Walmart, to determine which stock could outperform the other over the next five to seven years. Instead, most of these folks are looking to make a quick buck on the next speculation.

They are simply looking to capitalize on the Greater Fool Theory...

They are hoping that by buying today, there will be a greater fool than them to pay a higher price tomorrow. But think about this for a second... Once Snoop Dogg, Gene Simmons, and all the kids in the local high school have put their money to work... where can the next greater fool possibly come from to drive prices higher?

“The single most dependable feature of the late stages of the great bubbles of history has been really crazy investor behavior, especially on the part of individuals,” legendary investor Jeremy Grantham wrote earlier this year. “For the first 10 years of this bull market, which is the longest in history, we lacked such wild speculation. But now we have it. In record amounts.”

That gets to the heart of it... Again, we’ve got rock stars (and Elon Musk!) pushing Dogecoin – which the founder admitted was formed as a joke and should never be worth much. That, to me, is “really crazy investor behavior, especially on the part of individuals.”

The thing is, to make the most money, you want to buy when everyone is fearful, and sell when everyone is greedy (to quote billionaire investor Warren Buffett). And right now, according to the Fund Manager Survey I mentioned earlier, money managers are the least fearful they have been – ever.

It’s not just money managers and celebrities
that are “all in.” Individual investors – many of whom are buying for the first time – are getting on board...

An astounding 28% of all Americans bought GameStop or other viral stocks in January, according to a Yahoo Finance-Harris poll. The median investment, according to the poll, was just $150. The largest group of buyers was men aged 18 to 44. And 43% of these folks said they had just signed up to get a brokerage account in the last month.

So in both professional investors and in new individual investors, we have seen a dramatic shift in investor attitudes and behaviors. In short, basically since GameStop, we moved from a stock market boom to an investing bubble.

We may not know the exact date... But the Melt Down is coming.

The main index of tech stocks – the Nasdaq – hit another record to end last week. From its bottom 47 weeks ago, it’s up 105%. To give you some frame of reference, that is the best 47-week performance in the 50-year history of the index.

The Nasdaq has only been up over 100% after 47 weeks twice in history... The last two 100% moves ended in March 2000 and in July 1983. The stock market performed terribly, immediately after those huge moves higher... Take a look:

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<td>47-week return</td>
<td>103%</td>
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<td>3 months later</td>
<td>-23%</td>
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<td>6 months later</td>
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<td>12 months later</td>
<td>-59%</td>
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The last two times in history that we saw a market up over 100% in the same short period of time as today, the Melt Down was knocking at our door. It’s as simple as that.

**SO WHY NOT JUST SELL NOW?**

You might be thinking, “Steve... If all this is true, why even participate? With the Nasdaq up more since its bottom than at any other time, why not just sell now?”

Market commentator Josh Brown explained it best recently in his blog The Reformed Broker. Talking about cryptocurrencies and crazy investing ideas, he said, “That sounds stupid... I’m buying some just in case.”

He continued...

With 6% economic growth, plus zero percent interest rates, plus millions of people sitting around on their phones all day speculating in stupid shit on the internet, your regrets will multiply daily, as said stupid shit continues to grow...

The Greater Fool Theory is in effect right now. There aren’t many more people left to buy, in my opinion. All we are down to is those new investors putting more and more money to work.

That’s not enough to keep the bull market going forever. But it does mean prices can rise from here.

You never know just how high a boom can go on. As the saying goes, “Markets can remain irrational longer than you can remain solvent.” That goes for booms, too.
And we want to be on board for as much of it as possible... no matter how stupid it gets.

I showed you what happened the last two times the markets looked like this. I wasn’t an investor through the 1983 boom – I was 11 years old then. But I lived through the boom that peaked in March 2000.

It was a crazy time... and the “stupid” gains were piling up. In January 2000, I issued the most serious warning of my career to my 40,000 subscribers. I wrote...

We are at the peak of most likely the greatest financial mania that will ever be seen in our lifetimes, and possibly the greatest ever witnessed...

As long as the mania continues, we’ll continue to hold and even buy the best participating companies... How can we buy stocks when we know it’s reached the mania stage? It’s easy, we have a disciplined system of investing that’s been proven to make money.

In short, we had an exit strategy – just like we will 21 years later.

Here’s how it went down back then... The market peaked in March 2000. Our exit strategy signaled for us to get out of most of our positions in April 2000. At the time, selling our positions because they hit their trailing stops felt like I was failing my readers. Times seemed so good. It felt so wrong to sell!

But in the end, it was by far the right thing to do. I had no idea that the market would keep going down, and down, and down... eventually bottoming – years later – in 2003.

You never know just how high a boom can go on. As the saying goes, “Markets can remain irrational longer than you can remain solvent.” That goes for booms, too.
What Is a "Trailing Stop"?

Buying stocks is easy... It’s knowing when to sell that’s the hard part.

A “trailing stop” sets the stop-loss price (that is, the price at which you should sell) at a fixed percentage amount below the current market price of a stock. It’s called a “trailing” stop because the stop-loss price follows the market price of a stock upward like a trail. So, as the stock’s market price rises, the stop-loss price rises by the trail percentage amount. But if the stock price falls, the stop-loss price doesn’t change, and you sell when the stop price is hit.

A straightforward form of the trailing-stop strategy is a 25% rule. Sell any and all positions at 25% off their highs. For example, if you buy a stock at $50, and it rises to $100, when do you sell it? If it closes below $75 – no matter what.

This Melt Down will be brutal too. It could last for years... which means investors are potentially facing years of poor returns. This could be the last chance many of us get to make irrational gains in the U.S. market.

Another thing you must understand is this:
There is no foolproof signal for the start of the Melt Down. Stocks start to fall, and people get excited that they can buy more of their favorite names even cheaper.

Most people will be extremely tempted to buy more when stocks start to fall. That is the wrong thing to do.

I realize you are excited about the market... and about the gains you’ve been making. But don’t let that get in the way of your clear thinking.

It’s more important now than ever to have a “cool head” in today’s market. ☒
RUNNING OF THE BULLS

SAVING YOURSELF FROM MARKET TRENDS

It's a bubble market in... everything.

Stocks have been flirting at or near all-time highs for months. By most any measure, they're expensive on a valuation basis.

But what's more worrisome is the prices at which things that are literally worthless – in terms of underlying value – are exchanging hands.
Dogecoin is a meme-inspired digital currency (though it really isn’t) that was called a “joke” by the guy who made it. It serves no real-world purpose but hit a market capitalization of upwards of $10 billion. It was up by as much as 15-fold this year.

And things that are next-door neighbors to worthless – by any normal person, normal market kind of standards – are also selling for waaaay too much money.

In September, a yellow Rolling Stones’ tongue logo toilet seat cover (pictured) sold for $1,152 at an auction of belongings of the band’s bassist, Bill Wyman.

As Spin magazine explained, “The purchase... made a splash in the history books, with the cover becoming the most expensive ever sold at an auction.”

(If you’re ever having a lousy day, cheer yourself up with this: At least you’re not the guy who tracks the prices fetched for toilet seat covers at auctions.)

The same auction also set a record for the highest-priced bass guitar ever sold at an auction. A 1969 Fender Mustang Bass with a Competition Orange finish (which presumably means something to guitar geeks) (pictured) that was designed by company namesake Leo Fender is not worthless. But the $384,000 price it sold for feels almost as over the top as that toilet seat cover.

And last month, a house in Palm Beach, Florida – built on a piece of land once owned by former President Donald Trump – sold for $132 million, making it the second-most-expensive single-family home in the U.S. (A photo of the above interior, posted by Forbes magazine, make it clear that money doesn’t buy taste... but it can get you plenty of tacky.)

It all feels like a bubble... And that feels familiar.
THE ORIGINAL MARKET BUBBLE

It’s a story almost as old and familiar as Romeo and Juliet. And tales of bubbles and star-crossed lovers have at least one thing in common: They don’t end well.

In the early 17th century, the Dutch fell head over heels for flame-colored tulips. Demand spiked, and the value of tulip bulbs shot up. Word of profitable speculation spread, and more people piled in. Prices went up and up and up.

From December 1636 to February 1637, the price of premium tulips surged by 200%. (That kind of appreciation is just another day at the office by today’s standards... Back then, it was real money.) At the height of the mania in 1637, a single prized bulb could purchase one of the grandest homes on the most fashionable canal in Amsterdam – which at the time were among the most expensive in the world.

Needless to say, the prices didn’t accurately reflect the true value of a tulip bulb. And in February 1637, buying tipped over into selling, triggering a devastating domino effect. Prices plummeted. With the spell broken, speculators realized they had spent vast sums on glorified onions, and quickly liquidated their tulip-bulb holdings. Wealth evaporated and pandemonium engulfed Holland. A deep economic depression followed.

And since then, history has repeated itself... again and again and again.

THE ANATOMY OF A BUBBLE

More than 400 years of market bubbles reflect a recurring pattern. In 2008, a Canadian scholar named Jean-Paul Rodrigue published a model that defines the stages of a bubble...

Stealth Phase: In the stealth phase of a bubble, early so-called smart-money investors sense a new market opportunity or paradigm. They start to buy discreetly, careful not to show their hand.

Euphoric and increasingly irrational investors extrapolate recent price gains into the future. Enthusiasm spreads like a virus, and a feedback loop ensues.

Awareness Phase: As market prices rise, more investors are drawn to the new investment story. The media begins to cover it – perhaps egged on by “Oops, I didn’t say that out loud, did I?” leaks from the smart money who participated in the stealth phase... adding to the momentum. Regular investors – the early-adopter types, the stock market equivalent of people who camp out overnight to get the latest iPhone – sense that something is rustling in the jungle.

Mania Phase: Now everyone notices the rising prices. The media is touting “the investment of a lifetime.” Prices detach from underlying economic reality. Euphoric and increasingly irrational investors extrapolate recent price gains into the future. Enthusiasm spreads like a virus, and a feedback loop
Often, prices fall below pre-bubble levels. The asset in question becomes universally hated. And eventually, the smart money starts buying again, recognizing the panic has created an opportunity to buy assets at cheap prices. And the process starts all over again...

Where are we now with many asset classes? If you’re not sure... listen to your guy.

**THE NEXT BUBBLE TO LOOK OUT FOR: GARLIC**

Some bubbles... well, they just smell bad.

In late 2015, the price of physical garlic started to rally. Heavy rains and then snow.
in China’s Shandong province – the garlic hotbed of the country that makes more than three-quarters of the world’s garlic – hit crop production. By the end of 2016, garlic prices had nearly doubled.

Unlike many other commodities, there are no garlic futures in China. So to bet on a rise in the price of garlic, an investor has to buy actual garlic – that is, the real thing that people use in pesto and to ward off vampires or would-be kissers.

To bet on a rise in the price of garlic, an investor has to buy actual garlic – that is, the real thing that people use in pesto and to ward off vampires or would-be kissers.

Big, chilled storage facilities – some larger than a football field – can keep garlic bulbs fresh for up to two years, allowing for an extended selling window. The savviest traders buy warehouses full of garlic and slowly sell them into periods of low harvest and high prices.

But since the last garlic bubble five years ago, times have been rough. In May of last year, the price of garlic in China fell by 50% in just 10 days – to levels around one-tenth of where prices were back in the bubble of 2016. A few months later, the volume of fresh, stored garlic reached an all-time high, of 4.46 million tons (up 30% from the previous year). A quick calculation suggests that’s just under 84 billion (that’s like 10 heads (there are around 12 cloves per head) for every man, woman, and child on Earth.

When will garlic come back? We all need to pitch in to consume that surplus... but even so, I’m sure it won’t be long – everything else is already in bubble territory. Now it’s garlic’s turn.

(And in the meantime, another reason to feel happy today: You’re not the guy on the garlic beat at the local paper in Jinxiang, China’s “garlic capital” in southwestern Shandong province.)


And in case you were wondering (you know you were), there in fact is a crypto called Garlicoin. It has a market cap of $1.1 million. And like almost any other asset on Earth, Garlicoin also went into bubble territory, as its price rose nearly 16-fold in February, on daily volumes that cracked the mid-four digits.

(Would you rather be known as the guy who bought a yacht with the profits from Dogecoin, or from Garlicoin? Or does it really matter... if you’re on your yacht?)

And while you’re waiting for garlic to recover, there’s the chance to invest in baseball idol A-Rod’s SPAC... if you really want to.
TOO MUCH MONEY TO GO AROUND... THE SHAQ SPAC

I recently wrote about "kamikaze capital" as a twisted way to invest to try to make a point – rather than to make money. We see that in GameStop Robinhood speculators who want to make a point to hedge-fund managers, even if it costs them their life savings... and we also see it in investing that has social justice or the environment – rather than generating a return – as its main objective.

And then there are the celebrity SPACs. (A “SPAC” stands for a special purpose acquisition company, which is essentially a shell company set up by investors with the sole purpose of raising money through an IPO to eventually acquire another company. SPACs are becoming increasingly popular.) This is an actual headline from February 9 from an otherwise mostly credible investment news website: “5 ‘Celebrity SPACs’ To Consider: Shaq, Serena, Steph, A-Rod And Ciara.”

It lists a number of SPACs where sports stars – well-known enough to be identified by one name – and a musician (also goes by just one name, Ciara) were involved in raising funds for these shell acquisition companies. While athletes are certainly capable of having other skills (basketball legend Shaq pictured) has built a solid record as an investor off the court), touting them as headliners for shell companies suggests that some investors have way too much capital burning holes in their pockets.

The most worrisome part of this? All but one of the SPACs listed in the article – from a bit more than a month ago – have already gone public, raising hundreds of millions of dollars.

There’s just one more sign of the bubble market that hasn’t happened yet...

While athletes are certainly capable of having other skills, touting them as headliners for shell companies suggests that some investors have way too much capital burning holes in their pockets.
THE ULTIMATE SELL SIGNAL: MEET THE JEDDAH TOWER

Indicators that have nothing to do with markets can sometimes offer insight on bubbles. One of the best is the “skyscraper index” (for those with a fondness for adolescent humor, this is also known as the “erection index”), which points to a correlation between the construction of the tallest building in the world and financial crises.

When a country declares it’s going to build the tallest building in the world – a surefire sign of excessive optimism – it angers the gods of finance, who hurl a thunderbolt of crisis around the time the building is completed... ensuring years of depressed prices and empty floors.

For example... the Empire State Building took the mantle of the world’s tallest building when it was completed in 1931, one year into the Great Depression. In 1974, Chicago’s Sears Tower claimed the title – just as the U.S. entered a macroeconomic hell of stagflation.

When Malaysia took the curse of the world’s tallest building, with the Petronas Towers in 1998, they brought with them the poisoned chalice of the Asian financial crisis, which nearly swallowed the country’s economy whole. And the current tallest building in the world, the Burj Khalifa in Dubai, was completed in 2010 – just months after a default (or rather, a debt “standstill”) by the emirate’s investment vehicle.

Next up? The one-kilometer-high – that’s 0.62 miles, 3,280 feet, or nine football fields – Jeddah Tower (pictured), in the eponymous city in Saudi Arabia. Once (or rather, “if,” since construction was suspended last year and hasn’t resumed yet) completed, it will be more than 170 meters taller than the current world-record holder. The Jeddah Tower will have 59 elevators, but “the lifts will not reach the speeds of normal elevators, as the change in air pressure at those altitudes would cause nausea,” architecture website Architizer helpfully explains.

Let’s hope the Jeddah Tower is never finished. The last thing a bubble market needs is a one-kilometer-high building – the ultimate sign of a bubble.

But let’s hope it’s never finished. The last thing a bubble market needs is a one-kilometer-high building – the ultimate sign of a bubble.

Before then... there are some simple things you can do to protect your portfolio from a burst bubble.

HOW TO PROTECT YOUR PORTFOLIO FROM A BUBBLE MARKET

If it really is a bubble market – and it sure looks as if it is – you need to watch that your portfolio doesn’t pop with it. A few simple ways to protect yourself...

1. Regularly rebalance your portfolio.

Did your 4,000% gains in, say, Garlicoin make your portfolio top-heavy with all those crypto gains? If so... be sure you rebalance your portfolio by selling the big gainers and redistributing to the assets where you have a
If you think a bubble is forming... sell something and hold onto the world’s best hedge. It’s the least exciting asset known to mankind (how many cocktail party conversations have started with some variation of “Let me tell you about this great cash I have”?).

3. **Raise some cash.** If you think a bubble is forming... sell something and hold onto the world’s best hedge. It’s the least exciting asset known to mankind (how many cocktail party conversations have started with some variation of “Let me tell you about this great cash I have”?). But it’s also one of the safest and one of the easiest to use. And if all other assets collapse in price, cash will be worth the same tomorrow.

4. **Don’t bet the ranch to begin with.** If you employ basic position sizing from the outset (that is, allocate according to risk... more low-risk, less high-risk), then regardless of what happens to a particular potentially bubbly asset class, a severe correction isn’t going to cause you any kind of catastrophic drawdown in your portfolio.

If, for example, you allocate 2% of your investable asset base into cryptos, then even if the entire crypto market is worth zero tomorrow, your maximum loss is 2%. It’s not rocket science, it’s just prudent position sizing.

2. **Watch those stop-loss levels.** No one likes to admit defeat. But in investing, it’s important to have a disciplined approach to selling your bad positions – when that bubble pops – and losing the battle. Otherwise, you risk losing the war when a few bad stocks wipe you out altogether.

The important – and most difficult – thing is to follow through. If an asset falls to your stop-loss level, sell... no questions asked. And make sure you don’t put a standing market order in at your trailing stop level. You don’t want to tell your broker when you’re going to sell. Make sure that you make it a mental note (or a bright orange sticky note on your monitor) – not one that you tell your broker.

smaller allocation – to get back to your target portfolio profile.
I’m about to get in this Tesla and drive up to a location just a few miles from here to show you Elon Musk’s next Big Project. What happens next will shock you…”

Elon Musk changed online payment processing with Paypal. He’s changing space exploration with SpaceX and the auto industry with Tesla.

And now, Elon Musk is getting ready to unveil his next big project: S.A.V.

It’s so revolutionary, it could even put an extra $30,000 in Americans’ pockets.

One of America’s leading tech experts recently gave this a try and caught everything on camera. You can watch the demo of this tech.
By Christine Rosen

LOST IN CYBER SPACE

WITH OUR CHILDREN ADRIFT IN ZOOM ORBIT, AN IN-DEPTH LOOK AT WHO IS TO BLAME FOR AMERICA’S CONTINUED SCHOOL CLOSURES
**Last spring**, as the COVID-19 virus was spreading across the globe and state and local officials in the U.S. scrambled to announce pandemic safety precautions, most K-12 schools across the country closed as a temporary emergency measure. At the time, parents of school-age children supported closures, given that so many aspects of public life were being curtailed and so little was known about the risks posed by the virus, both to children and to adults.

Local school systems cobbled together virtual classrooms as best they could, and parents picked up a great deal of the educational load at home while still juggling their own work responsibilities. Most were happy to make these sacrifices not only to protect their own families but also their children’s teachers and teachers’ families.

One year later, the educational landscape looks quite different... While most private schools and some public schools spent the summer of 2020 making plans to reopen safely for in-person learning for students in the fall (at least partially or with a hybrid in-person and virtual model), many more never contemplated reopening.

By January of 2021, a clear divide had emerged in the nation between places where kids could go back to school in-person and those where they could not: According to National Public Radio, by early 2021, approximately 18 million American children had never returned to a classroom for in-person instruction. They remained at home, forced to take classes online – and usually with few resources (or even functional Wi-Fi), struggling to keep up with often-subpar schooling.

And this wasn’t accidental. There was something these all-virtual school districts had in common: powerful teachers unions. As Corey DeAngelis of the Reason Foundation found, the “relationship between unionization and reopening decisions remains substantively and statistically significant even after controlling for school district size and coronavirus deaths and cases per capita in the county during the month of July.”

In districts where teachers unions are powerful, they refused to cooperate with elected officials who wanted teachers back in the classroom, even resorting to lawsuits, strikes, and protests – all while continuing to receive paychecks for doing far less effective, virtual teaching.

**HOW DID WE GET HERE?**

For most Americans, unless you have a teacher in the family or are one yourself, you likely haven’t given much thought to teachers unions. Perhaps it’s time we did.

There are two national teachers unions – the American Federation of Teachers (AFT) and the National Education Association (NEA) – as well as countless state, regional, and local teachers unions. The NEA is the nation’s largest public-sector union, with 3 million members. As Daniel DiSalvo observed in an assessment of public sector unions in National
Affairs more than 10 years ago, there are more public-sector employees who are union members than private-sector employees, and thus unionized workers “are more likely to be teachers, librarians, trash collectors, policemen, or firefighters than they are to be carpenters, electricians, plumbers, auto workers, or coal miners.”

In states and school districts with powerful unions, the threat of strikes is unmatched by any equivalent power on the side of school officials.

The teachers unions are among the Democratic Party’s largest donors and most reliable voters. Even after the Supreme Court’s 2018 decision in *Janus v. American Federation of State, County, and Municipal Employees, Council 31*, which limited public sector unions’ ability to compel workers to pay union dues, teachers unions have lost none of their political power.

As DiSalvo and Michael Hartney note in *Education Next*...

Since 1990, the AFT and the NEA have regularly been among the top 10 contributors to federal electoral campaigns. They have forged an alliance with the Democratic Party, which receives the vast majority of their hard-money campaign contributions as well as in-kind contributions for get-out-the-vote operations. [Teachers unions are] the single largest organizational bloc of Democratic Party activists.

When the boss (in this case, a Democratic mayor or governor or president) is beholden to the teachers unions, he or she tends to run on a platform that aligns with their demands. With regard to school reopenings, that means schools are *staying closed where unions have clout*. As researchers at the American Enterprise Institute’s “Return to Learn” school reopening tracker project found, “Districts in counties that voted for Joe Biden have three times the percentage of fully remote districts compared to counties that voted for Donald Trump.”

At the AFT’s annual convention last summer, amid the pandemic, President Randi Weingarten rattled off a list of progressive policy goals and noted, “That’s not from an AFT resolution. That’s straight from the Democratic Party platform, born out of the Biden-Sanders Unity Task Force recommendations we helped draft.” She also insisted that teachers were akin to “first responders” like doctors and nurses, and “essential workers” like grocery store employees and truck drivers, even though none of those other groups have enjoyed the luxury, as teachers do, of refusing to show up in person to perform their jobs while still getting paid.

Weingarten can boast of her union’s power because it’s real... In states and school districts with powerful unions, the threat of strikes is unmatched by any equivalent power on the side of school officials. Due to collective bargaining agreements negotiated by many unions, school officials are often legally barred from firing teachers. And while elected officials face many restrictions on lobbying, unions have large portions of their budgets devoted solely to the practice, and a great deal...
of impact on who gets elected to oversee them (and with whom they also negotiate their contracts).

More than 20 years ago, in an assessment of teachers unions in *City Journal*, author Sol Stern observed that because there are no market incentives for teachers to improve, and teachers exercise near-monopoly power over families who can’t afford private school or can’t homeschool, change is sclerotic or nonexistent:

> When school board representatives sit down with union officials to negotiate a labor contract, neither party is under pressure to pay attention to worker productivity or the system’s overall competitiveness: if the contract allows some teachers to be paid for hardly working at all, and others to perform incompetently without penalty, there is no real economic danger for either side.

Schools continue to get money, and teachers continue to get paid, regardless of whether or not they are performing well.

That might be changing... The outrageous demands made by many teachers unions during the pandemic could have repercussions for Americans’ feelings about the country’s educators and the unions that speak for them.

TEACHERS UNIONS ARE IGNORING THE SCIENTIFIC EVIDENCE

At the beginning of the pandemic, teachers’ concerns about safety were legitimate expressions of fear, given the possibilities of hospital overcrowding, uncertain information about community spread, and the unknown risks that asymptomatic children with coronavirus might pose to adults. Time and again, teachers union officials cited the need for “an abundance of caution” in the face of the risks.

However, an “abundance of caution” with regard to school reopenings is no longer a feasible guiding principle. One year into the pandemic, we know a great deal more about its lethality, including the salient fact that COVID poses a vanishingly small risk to the health of children. More than 95% of the tragic deaths from COVID-19 in the U.S. are among people over the age of 60.

Since last summer, scientists and epidemiologists have had ample evidence that schools could be reopened safely. Schools in many countries in Europe have been successful managing the risk, and many private schools in the U.S. have done the same. In states such as Florida, which reopened its schools in the fall, studies have shown minimal infection rates caused by in-person learning.

A large-scale study of schools in North Carolina by researchers at Duke University, published in *Pediatrics*, found a very low rate of in-school transmission of COVID. A range of experts in pediatrics and public health have repeatedly advocated for the reopening of schools, noting that the evidence is clear that it’s safe to return to classrooms even before all teachers are fully vaccinated as long as reasonable mitigation procedures are in place.

In January, the Centers for Disease Control and Prevention (CDC) announced the
April 2021

[Image -1x-1 to 613x793]

results of research showing that with proper precautions in place, schools can and should reopen. “There is accumulating data now that with high face-mask compliance, and distancing and cohorting of students to minimize the total number of contacts, we can minimize the amount of transmission in schools,” one CDC researcher told the New York Times.

And yet, teachers unions in cities like Los Angeles have ignored such evidence, instead issuing their own reports that ignore the scientific evidence. The Los Angeles report listed both political and pandemic-related demands that it argues should be in place before they return to the classroom. The demands included the enactment of Medicare for All, a “millionaire’s tax,” defunding the police, and a ban on charter schools. Embracing the never-let-a-crisis-go-to-waste approach, the union report notes, “Normal wasn’t working for us before. We can’t go back.”

Los Angeles is the second-largest school district in the nation, with more than half a million students. Students have spent the entire 2020 to 2021 school year in virtual learning. In early March, despite increased vaccination rates, federal COVID relief funds directed at schools, and California Governor Gavin Newsom’s recent signing of a $6.6 billion relief package that would direct money to public schools reopening, the United Teachers Los Angeles (UTLA) union refuses to budge... 91% of union members voted to refuse to return to in-person teaching. “UTLA members have voted overwhelmingly to resist a premature and unsafe physical return to school sites,” a spokesperson told local news reporters. According to the Wall Street Journal, the union also called the state’s efforts to reopen schools “a recipe for propagating structural racism.”

Even in districts where teachers have been given priority access to vaccination, recalcitrant unions refuse to acknowledge
clear scientific evidence that in-person learning can resume safely. In Fairfax County, Virginia, teachers unions demanded – and received – priority for vaccination, claiming it was essential they be vaccinated before returning to the classroom.

After receiving the vaccine, however, the union moved the goalposts again, insisting that it wouldn’t be safe to return to in-person teaching until *all children* were vaccinated (but none of the current vaccines have yet been approved for use on children). “Concern remains that students will not be vaccinated before they return to school,” the Fairfax County teachers union spokesperson said.

In Cleveland, Ohio, the teachers union recently voted to refuse to return to classrooms for in-person teaching, despite the school district’s plans to reopen on March 8. Like teachers in Fairfax County, they had been given priority for vaccination, but still refuse to return to the classroom, claiming they need further health and safety precautions.

Numerous unions have also sued school districts rather than return to work. In Cincinnati, the teachers union sued the school district so they wouldn’t have to return to teaching, and a judge ruled against them. The New York City teachers unions issued several threats throughout the summer of 2020 to strike over plans to require in-person teaching.

And in Washington, D.C., amid negotiations about reopening schools, the teachers union staged weeks of protests, including piling dozens of fake body bags in front of the Mayor’s office, to demand that schools remain closed... The mayor caved to their demands and did not reopen schools.

**STUDENTS ARE SUFFERING**

Now that it’s safe to return to the classroom, teachers who refuse to do so have contributed to the creation of a serious educational crisis,
Even President Biden has been bulldozed by the unions. As the Wall Street Journal noted, despite promising teachers more money and agreeing to many of their demands, Biden is “discovering what America’s parents have learned in the last year: Unions run the schools, and no one – not parents, not school districts, not mayors, and not even a new Democratic President – will tell them what to do.”

Stories of union hypocrisy from the past year have also emerged, angering parents... The Chicago teachers union official who argued that it was unsafe for teachers to return to the classroom while posting images of herself poolside (and mask-less) in Puerto Rico on vacation... or the president of the Berkeley, California teachers union whose own daughter has enjoyed full-time, in-person private school while he denies public school kids that same privilege by arguing that teachers cannot safely return to the classroom... or the recent warning by Los Angeles County teachers union officials to members on their Facebook page to make sure they don’t post pictures of their spring break trips to social media since “it is hard to argue that it is unsafe for in-person instruction, if parents and the public see vacation photos and international travel.”

But this hasn’t swayed the unions... Over the summer, as civil unrest played out in many cities, the Chicago Teacher’s Union found the time to tweet support for activists who had erected a guillotine outside the Washington, D.C. home of Amazon founder Jeff Bezos, noting, “We are completely frightened by, completely impressed by and completely in support of wherever this is headed. #Solidarity.” (The union later deleted the tweet.) They also created and circulated on social media a dance video where they repeated, “Not until it’s safe!”

There is also now ample and disturbing evidence of the social and emotional harms to children caused by distance learning. Mental health crises have increased dramatically among school-age children over the past year. “When we started to see the uptick in children taking their lives, we knew it wasn’t just the COVID numbers we need to look at anymore,” one Nevada school official, told the New York Times. A lengthy investigation by ProPublica described in heart-wrenching detail the trauma experienced by teenagers who have been isolated and unable to interact normally in school with their peers for more than a year.

“...When we started to see the uptick in children taking their lives, we knew it wasn’t just the COVID numbers we need to look at anymore.”

But there are signs that parents and elected officials have reached the limits of their tolerance for the teachers unions.

Some parents have begun filing lawsuits. As local news outlets in Albuquerque, New Mexico recently reported, “Accusations of civil rights violations have been filed against the Albuquerque Public Schools Board of Education on behalf of students who cannot

most notably for the children who rely on school for a range of social services, including daily meals.
return to in-person learning.” Parents across the country are organizing locally and on social media via hashtags like #reopenschools.

A few state legislatures are vowing to withhold funding if schools don’t return to in-person instruction. Arizona’s governor announced that he would issue an executive order requiring public schools to offer in-person instruction for students that want it. Interest in homeschooling has also skyrocketed during the pandemic, and lawmakers in 28 states are now considering bills that would expand school choice options for parents.

Ironically, by refusing to follow scientific evidence and the needs of students, teachers unions might succeed in keeping schools closed in the short term, but they will drive away students from public education in the long term.

As Kerry McDonald, a scholar at the libertarian CATO Institute observed...

A vocally progressive agenda and broad Democratic Party allegiance by powerful teachers unions, combined with the proliferation of more schooling alternatives resulting from the pandemic, may prompt more parents to opt out of their local district school for other options.

For over a year, parents of school-aged children have watched as teachers who refuse to return to the classroom still get full pay, and, backed by powerful unions, make increasingly unreasonable demands that have nothing to do with keeping themselves or children safe from a virus, but everything to do with exercising their political power.

No wonder the benefit of the doubt that parents struck at the beginning of the pandemic has disappeared... They now find themselves unwittingly a party to the devil’s bargain the unions struck long ago with school administrators and Democratic politicians, the latter of whom fear losing the financial support and votes of union members.

But as school closures and disingenuous union demands drag on, more and more Americans are finally seeing teachers unions for what they really are and have always been: a special interest group with no interest in the well-being of America’s children.

But as school closures and disingenuous union demands drag on, more and more Americans are finally seeing teachers unions for what they really are and have always been: a special interest group with no interest in the well-being of America’s children.

Christine Rosen is senior writer at Commentary magazine and a fellow at the Institute for Advanced Studies in Culture at the University of Virginia.
THE VANISHING HONG KONG

THE HONG KONG WE ONCE KNEW IS NOW GONE FOREVER. SADLY, IT’S NEVER COMING BACK.

By Keith B. Richburg
Hong Kong’s handover from British to Chinese sovereignty came at midnight on July 1, 1997. But China’s makeover of Hong Kong began exactly 23 years later, midnight July 1, 2020.

Over the past nine months, China’s Communist Party rulers in Beijing have launched a wholesale transformation of nearly every aspect of life in this prosperous territory – in the schools, the courts, the civil service, the media, the elected legislature, and even the relatively powerless local neighborhood councils. Only the local business community has been largely spared – but not untouched – by the changes.

As a result, in less than a year, this once freewheeling city known for its frenetic energy, lively debates, rambunctious local media, and long tradition of street protests has become hardly recognizable. This longtime British colony which once embodied the perfect blend of East and West now resembles every other sprawling megacity on the Chinese mainland, marked by soaring skyscrapers and impressive infrastructure, but stifled by repression and fear.

The vehicle for Hong Kong’s rapid transformation is the new draconian national security law (“NSL”) imposed by Beijing and handed down last year. Hong Kong’s China-appointed local government was supposed to draft and implement its own version of the national security law immediately after the ‘97 handover, but successive leaders repeatedly demurred in the face of intense local opposition.

Finally, Beijing’s leaders decided to step in and do it themselves. The proximate cause was a series of large-scale and often violent anti-government protests that erupted here in June 2019 and continued unabated for the next seven months, until the arrival of the coronavirus pandemic early last year brought a ban on all public gatherings.

The demonstrations were sparked when the city’s Beijing-appointed administrator, called “Chief Executive,” Carrie Lam, introduced an ill-conceived criminal extradition bill that would have allowed suspects arrested in Hong Kong to be shipped over the border to stand trial in China’s opaque and unjust legal system. In the face of government intransigence and increasingly brutal police tactics, the demonstrations soon morphed into a broader movement that began to challenge China’s sovereignty over Hong Kong.

The 2019 protests saw unprecedented scenes of masked, black-clad demonstrators armed with rocks, slingshots, Molotov cocktails, and even bows and arrows battling riot police who fired tens of thousands of rounds of tear gas, water from a spray cannon, rubber bullets, and live ammunition. High-end shopping malls, subway stations, university campuses, and even the upscale financial district of Central came to resemble a single fluid and shifting battle zone. Thousands were arrested under the charge of “rioting,” which carries a lengthy prison term.
At first, China’s Communist leaders tried to ignore the protests. In the early days, there was almost no mention of the riots made in the tightly controlled, heavily censored state-run media. When stories eventually did begin to appear, it was almost always to depict the demonstrators as a small band of “rioters.” But when protesters attacked the Beijing central government’s main office in Hong Kong and provocatively defaced the Chinese emblem with black paint, defiantly tossed the Chinese flag into the harbor, and began targeting China-affiliated banks and mainland-owned restaurants, authorities in Beijing decided enough was enough... And the result is the new NSL.

The national security law is actually somewhat a misnomer. The new law is much more an Internal Security Act of the kind commonly used in Britain’s other former colonies like Malaysia and Singapore, which is aimed at crushing internal dissent, not deterring an attack from abroad. China’s version of the law, imposed on Hong Kong with no local input or debate, defines four broad categories of offenses: terrorism, secession, subversion, and collusion with foreign forces. Those sweeping categories are left deliberately vague, meaning the NSL can proscribe virtually anything police, prosecutors, or the Chinese government wants it to.

Under the law, singing “Glory to Hong Kong,” the anthem of the 2019 protest movement, or chanting the movement’s slogan, “Liberate Hong Kong, Revolution of Our Time,” can now be deemed a national security offense. Carrying a banner, wearing a T-shirt, or posting a social media text advocating Hong Kong independence can lead to arrest and a lifetime prison sentence. Under the new law, inciting hatred against the local government, the Communist authorities in Beijing, or against the Hong Kong police is now a national security crime.

The law is so broadly written that even criticizing the NSL itself is a crime against national security.

The NSL has created an entirely new enforcement infrastructure. The police now have a special national security unit, with broad powers of surveillance, arrest, and interrogation of anyone suspected of breaching the law. Mainland China has brought its own national security officers into Hong Kong, initially taking over a 33-story, 266-room hotel in the middle of the city for some 200 new officers who can operate freely without any local oversight or scrutiny – local police are not even allowed to pull over these officers’ cars.

A separate, parallel court system has been set up to hear national security cases, with select judges named secretly to a pool allowed to hear sensitive NSL cases. The immigration department is said to have a new unit specifically to scrutinize sensitive visa applications and work permits on national security grounds. Schools, from kindergarten to high school, have been ordered to implement “national security education” into all aspects of the curriculum, including use of a cartoon owl teaching the youngest children to recite the four NSL crimes. Hong Kong’s autonomous, publicly funded universities have also been told to submit detailed plans
on how they intend to teach national security on their campuses.

Hong Kong government officials, and pro-China supporters in the population, defend the sweeping new law as necessary to restore calm and a sense of order after months of protests. In this, they say the law has largely succeeded and the protests have been quelled. But critics – or those who still dare to speak out openly – say the law has been used to muzzle legitimate dissent, stifle individual liberties, and transform Hong Kong into a “typical mainland city,” devoid of any political life or freedom of thought.

The power of the new NSL has been felt here quickly and dramatically, both formally in the rising tally of arrests and informally in people’s voluntary changes of behavior. As of this writing, around 100 people have been arrested under national security violations. A large part of that number comes from when 47 of the city’s most prominent pro-democracy politicians and activists were taken to court in handcuffs and charged with subversion.

The 47 were picked up in a mass arrest in January and hauled back to court in March. Their crime? They participated in an unofficial primary election last July to select the strongest candidates to run in legislative council elections planned for last September, which have since been postponed indefinitely. Prosecutors say the pro-democracy candidates were conspiring to win a majority of seats in the legislature which would have allowed them to block the government’s initiatives. In other places, trying to win a majority on the legislature might be called “democracy.” In the new Hong Kong, it’s subversion, punishable by life imprisonment, if convicted.

In early March, only four of the activists were allowed out on bail. The rest could remain in prison for months or years while the police say they continue to investigate the case.

China’s version of the law, imposed on Hong Kong with no local input or debate, defines four broad categories of offenses: terrorism, secession, subversion, and collusion with foreign forces.

Other actions and arrests have been equally chilling... The first person arrested under the law last year was a 23-year-old accused of running his motorcycle into a police line during a protest while carrying a flag that said, “Liberate Hong Kong.” He has been charged with inciting secession and engaging in terrorism, and he remains in jail.

Last December, eight Chinese University students were arrested – three of them under the national security crime of “inciting secession” – after donning black graduation robes, hoisting black balloons, and chanting some of the prohibited slogans from the 2019 protests. Another handful of Chinese University students were arrested earlier this year for throwing white powder on security guards.

Candidates running for seats in the Chinese University student union blasted the
university administration for colluding with police to have students arrested, and they published a manifesto blasting the NSL as a violation of basic human rights. Chinese University administrators in response cut all ties with their own student union.

Meanwhile at the Hong Kong Baptist University, campus authorities canceled the planned “World Press Photo Exhibition 2020” the weekend before the scheduled March 1 opening, citing security and safety concerns. But the real reason seems to be several of the winning World Press Photo images were of 2019 Hong Kong protests, including policemen violently attacking demonstrators. The announcement of the cancellation came after a pro-Beijing website said the photos glorified rioters and incited hatred toward the police.

A new national security snitch hotline, which carries echoes of East Germany’s old Stasi state security services, has received tens of thousands of tips about supposed national security violations. Civil servants and teachers are being forced to take “loyalty oaths” to China. Some teachers say they fear saying anything in their classes that might be considered a violation of national security. One pro-Beijing lawmaker has called for cameras to be installed in classrooms to monitor what teachers tell their students.

Hongkongers are on edge. They have been deleting their social media accounts, scrubbing their Facebook pages of past pro-democracy statements, and deleting old Twitter posts supporting the protests or criticizing the government. Political parties have disbanded. Public libraries have removed books from their shelves that might be considered subversive. Journalists have said sources who they once conversed with regularly are now too afraid to talk or meet openly. More and more, Hong Kong is becoming like mainland China.
Beijing’s Communist rulers are also making certain that the postponed elections for the local Hong Kong legislature – if they happen at all – occur under strict new rules that guarantee only friendly pro-China forces prevail. In meetings in Beijing, Communist authorities have empowered a handpicked election panel to vet all candidates for the legislature and to appoint a majority of loyalists to the body. The goal, Chinese officials say openly, is to guarantee that only “patriots” are running Hong Kong.

They seem to be operating under the theory that if you cannot win the election fairly, just change the rules of the game.

Foreign condemnation of China’s crackdown on Hong Kong has been strong. The Trump administration imposed sanctions on several top Hong Kong officials deemed responsible for eroding the city’s freedoms, including Carrie Lam and Commissioner of Police Chris Tang. Lam has complained that she’s unable to use any credit cards or banks because of the sanctions, and now sits on piles of cash at home to pay her bills.

Chris Patten, the last British governor of colonial Hong Kong, said with the planned changes to the election system, “China’s communist parliament has taken the biggest step so far to obliterate Hong Kong’s freedoms and aspirations for greater democracy under the rule of law.”

The American Chamber of Commerce in Hong Kong recently surveyed its members and found that 40% of respondents were pessimistic about the future there, and one-third said Hong Kong had become less competitive as a global financial center. Some 61% of respondents said Hong Kong’s business environment had deteriorated over the last year, and many named the national security law as well as the COVID pandemic as the cause. Still, there’s no rush to the exits – Hong Kong remains a key financial hub, with

Hong Kong Chief Executive Carrie Lam walks behind a red barrier tape toward a press conference in Hong Kong. Over a year has passed since the beginning of anti-government protests in Hong Kong that brought hundreds of thousands of people into the streets of the semi-autonomous Chinese territory. While the demonstrations have all-but died out, none of the underlying issues have been resolved, and a deep unease lies over the city as China moves to tighten its grip. (AP Photo)
the world’s second-largest stock exchange and the key gateway to China’s vast market.

Some Hongkongers, though, appear to be voting with their feet. A few opposition leaders managed to flee into exile, and as many as 300,000 eligible former British subjects are expected to take up an offer from the British government to relocate to the United Kingdom to escape the crackdown. Secretary of State Antony Blinken said the U.S. should similarly offer safe haven to Hongkongers trying to flee the repression.

Could this have been avoided? And is there any way to reverse the changes and take Hong Kong back to a place we all recognize?

**China’s extreme makeover is now nearly complete.** Almost every prominent pro-democracy figure is either in jail or in exile. Dissent has been crushed, and the opposition largely decimated.

The first answer is yes. Hong Kong reached this bleak state through intransigence – by a stubborn chief executive who refused to back down from her wildly unpopular extradition bill even when more than 1 million people marched in the streets. And there was intransigence, too, by the pro-democracy opposition camp, which over the years repeatedly refused to accept compromise offers of limited democracy “with Chinese characteristics” and continued to insist on universal suffrage, which Beijing would never allow. The pro-democracy activists were also reluctant to vocally condemn the violence by the more radical protesters among their ranks who attacked police and damaged businesses.

And to the second question of could Hong Kong get back to how it was before... the answer is no. China’s extreme makeover is now nearly complete. Almost every prominent pro-democracy figure is either in jail or in exile. Dissent has been crushed, and the opposition largely decimated. The electoral changes ensure there will be no dissenting voices in government, and the NSL – and the heightened police response – means that Hongkongers’ tradition of street protest has essentially ended. And foreign governments, including the United States, seem unable and unlikely to do much beyond the normal verbal protestations.

In other words, the Hong Kong we once knew is now gone forever. Sadly, it’s never coming back. And Hongkongers themselves must share part of the blame.

**Keith B. Richburg** is Director of the Journalism and Media Studies Centre at the University of Hong Kong. He spent 33 years with the Washington Post, serving as Foreign Editor and Bureau Chief in Manila, Nairobi, Hong Kong, Paris, Beijing, and Shanghai, and covered the Hong Kong handover in 1997. He is the author of *Out of America: A Black Man Confronts Africa*, published in 1997.
We're watching Twitter, so you don't have to.

**FEDERAL RESERVE CRISIS SOLUTION CHART**

We're in a financial crisis!

Print more money!

Did it work? No

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@Ben_Rickert

What a time to be alive

The Wall Street Journal @WSJ - Mar 15

A recent $3.1 million sale of some NFT sneakers has speculators wondering about the future of digital fashion. Why the NBA’s Top Shot clips and purchasable outfits in video games like Fortnite may hold some clues. on.wsj.com/3r5saXf

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@Hipster_Trader

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@AcapDawg

The future libertarians want:

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Tim Young @TimRunsHisMouth

I didn’t think Nancy Pelosi shopped at Target.

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Alexandra Lains @realalexclns

April Fools is canceled this year because no made up prank could match the unbelievable shit going on in this country right now.

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Sal the Agorist @SallyMayweather

Don’t forget to pay your taxes this year. Other countries are depending on it.

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Rudy Havenstein, Spacey And Shakin’ @RudyHavenstein

The most offensive Dr. Seuss book ever...

#etf

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END THE FED
WHEN THE LONE STAR WENT DARK

A VETERAN OIL MAN TALKS ABOUT WHAT WENT SOUTH IN TEXAS
American Consequences writer Andrew Amundson recently sat down with Cactus Schroeder, wildcatter and president of Chisholm Exploration, an oil and gas development and exploration company. Cactus has been drilling oil for more than 35 years.

Right around Valentine’s Day, Texas went dark... Millions of residents suffered without heat, power, and electricity for days on end – a full-on humanitarian crisis amid a pandemic that underscored institutional incompetence and partisan divisiveness writ panoramic.

Or, as wildcatter Cactus Schroeder put it, “I was freezing my ass off.”

Hospitals evacuated patients while people burned their furniture to stay warm, as federal, state, and corporate entities seemingly abandoned most Lone Star State residents. Texas Congressman Ted Cruz jetted off to Cancun. Local mayor Tim Boyd posted his tone-deaf message to Facebook, “It’s not the local government’s responsibility to support you during trying times like this.”

Politically, the too-familiar sound bites poured out from the expected pundits – the Right blamed green energy while the Left came after fossil fuels. But beyond the political hackery seeking ideological scapegoats... two core reasons emerged for Texas’ frozen nightmare.

ANATOMY OF A TRAGEDY

Texas is not part of the national power grid, in the most Texas move imaginable – a bit of energy secession to avoid federal regulation. But this electric independence means that it can’t import energy from neighboring states like Oklahoma. This assistance would have been convenient for a once-in-a-decade winter storm thrashing through Dallas and Houston, claiming the lives of more than 30 residents.

The other fundamental issue is that none of these power plants, green or thermal, were winterized. For decades, the powers-at-be balked at these upgraded measures as too costly and irrelevant. I mean, when does it ever snow in Texas, right?

The Right blamed green energy while the Left came after fossil fuels. But beyond the political hackery seeking ideological scapegoats... two core reasons emerged for Texas’ frozen nightmare...

Photo: Wildcatter Cactus Schroeder beams by an oil rig as the sun shines down on Texas before the frost swept in and tragedy claimed his home state.
WHEN THE LONE STAR WENT DARK

As usual, the short-term profit margin took precedence over the long-term welfare of the people. And as Texas scrambled to meet surging demands, the state was mere seconds away from catastrophic months-long blackouts.

This storm may seem like an anomaly, but there was a comparable winter blast that hit Texas almost 10 years to the day – and in all that time, no one acted on winterization efforts.

But if there’s one universality for the American condition, it’s that we never seem to think the worst will happen. Whether it’s a wild, wintry storm, a stock market crash, or a novel coronavirus, our collective memories are shorter than a tweet, and our attention spans are negligible.

But as Texas thaws out, let’s try not to forget... its residents are still recovering, and some are now getting hit with electricity bills of more than $10,000. We’ll take a closer post-mortem look at what transpired, who’s to blame, and how we can prevent the next inevitable crisis in the energy sector.

And who better to dig at the truth of the matter than Texas’ sacred son, Cactus Schroeder: Wildcatter. Investor. Oilman.

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In the wake of this calamity, there’s plenty of frostbitten fingers to point at: the state’s power companies, the Electric Reliability Council of Texas which manages the grid, the Public Utility Commission, and finally, the “leadership” from the governor’s office.

In the wake of this calamity, there’s plenty of frostbitten fingers to point at: the state’s power companies, the Electric Reliability Council of Texas (“ERCOT”) which manages the grid (they should rethink that ‘R’), the Public Utility Commission (“PUC”), and finally, the “leadership” from the governor’s office.

I can fathom few names more Texan than Cactus. (Sarsaparilla, perhaps.) And just like his namesake, Cactus is a no-fuss, resilient force of nature that’s most likely unkillable. He’ll still be here when the bomb drops and the dust settles — some sepia-hued, hazy, dime-store fever dream of the West, except he’s real.

He sounds just like you’d think, with a dripping twang that invites you in to kick off your boots and stay awhile. When I ask him if it’s fair to call him an oilman, Cactus tells me that’s what he’s claimed his whole life – and that it’s been quite a ride. He’s been in the oil game for longer than I’ve been alive, getting in during the boom of the early 1980s.

And if there isn’t oil coursing through his veins, it’s still somewhere in his DNA. Cactus’
father was in the Air Force for 10 years, but when the last base shut down in Abilene, he got into the oil-service industry. When he was younger, his dad told him, “You can do anything you want, but you’re not getting into oil.”

So Cactus took him at his word, initially.

He kicked off college with an accounting major, but if you speak to Cactus for only a second, there’s one thing you’ll know in your bones: he’s no accountant. So he pivoted to education with a concentration in earth science – he had a knack for it. And in 1981, he got his second degree in geology. But his academic pedigree only surface-scratched his potential, whetting his professional appetite for what lay beneath his feet.

And at that time, the oil business boomed.

Oil had shot from around $2 a barrel in 1972 to nearly $30 a barrel in 1979, spurred on by OPEC and the Arab-Israeli war. And Texas was an epicenter for the industry. So young Cactus, armed with hard-earned knowledge, denying his father’s word but embracing his old man’s history, seized the petroleum opportunity by its slippery horns.

And at that time, the oil business boomed.

In the last six months, three global corporations moved out of California and now call Texas home: Hewlett Packard, Oracle, and Tesla. And there’s no telling how many auxiliary companies will swoop in next, with most settling into Austin.

Cactus tells me, “You can’t keep paying taxes like that and try to keep your business with its head above water. Maybe Silicon Valley can but, hell, even HP is saying goodbye to California.”

Cactus broke down how he thinks of his home state, claiming a unifier would be its thriving industries – lumber in East Texas, oil in West and South Texas. And he mentions the industriousness of the Hispanics along the border, in San Antonio and El Paso.

Texas is the second-largest state in the union, and Cactus is proud of its diversity from one end to the other. Though he still insists that if you look at it as a whole, it leans conservatively on the political spectrum (even though it has a history of Blue Dog Democrats).

But Cactus could see that changing. There are four million more people in Texas now versus 10 years ago – a lot from California and from over the border. And it’s not just Californians coming to Texas. The aforementioned tech
companies have left the Golden State to set up shop in Austin. And they won’t be the last.

Cactus said just in the last six months, residential real estate has tripled. And another pitch: in Texas, your kids can actually go to in-person school. But he doesn’t think the population influx is solely COVID-driven. There are other economic incentives, e.g., there’s no income tax in Texas.

**UNRELIABLE POWER SOURCES**

When I asked Cactus who bears the bulk of the blame after this frosted calamity, he laid out the broken pieces for me...

“Well, here’s the power structure. You have the governor on top. And he appoints three of the chairpersons on the PUC. The head PUC chairwoman – DeAnn Walker – already resigned. I’m relatively sure that the other chair will follow suit. And those three people on the PUC were making over $200,000 a year. Gov. Abbott makes $153,000 a year. It seems like there’s a little problem there.

“The PUC is over ERCOT. And ERCOT, at that time, had 15 board members – with five of those board members from out of state. Now, how the hell do you get an appointment for five out-of-state board members for the Texas ERCOT?”

Something’s rotten in Austin... Cactus tells me these five ERCOT members are already gone and balks at the salary of ERCOT’s CEO, Bill Magnus, who makes nearly a million dollars a year.

“When the ERCOT CEO is getting paid $876,000, then you better be informed.

“And not only that. Twenty of the other executives or board members were paid between $200,000 and $548,000 a year. Once again, Abbott makes less money than
most of them, but it’s still going to fall on him. So this whole thing is going to be redone. That deck is going to be reshuffled.”

It became clear Cactus not only has a nose for oil... He also senses bullshit.

“And the other thing – I started looking at the resumés of all these people. Out of the three at PUC and 15 on ERCOT’s board, how many electrical engineers do you think they had?”

I guessed zero. The correct answer? Two.

“Now, the next most critical background would be petroleum engineering and petroleum geologist — zero of those. Out of all those members, only two had technical knowledge.”

This lack of relevant expertise at ERCOT agitates Cactus’ sensibilities. He purports that if you fill a science-driven board with attorneys, accountants, and PR comms, then inevitably, it’s going to court disaster. And he ultimately frames the failures from on high, not as some sexy Chinatown corruption or Watergate-esque scandal, but as a mess of grossly overpaid, incompetent bureaucrats who never thought this would happen.

**EVERGREEN?**

When it comes to fossil fuel versus renewable energy vis-à-vis this crisis, you’d expect a grizzled Texas oilman to scoff at the latter – to chew up AOC’s proposed Green New Deal and spit it out. But he’s more amenable than that.

“You know, when the storm hit, wind went from supplying 42% of the electricity to less than 8%. Solar went from 4% to nothing. Suddenly, gas and coal and nuclear had to put everything on its shoulders and get after it. Gas had a little bit of a problem because its plants shut down. But coal and nuclear,
they cut through like jam. They never shut anything down.”

Cactus doesn’t seem to be anti-green energy, but rather more of the mind that the tech just isn’t ready.

“I don’t know what it’s going to be going forward, but we found that we cannot depend solely on green energy. With Biden in as president, they’re going to push a lot of wind and solar. We have to ensure that the gas, coal, and nuclear can produce electricity to the entire state if and when solar gets shut down.

“Cactus likes to say he’s a “results guy.” But he’s also the kind of guy that wants the most sensible thing. Green energy doesn’t hack it yet for him – but he’s still a man who waxes admirably about Argentinian taxis running on natural gas. Imagine.

“But, you know, I’m also old-school. So I may sound like an old, decrepit idiot. That’s just the way I see it.”

Next, he mentions something positively new-school.

“So I always thought that those natural gases we had... people would convert their vehicles into running on that. Buenos Aires and Argentina, every taxi runs on natural gas. Even here in Texas, we had a Democratic governor – Ann Richards back in the early ’90s – she converted all of the buses in Austin to run on natural gas. She saved them a fortune. And I always thought that that would catch on... “

Cactus likes to say he’s a “results guy.” But he’s also the kind of guy that wants the most sensible thing. Green energy doesn’t hack it yet for him – but he’s still a man who waxes admirably about Argentinian taxis running on natural gas. Imagine.

WHEN THE MERCURY BREAKS

When asked about the need to winterize Texas’ power plants, Cactus agrees it’s urgent, but he’s unsure how many plants will need winterization efforts. If this process commences, he’s confident they’ll start with those closest to metropolitan areas: Houston, Dallas, San Antonio, and El Paso.

Regarding the timeline for winterizing Texas’ plants, Cactus doubts they’ll finish by next year. But he acknowledges the need and sees where his home state failed – at least four million people’s homes went dark, about 15% of all Texans. But when it comes to paying for
winterization, he immediately has an answer: Texas’ “rainy-day fund.”

Or in this case, a snowy day.

He’s referring to his state’s Economic Stabilization Fund (“ESF”), and Texas has the nation’s largest ESF at $10 billion (indeed, everything is bigger there). Cactus details that a boom oil year means more capital funneled into the ESF and that the state government could dip into those funds to prep power plants for the next winter.

When I asked him about Texas ever joining the national power grid, I already knew his answer.

“We are very proud of that, we’re very used to it, and we’ve got an ego. We want to keep our power, our grid. We screwed up this time. I don’t think we’ll screw up again. Things will change.”

When I inquire about Cruz’s disappearing act, he just quips, “I would never take my kids to no Mexico.”

Taken in full, he finds less fault in Texas’ energy infrastructure and more in the human element of those behind the curtain politically. Egregious mistakes made and dozens of lives lost.

“Abbott and PUC should’ve been right on top of this as well as ERCOT. And they did a terrible job. And I think Abbott put it in what he thought were capable hands, and they weren’t. I think somebody like Abbott who steps up there and says, ‘Hey. You know, I’m at the top. This is my fault. The buck stops here.’ That would work. But when you start trying to duck and dodge like Cuomo, it makes it worse.”

And he’s right, on two counts. No one wants to be Governor Cuomo right now, and America will generally forgive politicians or corporate entities if they own up to their disastrous mishandlings.

**PETROL PAST AND A HAZY FUTURE**

What will Texas look like in 2050? How many winter storms will pulverize the expansive plains from the Panhandle to Brownsville? Will the PUC and ERCOT even exist then? How much will green energy fuel the state that could easily be Red, Blue, or Purple in coming decades? What happens when there are just a few drops of oil left?

But when it comes to his industry or state’s future, Cactus isn’t worried (at all).

“Oil will be here for the next couple of generations. I mean, you’re not just talking about transportation. There are so many things oil makes other than fuel. Paint, chemicals, medicine, plastics, fertilizer – I mean, you go down the list – dozens of products people use every day. So fuel usage, will it go down? Yes. But not drastically.

“Houston is still the oil capital of the world. When people come in from the North Sea, the Middle East, or Jakarta – they get into Houston. They go into the city that has the whole package and learn an awful lot. And I think the Saudis indirectly own some of Texas’ refineries.”

I asked him to pitch me Texas. He laughs, asking if I want him to brag.

“It just has such a diverse feel, no matter what
kind of industry. MD Anderson is one of the top hospitals globally in cancer and treatment research – we’ve got some of the best military bases here in Texas. And now, next to California, we have the most vineyards of any other state.”

Just what Gavin Newsom wants to hear.

Texas’ reputation just took some double buckshot of rock salt to the face with this latest crisis. But a Blackout Texas is still more appealing than some parts of the country right now – a year into COVID, and there’s this irrepressible urge for Americans to find somewhere, anywhere that smacks of freedom. Oil won’t last forever, but Texas (or the idea of it) just might.

The full extent of ERCOT’s and the PUC’s fumbling will reveal themselves in the coming months. Governor Abbott should publicly take responsibility. Texas power plants need winterization, and there’s a $10 billion piggy bank to help actualize that initiative.

The next winter storm, just like the next stock market crash, is inevitable.

As for Texas having its separate power grid, Cactus and I will have to disagree. But hell, that’s Texas for you.

Cactus shared a final thought about the Big Freeze that I hadn’t considered – nor had I read anything about, either.

“We used to have some of the best speckled trout and red fishing in the bays along the Texas Coast. And I understand with the storm that there was a massive fish kill. And so, it’s going to be fascinating to see how the wildlife got affected. Just around Abilene, I’ve seen a lot of birds that froze to death. I think the deer population has done OK with it. They were able to find food and to keep from freezing to death. But there still has to be a lot of looking-into the wildlife situation – to see how much it was damaged.”

There’s something almost poetic about the great Texan wildcatter Cactus Schroeder, wistfully wondering about all those dead, frozen birds scattered among his home soil.
Homeschooling day 359: The kids had butter for breakfast.

March 2021: Pretty much the same as March 2020, but we now have toilet paper.

Just spent 45 minutes on the treadmill. Tomorrow my goal is to turn it on.

Apparently, it’s only appropriate to say "Look at you! You got so big!" to children. Adults tend to get offended.

Employee of the Year: Your Liver

America: 2020 was the best worst show of all time. But this second season's predictable AF.

Dear Humanity, you've been a lovely host, xoxo. COVID.

This year was bittersweet: I got to binge-watch Willy Wonka while being just as bedridden as Charlie's grandparents.

Every morning, my phone tells me that something else is unprecedented. At this point, it's all definitely preceded.
CLEAN-UP IN AISLE USA
As another winter storm barreled toward my New England town last month, I rushed to my local grocery store to load up on last-minute essentials.

There’s something about the threat of a storm that always has me stocking up. And I’m not the only one... It seemed my entire town had made its pilgrimage to our big-box grocery chain that day, with everyone’s carts loaded to the brim.

As I searched for an open checkout lane, I was struck by something...

There was no one even working at the checkout counters. No cashiers, no baggers – almost every single line was a self-checkout.

This labor-less reality is relatively new. Granted, I don’t always shop at this particular store, but I’d been there a month or two earlier and at that time, there were only a handful of self-checkout lines.

That day, there were only a handful of fully staffed checkout lanes.

What happened?

The threat of a higher minimum wage happened... And, if the Democrats get their way, automation at everything from grocery stores to McDonald’s will be the future sooner than you think.

I scanned my items, bagged my groceries, and off I went just as the snow flurries began coming down.

If the Democrats get their way, automation at everything from grocery stores to McDonald’s will be the future sooner than you think.
HIKING THE MINIMUM WAGE MEANS LOST JOBS

Driving home, I couldn’t stop thinking about it... This was a store that had cut down significantly on staff levels in just a matter of months.

This is our future...

The Left has been demanding an increase in minimum wage. If our federal government passes an increase in this country’s minimum wage, this transition to technology will continue at an even faster clip. Hey, it’s a good deal for the grocery companies – but what about the people who need those jobs?

Instead of having the usual 25 to 30-plus workers at the various checkout lanes, this store had about 10.

Why pay workers $15 an hour when customers can scan their groceries themselves?

The non-partisan Congressional Budget Office predicts that 1.4 million jobs will be lost by 2025 if we raise the minimum wage to $15 dollar an hour.

And those workers will have none other than those so-called “champions of the working class” socialists like Bernie Sanders and Alexandria Ocasio-Cortez (AOC) to thank for the job losses.

‘PAY PEOPLE ENOUGH TO LIVE’

The minimum-wage hike is not happening... yet.

The passage of a higher minimum wage looks to be dead on arrival, thanks to the Senate Parliamentarian Elizabeth MacDonough’s announcement that a minimum-wage increase didn’t fall within the budget conciliation rules, a pronouncement met with fury.

Rep. Ilhan Omar is demanding MacDonough be fired or ignored... while AOC insists it’s shameful that we’re even having this discussion.

“It is utterly embarrassing that ‘pay people enough to live’ is a stance that’s even up for debate,” wrote AOC on Twitter earlier this month. “Override the parliamentarian and raise the wage.”

The Biden administration, to its credit, has indicated it is not willing to override MacDonough, a non-partisan player who is simply trying to enforce the existing legislative rules.

But AOC argues that McDonald’s workers in Denmark are paid $22 an hour and receive six weeks of paid vacation a year. Thus, “$15 per hour,” she tweets, “is a deep compromise – a big one, considering the phase in.” (She’s referring to the intention to phase in the wage increase over time.)
But here’s the thing... We’re not the perfect little country of Denmark, flush with oil reserves and an entire population roughly 30% less than that of New York City’s.

We’re the United States of America. We’re a massive country, with a diverse, hardworking, brilliant, and entrepreneurial population – and we need opportunities for upward mobility and yes, low-paying jobs are part of that.

The federal minimum wage first came to be in 1938 under the Fair Labor Standards Act, the federal government’s initial instance creating a baseline for workers’ pay. And nearly a century ago, America’s minimum wage was only 25 cents an hour.

Yes, imagine working for quarters.

The minimum wage has increased 22 times since then, climbing to today’s $7.25 rate. And though raising the minimum wage would undoubtedly help some Americans, it’s crucial to note that its potential effects vary by geography and relative living standards.

Just like so much of our pandemic response has revealed the apparent tensions between state and federal policies, this minimum-wage argument is no different.

States like California and New York already have a minimum wage floating around $15, whereas Alabama and Kentucky’s state minimum wage matches the current federal rate. More than doubling the minimum for these latter two states would create shockwaves for their small businesses since the cost of living there is already low.

We must consider this with respect to individual states’ economic realities before sweeping federal legislation upends small business owners’ lives in states that happen to have lower costs of living.

ENTERING THE WORKFORCE

I got my first official job when I was 12. That summer, I worked 40 hours a week as a swimming and sailing instructor at a local community center up in Maine... 7 a.m. to 4 p.m., Monday through Friday.

In fact, many minimum-wage jobs are where young folks get into the workforce for the first time.

I made $25 a week. Heck, that wasn’t even minimum wage – even then!

In retrospect, I’m not even sure how the organization managed that unless I was considered some kind of volunteer (probably).

Anyway, the point is... I was so proud to have that job and earn that $25 check every Friday. I remember how I’d pick up my check at work, stash it in my pocket, and ride my bike all the way into town so I could deposit the money in my passbook savings account every week.

That job taught me some basics... including the reality of just having a job, which entailed being there on time before my shift started early in the morning, working with others, and having responsibilities. All of those facets are crucial for a young person to learn.
In fact, many minimum-wage jobs are where young folks get into the workforce for the first time.

According to the government’s Bureau of Labor statistics, the majority of minimum-wage workers tend to be young. Though workers under the age of 25 represented only about one-fifth of hourly paid workers in 2017 (the most recent data available), they made up roughly half of those American workers earning minimum wage or less.

A recent piece in the Wall Street Journal articulated this issue perfectly. Betsy LeRoy, the owner of a local pizza shop called “Pizza by Elizabeths” in the Wilmington, Delaware area wrote that she is a big Biden fan and a friend and supporter of his. Over the years, he’s been a frequent and supportive customer at her restaurant, coming to her establishment two to three times a week.

But there’s no way, she writes, that her restaurant, or any other for that matter, can survive if they move the minimum wage for her servers and bartenders from $2.23 per hour in Delaware to the $15 proposed by Democrats. It’s more than a 400% increase, she writes, “which would be a death knell for our industry.”

“Even in good times,” she continues, “our profit margins were low. Today our profits are nonexistent, as is our ability to increase prices... Were the tipped wage to rise more than 400%, our restaurant would have two options: We will either close, or we could adopt a ‘service charge’ that would leave our tipped workers with less take-home pay.”

That’s because, LeRoy says tipped workers in her state typically earn $20 to $30 an hour, more than the $15 minimum they’d be left with under the government’s proposal.

Now, $7.25 is not enough to live on... AOC is correct on that. However, many are not really living on that wage. Many people earning $7.25 are young people living at home. Meanwhile, bartenders and wait staff earning $2.13 an hour are not depending on that income for their wage, instead subsisting on tips.

Requiring a $15 minimum will likely result in fewer young people getting that vital first-time job opportunity, and could cause numerous restaurants and bars, which are already struggling as a result of the pandemic, to shut their doors.

Now, capitalism is not perfect... But the reality is, capitalism has lifted more people out of poverty than any other system in the world. That’s because capitalism recognizes and respects the power of the individual and his or her ability to do what’s best for them. We do not need a Nanny State telling us how much we are allowed to earn, how much we should pay our workers... We should decide...
through a negotiation between capital and labor what we’re willing to work for.

In other words, a capitalist system assumes that the people themselves have the power, not the state. And shouldn’t we want to keep it that way?

AN OUT-OF-WHACK CAPITAL-LABOR EQUATION

Like AOC, I want workers to earn more, too. And I want businesses to earn more. And I want American citizens to enjoy a tremendous quality of life. I want our entire economy to thrive in ways that will continue to propel our nation forward for many generations. But we need to be smart about how we get there.

There is an imbalance in the capital-labor equation. Sanders and AOC and others are not wrong when they cite this issue.

It’s terrible that the most productive economy on Earth has so many people still living in poverty. And it’s not right that you can no longer get a decent paying job to take care of your family in this country. It used to be that you could graduate from trade school or high school (or not even graduate) and land a good job at the local factory where you made a decent enough wage to provide for your family and eventually retire. Nowadays, it’s pretty hard to do that.

But the increasing imbalance between wage earners and the companies that employ them has little to do with minimum-wage issues and everything to do with globalist economic policy that has encouraged the offshoring of jobs that we’ve seen over the last two decades.

In 1994, President Bill Clinton signed us up for the North American Free Trade Agreement (“NAFTA”). The treaty was aimed at encouraging trade in the Western Hemisphere and some economists credit the deal with growing the U.S. economy by as much as half a percentage point in the ensuing years. Whatever we may or may not have gained, the deal came at a cost to the auto-manufacturing sector...

The increasing imbalance between wage earners and the companies that employ them has little to do with minimum-wage issues and everything to do with globalist economic policy that has encouraged the offshoring of jobs that we’ve seen over the last two decades.

NAFTA had a negative effect on auto-manufacturing jobs. Hundreds of thousands of American auto workers saw their jobs moved off-shore to Mexico. According to the Center for Economic Research and the Economic Policy Institute, more than 600,000 jobs that were lost in the ensuing years were a result of job displacement to Mexico. It wasn’t until the repeal of NAFTA that a lot of those jobs came back to U.S. workers.

But NAFTA was just the tip of the iceberg. The biggest hit to American workers and American wages came as a result of our trade deals with China.
Thanks to negotiations by Clinton, on December 11, 2001, China entered the World Trade Organization (“WTO”). Clinton promised that it would mean great things for American workers, consumers, and investors...

In actuality, entry into the WTO meant great things for China. In 2001, China’s economy was smaller than that of France. Now, 20 years later, China is the world’s second-largest economy and a major trading power.

We need government policy that encourages our companies to be successful while simultaneously advocating for the labor source we have here at home.

Americans’ consumption of cheap goods exported by China (that came thanks to membership in the WTO) resulted in massive growth for China while adversely impacting jobs and wages in the U.S. MIT economists David Autor, David Dorn, and Gordon Hanson wrote in a poignant 2017 study that cited 986,000 manufacturing jobs in the U.S., or 20% of total job losses in the manufacturing sector between 1999 and 2011 came as a result of the increased competition from China. “The advance of China,” they wrote, “has toppled much of the received empirical wisdom about the impact of trade on labor markets.

Other studies point to the eight-year period between 2001 and 2009 to illustrate that during that time the U.S. lost 42,400 factories. Think about that: 42,400 factories closed down. These closures resulted in a 32% loss of all manufacturing jobs during that eight-year time frame. Manufacturing jobs dropped to 11.7 million people in the sector... For the first time since 1941, the U.S. employed less than 12 million people in manufacturing.

As jobs dwindled, the U.S. trade deficit with China grew significantly. According to the Economic Policy Institute, between 2001 and 2007, computer and electronic-part imports accounted for almost half of the $178 billion increase in the U.S. trade deficit with China – resulting in a loss of 2.3 million jobs.

The current trajectory suggests that the Chinese economy will dominate the world by 2028.

Meanwhile, what does that mean for American jobs? One of the reasons the labor-capital relationship is out of whack is because our labor is exploited overseas. If companies that are always seeking better profitability realize they can outsource their labor, then why wouldn’t they? Where does that ultimately leave America? Not everyone should need a PhD in engineering to provide for themselves and their family.

We need government policy that encourages our companies to be successful while simultaneously advocating for the labor source we have here at home.

THE EFFECT OF CHEAP, UNDOCUMENTED LABOR

In addition to trade and outsourcing issues, the Biden administration would be wise to get back to its roots on the issue of immigration. In recent years, Democrats
have highly politicized immigration... But it didn’t use to be this way. Bill Clinton, Barack Obama, and Sen. Hillary Clinton were all outspoken against illegal immigration. Dianne Feinstein complained in 1993 about the costs associated with undocumented people in the U.S. saying that,

In Mexico, there is no welfare, there is no AFDC, there is no SSI, there is no Medicaid, there is no Social Security, there is no Medicare, and there is a 58 cents an hour minimum wage... The day when America could be the welfare system for Mexico is gone. We simply can’t afford it.

Nonetheless, in recent years, perhaps in an effort to restack the political deck and make Red states like Texas turn Blue, there is a desire to bring as many people as possible to the U.S. regardless of whether they align with our economic agenda... and regardless of whether they are accounted for in this country.

To be clear – I’m actually pro-immigration... How could I not be? We are a country built of immigrants... But our government needs to be thoughtful about how it approaches this issue. Because at present, we have such a sloppy, fractured system, and this broken approach enables too many people to fly under-the-radar in a shadow economy where wages are far less than those that are being paid to American workers. And that’s not fair to anyone.

I believe it creates a depressing effect on wages. I realize many politically motivated economists dispute this nonetheless, if a restaurant in a border state can hire an undocumented worker for less than minimum wage, then – how could that not result in sinking wages among unskilled American workers?

WHAT NEEDS TO HAPPEN...

The real answer to economic challenges in America isn't government interference in the relationship between employees and employers... But unfortunately, the minimum-wage hike argument exists in a highly politicized environment.

According to a Hill/Harris poll from January, 64% of voters support raising the minimum wage, including roughly a third of Republicans. But it’s an incomplete “solution” that doesn’t address our fundamental problems of tech automation, outsourced jobs, illegal labor, and the looming shadow of the Chinese economy.

Instead, we need policies that will encourage America to grow. We need pro-growth efforts that will propel our economy, ultimately helping our people enjoy a greater quality of living.

But my current concern is that there are too many people in government that are highly self-interested and influenced by the lobbying efforts of those that want to outsource jobs for the sake of profitability.

These politicians are all looking out for themselves... It’s time for Americans to do the same. We need to find our way economically or risk losing our place in the world to China.
Thoughts on the First Anniversary of the COVID Lockdown...

THE PRICE OF FREEDOM

IT’S AN AMAZING BARGAIN!

By P.J. O’Rourke

The coronavirus pandemic made me feel young again – like an angry teen who’s been grounded for a year.

But now, after 12 months of confinement and boredom, the metaphorical parents are returning the metaphorical car keys. Vaccination is underway. We can start thinking about freedom again.

That’s what I’ve been doing, though not in the way I would have when I was a young person and my thoughts turned mostly to wine, women, and song (or in my case, beer, girls, and the Rolling Stones).

As an old person, what I’ve been doing instead is quantitative analysis of freedom – trying to take the measurements of liberty.

One important measurement of liberty is money... It’s hard to exercise most freedoms without it. (Just ask the teen, newly liberated with car keys but whose allowance is still being docked.)

But it would be wrong to simply say, “Being richer means you’re more free.” You’d have to be a very poor woman in America to want to trade places with a very rich woman in Saudi Arabia.

And while we know that wealth is generated by free enterprise, we also know that free enterprise can exist in places that lack freedom.
– like China. Indeed, free enterprise can exist in conditions that are repugnant to any idea of freedom – like the African slave trade.

Poverty negates freedom... Yet neither the wealth that brings some freedom nor the freedom to create that wealth are adequate measures of freedom itself.

So how do you measure freedom?

There’s an institution that has been struggling with this problem for 80 years. **Freedom House** is a bipartisan, non-profit, non-government organization devoted to promoting global freedom and democracy. Freedom House is so bipartisan that it was founded in 1941 by Eleanor Roosevelt and Wendell Willkie, the Republican who had run against her husband in the previous year’s presidential election.

Try to think of something that Jill Biden and Donald Trump agree on... That’s how amazingly agreed-upon Freedom House is about freedom.

Freedom House began issuing ratings of freedom in countries around the world during the 1950s. In 1978, the ratings were formalized in a highly detailed annual book-length report called *Freedom in the World*, covering every independent and semi-independent nation and territory on Earth.

A staff of more than 125 analysts and 40 advisors sets out to find the answer to 10 principle questions about each country’s political rights and 16 principle questions about its civil liberties. Each principle question entails as many as a dozen sub-queries. What the analysts are asking ranges in scope from the broad and general...

“Was the current head of government or other chief national authority elected through free and fair elections?”

To the personal and specific...

“Do individuals enjoy equal rights in divorce proceedings and child custody matters?”

I served on the Freedom House Board of Trustees in the 1990s, and I remain a diligent reader of *Freedom in the World*, but even I wouldn’t be surprised if somewhere in all those questions there’s a “Who is your nation’s favorite Beatle?” Anyway, the report is very thorough.

Try to think of something that Jill Biden and Donald Trump agree on... That’s how amazingly agreed-upon Freedom House is about freedom.

The analysts and advisors then quantify the information. I put a certain amount of trust in the quantification because I’ve met and talked to the quantifiers. They’re down-to-earth people even though – for this old liberal arts major – their math seems to be from Mars.

Each country is given a Political Rights score from 0 to 40 (for example, China’s is -2, and Australia’s is 40) and a Civil Liberties score from 0 to 60 (Syria’s is 4, Canada’s is 58). Then the numbers are added together for a total score from 0 to 100 (North Korea’s is 3, Norway’s is 100... game, set, match), and countries are given a rating of “Free,” “Partly Free,” or “Not Free.”
The process isn't perfect... but most processes aren't. Freedom House, explaining its methodology, admits that “an element of subjectivity is unavoidable in such an enterprise.”

Subjectively, the enterprise favors the small, tidy, homogeneous, socially conformist freedom of the Scandinavian type. Only Norway, Sweden, and Finland score 100. (Don't worry, the guy in the Viking hat seated in Mike Pence's chair during the invasion of the Capitol Building wasn't a real Viking.)

The enterprise does not favor the kind of rancorous, raucous “Hold my beer an' watch this!” freedom that America has.

The U.S., although rated “Free” – damn right! – receives a Freedom in the World total score of just 83. That's the same score as Romania.

I visited Romania back when I was on the Freedom House Board of Trustees. I interviewed the Minister of the Interior and asked him, “What is the most serious problem you face in Romania?” He thought for a minute and said, “Packs of wild dogs.” (And, let me tell you – getting back to my hotel from the Ministry of the Interior in Bucharest after dark – he wasn’t kidding.) Romania, indeed!

Like I said, the process isn't perfect. But Freedom House gives us some numbers to work with. And those numbers, while not necessarily exact, were arrived at using a consistent method.

Another imperfect process giving us inexact numbers is the International Monetary Fund's (“IMF”) calculations of per capita gross domestic product.

GDP itself can be hard to figure out, with governments being the fibbers that they are. And simply dividing a country’s GDP by the number of people who live there doesn't tell us how the swag is split.

For example, U.S. GDP is about $21 trillion. What if (and I think MSNBC would like you to believe this) Donald Trump and his wives, his children, and his in-laws had been taking $20,999,999,999,000 leaving only $1,000 to be divvied up by the rest of us? This would make us a poor country even though we have a rich-looking per capita GDP of $63,051.

But again, the IMF gives us some numbers to work with, arrived at using a consistent method.

Freedom House’s Freedom in the World total scores tell us – sort of – how free a country is. And the IMF’s per capita GDP figures tell us – sort of – how rich a country is.

But the numbers will do for comparison’s sake. And when we put the two sets of numbers together, they tell us – for sure – what the value of freedom is.

Compare two large, frozen, thinly populated nations with economies driven by resource extraction:

Canada – Freedom Score 98, p/c GDP $47,569
Russia – Freedom Score 20, p/c GDP $27,392
Compare two nations with the same people, language, and culture – two nations so much the same that one of those nations claims that both of those nations are the same nation:

Taiwan – Freedom Score 93, p/c GDP $54,620
China – Freedom Score 10, p/c GDP $17,206

Or these two, which are even more alike:

South Korea – Freedom Score 83, p/c GDP $44,292
North Korea – Freedom Score 3, p/c GDP $1,700 (and the IMF didn’t even try to pry that info out of Pyongyang, this is a 2017 CIA estimate)

Compare Israel and Egypt:

Israel – Freedom Score 76, p/c GDP $39,126
Egypt – Freedom Score 21, p/c GDP $12,719
(Moses probably parted the Red Sea with the income gap.)

Venezuela has some of the world’s largest oil reserves. Uruguay has... um... According to Wikipedia, Uruguay is among the world’s largest producers of “soybeans, greasy wool, horse meat, beeswax, and quinces.”

Uruguay – Freedom Score 98, p/c GDP $21,338
Venezuela – Freedom Score 16, p/c GDP $7,344

Saudi Arabia does a better job of putting its oil wealth to work. But compare Saudi Arabia with equally oil-wealthy Norway:

Norway – Freedom Score 100, p/c GDP $64,856
Saudi Arabia – Freedom Score 7, p/c GDP $46,273

Freedom makes us rich. Or, if we happen to be rich already, it makes us much richer.

There are statistical outliers, of course...

There are some tiny island nations with excellent Freedom Scores and “life’s a beach” economies:

Samoa – Freedom Score 81, p/c GDP $5,547
Federated States of Micronesia – Freedom Score 92, p/c GDP $3,447
Tuvalu – Freedom Score 93, p/c GDP $4,480

There are some little petro-chemical despotisms that are rolling in it:

Bahrain – Freedom Score 12, p/c GDP $49,057
United Arab Emirates – Freedom Score 17, p/c GDP $58,466
Qatar – Freedom Score 25, p/c GDP $91,897

Nonetheless, in most of the world...
Freedom = Wealth

And there’s the outright anomaly of Singapore with a sorry Freedom Score of 48, a rating of “Partly Free,” and a whooping per capita GDP of $95,603. But how can you be even “Partly Free” when you’re a speck on the map that has big, nasty neighbors and all you’ve got to defend yourself with is the canes you use on litterbugs?

Nonetheless, in most of the world...
Freedom = Wealth

For those of us who care about freedom (and everyone cares about his or her own), freedom is an end in itself. But it’s nice knowing that freedom provides us with not just the ends, but also the means.
If you’ve been an avid CNN watcher for the past four years, you might wake up in cold sweats at the thought of Vladimir Putin overthrowing the U.S. government at any minute.

It was all so absurd, wasn’t it? The corporate media’s magnification of the Kremlin as America’s greatest geopolitical foe was pure cynical politics. It was entirely justified, in journalists’ minds, to undermine Trump’s 2016 win, and to use this as a cudgel against him during his four years in office.

Unfortunately, in that regard, it worked shockingly well... a special counsel investigation and a White House under siege with endless allegations about being “Putin’s puppet.” The Russia collusion lie was a national media obsession for almost four years.

But as the Great Orange Menace of Trump has passed (at least for now), our media is waking up to some unpleasant realities of geopolitics. In the real world of superpower conflict, Russia is just a sideshow. For all the talk of Putin’s machinations, he runs a
country with a GDP under $2 trillion and about 140 million inhabitants who struggle to pay its bills when the price of oil drops.

It’s China that we will really have to worry about... And this has been true for decades. China is by far our biggest competitor economically and militarily. With a GDP of almost $15 trillion, and boasting more than 1 billion people, China is the only real challenge to U.S. hegemony. Geopolitics in the 21st century will be dominated by a struggle between the American eagle and the Chinese dragon. We can all see this coming.

It was really a one-way trade war, and Trump decided to fight fire with fire.

Then there’s the ongoing cyber war... The Chinese are among the most aggressive and sophisticated hackers on the planet. The Russians have had more success going after top-tier American targets of late, but whatever China lacks in quality, it more than makes up for in volume. There’s simply no way to accurately assess how much intellectual property and other sensitive or proprietary information has been taken from U.S. computers in recent decades.

In the long run, we may discover that this massive and ongoing theft at the hands of the CCP was a civilization shifting transfer of knowledge and wealth. This could manifest itself in advantages China has over the U.S. in quantum computing, 5G communications, and other essential technologies. It’s already starting to pull away from us in those areas.

China also has the advantage of clear purpose. While America in the first months of the Biden administration seems determined to tear down its own history and go on a cancellation spree of Dr. Seuss books, China is expanding its influence in many of our most powerful institutions. The proliferation of Confucius Institutes and other nodes of CCP influence on U.S. soil have been growing for years, but it’s the power that China wields over America’s entertainment industry that has gotten the attention of everyday people.

And it’s going to keep President Joe Biden’s hands full on the foreign-policy front. From what we have seen so far, Chinese Communist Party (“CCP”) Chief Xi Jinping is preparing to put on a clinic of realpolitik for this new White House.

Whatever one thinks of Trump’s foreign policy (no new wars was certainly great), he was fundamentally correct about China. The CCP was getting away with all kinds of illicit and unfair trade practices at the expense of American workers and businesses. Despite the conventional wisdom about the need for “free trade” with China, Trump was right when he said that wasn’t what was actually occurring.

When a remake of the movie *Top Gun* is forced to remove the Taiwan and Japan patches from the pilot Maverick’s jacket, even
Americans who generally could care less about foreign policy take notice. (Chinese censors demanded the edit.) When NBA superstar LeBron James weighs in on the Hong Kong protests – not to express solidarity with those standing up for their freedom against violent crackdowns, but with the CCP government that is oppressing them, it’s clear to everyone that China’s influence has grown to dangerous levels here at home.

Now, it’s all up to Biden and his foreign policy team to sit across the global chessboard from China and outplay our greatest rival since the Soviet Union. To be sure, Biden has some foreign-policy players who are highly esteemed around the think tank circuit. Their records of success on the global stage, however, aren’t as impressive as their ivy-tinged resumes.

Secretary of State Antony Blinken is a consensus-driven box checker who might as well have been created in a lab by the Brookings Institute. Former Secretary of State John Kerry, currently dubbed the “climate czar,” is an almost comically bombastic and out-of-touch plutocrat who now goes around hectoring the world about the “existential threat” of CO2. Nicholas Burns, a former senior State Department bureaucrat, is the expected next U.S. Ambassador to China. None of them seem up to the task of taking on an increasingly aggressive CCP.

And what about Joe Biden, the newly elevated commander in chief? Biden’s views on China seem to be a work in progress, which is troubling considering the man has worked in foreign policy for longer than I’ve been alive. On the most obvious points – China as a ruthless economic competitor, CCP’s horrid treatment of the Uighurs in the Xinjiang province – he largely aligns with the views of his predecessor. On trade policy, Biden is expected to relax some of the more aggressive tariffs Trump put into place, if for no reason other than a desire to reverse what Trump did. Other than that, Biden’s moves against Beijing are anybody’s guess.

The Communist leadership in Beijing has to see Biden’s ascension as an opening. Trump was responsible for awaking America from its sleepwalking about the real costs of China’s predations. Biden, who has been famously wrong about every major foreign-policy decision of the last four decades, may well lull us back to sleep. Xi has many cards to play with his administration, and the pull to be anything-but-Trump on policy will be strong enough on its own.

With the start of the coronavirus in Wuhan and its ensuing spread resulting in a global pandemic, China likely changed the outcome of a U.S. election in 2020... and world history. As Biden settles into his new role as leader of the free world, he would be well advised to prepare for the possibility that China could be the wellspring of another crisis that tests his administration in ways he can barely begin to imagine now.
Kim Iskyan an Executive Editor for American Consequences. Kim is one of the most experienced and well-traveled financial writers in the world today. From covering Iran’s emerging stock market... to landing in Ukraine in the middle of a war... to booking a flight to Thailand as soon as martial law was declared – Kim has been there and helped investors figure out the risks and the opportunities in these “blown out” markets.

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