

THE GLOOM, BOOM & DOOM REPORT

Morality is a Precondition for a Functioning Capitalistic System

“The worship of the state is the worship of force. There is no more dangerous menace to civilization than a government of incompetent, corrupt, or vile men.”

Ludwig von Mises

“I say thank God for government waste. If government is doing bad things, it’s only the waste that prevents the harm from being greater.”

Milton Friedman

“Education spending will be most effective if it relies on parental choice & private initiative — the building blocks of success throughout our society.”

Milton Friedman

“There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

Milton Friedman

“‘Emergencies’ have always been the pretext on which the safeguards of individual liberty have been eroded.”

Friedrich August von Hayek

“It is one of the saddest spectacles of our time to see a great democratic movement support a policy which must lead to the destruction of democracy and which meanwhile can benefit only a minority of the masses who support it. Yet it is this support from the Left of the tendencies toward monopoly which make them so irresistible and the prospects of the future so dark.”

Friedrich August von Hayek

“Inflation makes the extension of socialism possible by providing the financial chaos in which it flourishes. The fact is that socialism and inflation are cause and effect; they feed on each other!”

Henry Hazlitt

“What our generation has forgotten is that the system of private property is the most important guarantee of freedom, not only for those who own property, but scarcely less for those who do not. It is only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals can decide what to do with ourselves.”

Friedrich August von Hayek

“The earning of money within the modern economic order is, so long as it is done legally, the result and the expression of virtue and proficiency in a calling; and this virtue and proficiency are, as it is now, not difficult to see.”

Max Weber, The Protestant Ethic and the Spirit of Capitalism, 1905

“The impulse to acquisition, pursuit of gain, of money, of the greatest possible amount of money, has in itself nothing to do with capitalism.

This impulse exists and has existed among waiters, physicians, coachmen, artists, prostitutes, dishonest officials, soldiers, nobles, crusaders, gamblers, and beggars. One may say that it has been common to all sorts and conditions of men at all times and in all countries of the earth, wherever the objective possibility of it is or has been given. It should be taught in the kindergarten of cultural history that this naïve idea of capitalism must be given up once and for all. Unlimited greed for gain is not in the least identical with

capitalism, and is still less its spirit. Capitalism may even be identical with the restraint, or at least a rational tempering, of this irrational impulse. But capitalism is identical with the pursuit of profit, and forever renewed profit, by means of continuous, rational, capitalistic enterprise. For it must be so: in a wholly capitalistic order of society, an individual capitalistic enterprise which did not take advantage of its opportunities for profit-making would be doomed to extinction.”

Max Weber, The Protestant Ethic and the Spirit of Capitalism, 1905

INTRODUCTION

Being curious, I recently asked a friend who is a psychologist, social worker, educator, and a former but fully rehabilitated junkie, whether he thought that he and I were narcissists. There were two catalysts for my question: I had met a woman who turned out to have strong narcissistic traits that I hadn't spotted right away; and Mr. Trump is considered by many observers to be a narcissist.

My friend sent me his thoughts on the subject, including an excellent YouTube video by Dr. Ramani called *Understanding a Narcissist* (<https://youtu.be/J4yraZiJ9D8?si=2bJ3VkVyrbeuwdx>). (You can find hundreds of videos on YouTube about narcissistic behaviour.) I was also reassured by my friend's comment:

I think if you even ask yourself whether you're a narcissist, you're probably not one. Narcissists don't reflect like that. They don't question themselves. They just keep going, blaming others ... [Just like politicians – *ed. note.*] And yeah, of course, I've met my share of manipulative people – people who suck the energy out of you, who only think about themselves.

But I don't like throwing around labels too much. Life's more complicated than just saying "This person is a narcissist" if he or she is just a jerk. Narcissism kind of gets trivialised a lot these days.

I guess, in the end, the real question is not whether we have narcissistic tendencies – probably everyone does to some degree – but whether we're aware enough to keep them in check.

[Narcissists] are not necessarily evil, but they can be incredibly destructive. It all depends on how much empathy is left. Some are just self-absorbed and annoying; others are full-on manipulators who will burn everything down to protect their image. The worst – malignant narcissists – are pretty much indistinguishable from sociopaths. In my experience, you don't negotiate with them, you don't try to change them. You set boundaries, or you get played.

And if you and I are asking ourselves that question, I'd say we are already doing better than most.

I have to confess that I laughed out loud at his last comment.

A more serious question is whether Mr. Trump is a narcissist because, as one listener to Dr. Ramani's video remarked, "From my own experience, in one sentence: [narcissism is] always about power." This may be true, but it seems that it is not *only* about power but also many other things. Moreover, if power is Mr. Trump's dominant obsession, then he may be rather dangerous. As David Stockman wrote recently in his column (davidstockman@substack.com), under the title "The White House Is Not A Box of Chocolates" (see February 12, 2025), "... to paraphrase [Forrest Gump], '*Trumpian policy is like a box of chocolates. You never know what you're gonna get.*' He continued:

That is, there has been a decent outpouring of good stuff, large and small. We're referring to bull's eye hits like the Donald's ixnay on paper straws, the penny, the global climate hoax, DEI idiocy, green energy boondoggles, post-two gender biology and the rat-hole of waste at the USAID. Beyond that, turning the enormously gifted and committed Elon Musk loose on the Deep State bureaucracy is in itself a remarkable stroke for sanity on the banks of the Potomac.

But, unfortunately, we are also getting a lot of foul balls in the form of random attacks on the US trade accounts, the US labor force and America's already wobbly fiscal foundations. And that's to say nothing of utter stink bombs like annexing Greenland and Canada, standing up a Sovereign Wealth Fund, retaking the Panama Canal and occupying and rebuilding a Palestinian-free Gaza Strip.

Most of this list of "buts" is going to lead to big time trouble that is almost impossible to fully imagine. Particularly, the Donald's unhinged wars on imports and immigrants could actually turn an already weak, debt-entombed national economy into a veritable basket case.

Likewise, the United States is already way too big to govern effectively and via honest democratic politics. But throw in another half of the North American continent on top of a global trade war and sudden depletion of America's migrant labor force and you really have to shout: Stop with the high jinks already!

Sure, you can alternatively say – cool your jets. The Donald is just doing the art of the deal. That is, he's taking exaggerated positions – allegedly playing "crazy" like a fox – in order to get some more achievable fixes and deals done down the road.

We don't buy it. Not for a New York minute. The Donald is not remotely a strategic bargainer playing three-dimensional chess a dozen moves down the board. Actually, it's the very opposite – Trump's just a loud mouth attention-seeker who is likely to say almost anything that strikes his fancy or sounds clever to a real estate hondler who still knows virtually nothing about high policy.

In any event, what ails the American economy cannot be remediated by a frenzy of presidential deal-making. We do not need an all-powerful Cesarean [sic] ruling by an endless stream of ad hocery [reliance on temporary solutions, rather than on consistent, long-term plans – *ed. note*] whims and political theatrics emanating from the Oval Office. What's desperately needed, instead, is a return to sound monetary and fiscal policies and a drastic shrinkage of the state's footprint both at home and abroad ... [Emphasis added in each instance.]

I share all these concerns, but I'm particularly concerned about "a return to sound monetary and fiscal policies" because such policies would imply significant discomfort in the asset markets. In last month's report, I explained that money supply had turned positive again (see Figure 1).

Under normal conditions I would not be particularly concerned about this upturn. However, because money supply is still way above its historical growth trend, it is most unlikely that the price increases we have witnessed since 2018/2019 will be given back (see Figure 2). Furthermore, as Stansberry Research notes:

... in 1960 M2 was \$298 billion. The latest M2 reading at the end of last year was well over \$21 trillion. You do the math. That's what "inflation" really is. Not the rise in this or that category, whether it be oil prices, rental prices, or the S&P 500. The "beneficiary" assets shift in terms of which one gains most during a given decade or so. For the past fifteen years it's primarily been U.S. stocks. And everyone cheers when stocks get inflated – via ongoing monetary expansion. Even the Fed likes it when stocks go up. But the public and the Fed boo when the price of oil rises and affects gasoline prices, etc. Have some integrity and realize that it's a monetary issue, the source of which is government. Just be ready to move to the new category when it's time.

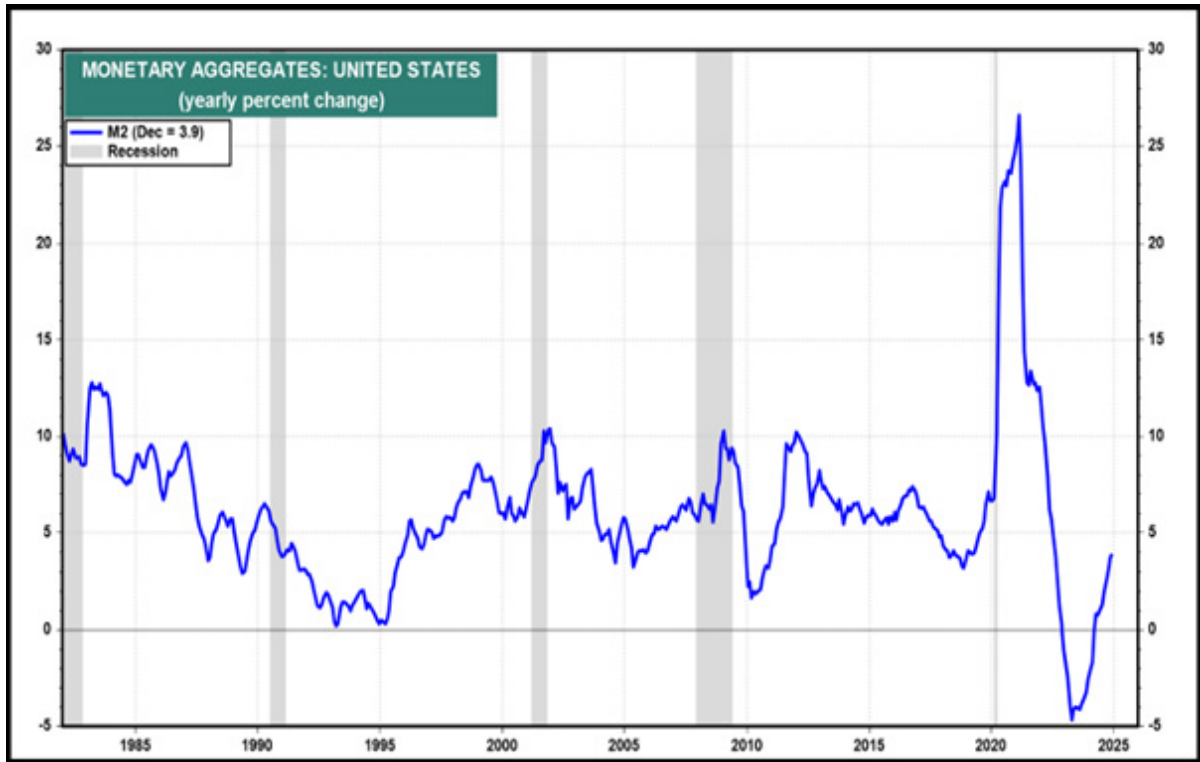
The current annual momentum situation of the Dollar vs. the other fiats is clear. Four pivotal lows intersect now at the zero line (which is also where the last momentum low occurred in 2024), giving us a clear up-trending structure going back two decades. The 3-yr. avg./zero line this year is 104.28. Dollar bulls should not even want to see it reached, and certainly not closed below on a monthly basis. The intermediate trend breakage noted ... could easily be potent enough to get the Dollar down to this critical, multi-decade level. It's the number to watch now [see Figure 3].

Steven Hochberg, editor at *Elliott Wave International*, stated recently:

Two sharp down days in the [U.S. Dollar Index] is compatible with the view that Intermediate wave (C) down is underway. In Wednesday's Update [February 12] we said that if "Minuette wave (ii) ended at 108.523, the index is on the verge of a steep decline." So far so good as prices are now tracing out Minuette wave (iii) of Minute wave iii (circle) down. **Eventually, the index will progress toward 100.157, the low on September 27. But the larger degree pattern indicates a decline into the mid-to-upper 90s before Intermediate wave (C) is complete. Based on the short term wave labels, the index should not be above 108.523 again, otherwise we will reexamine our analysis and conclusions [emphasis added].**

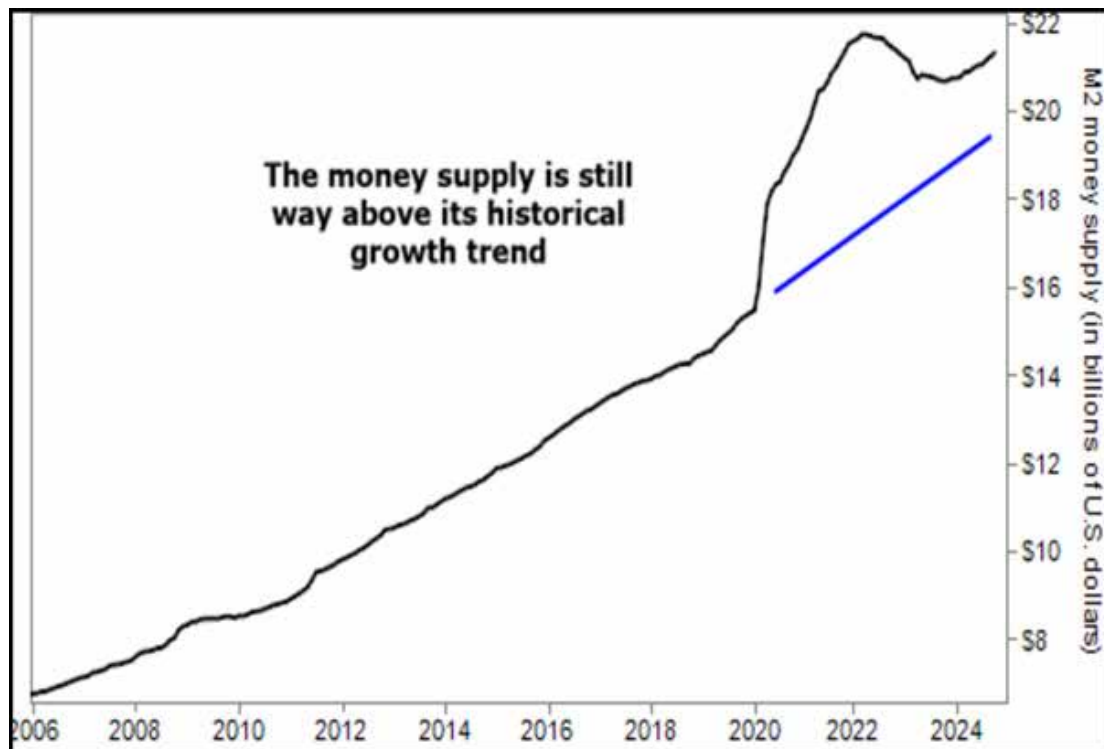
The first decade of my business life having been the 1970s, it's my experience that currency moves take the foreign exchange rate from one extreme to another, as can be seen from the movement of the Swiss Franc in the 1970s (see Figure 4). Therefore, I am far more negative about the US dollar than Hochberg is (see Figure 5).

Figure 1 M2 (Yearly Percent Change), 1982-2024



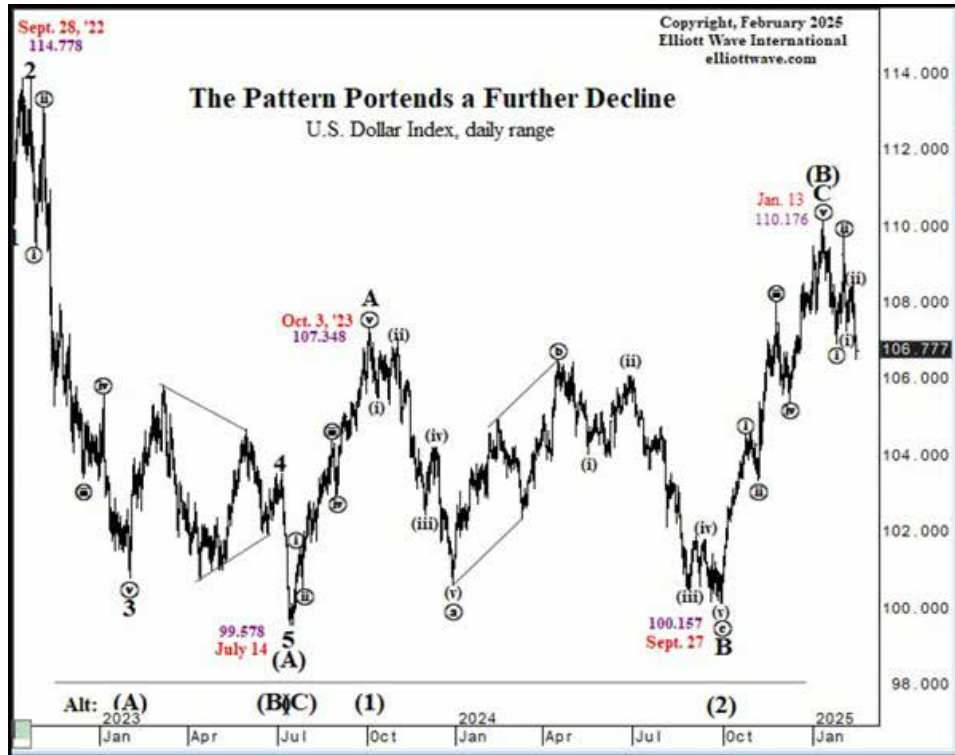
Source: Ed Yardeni, www.yardeni.com, Federal Reserve

Figure 2 US, M2 Money Supply, 2006-2A024



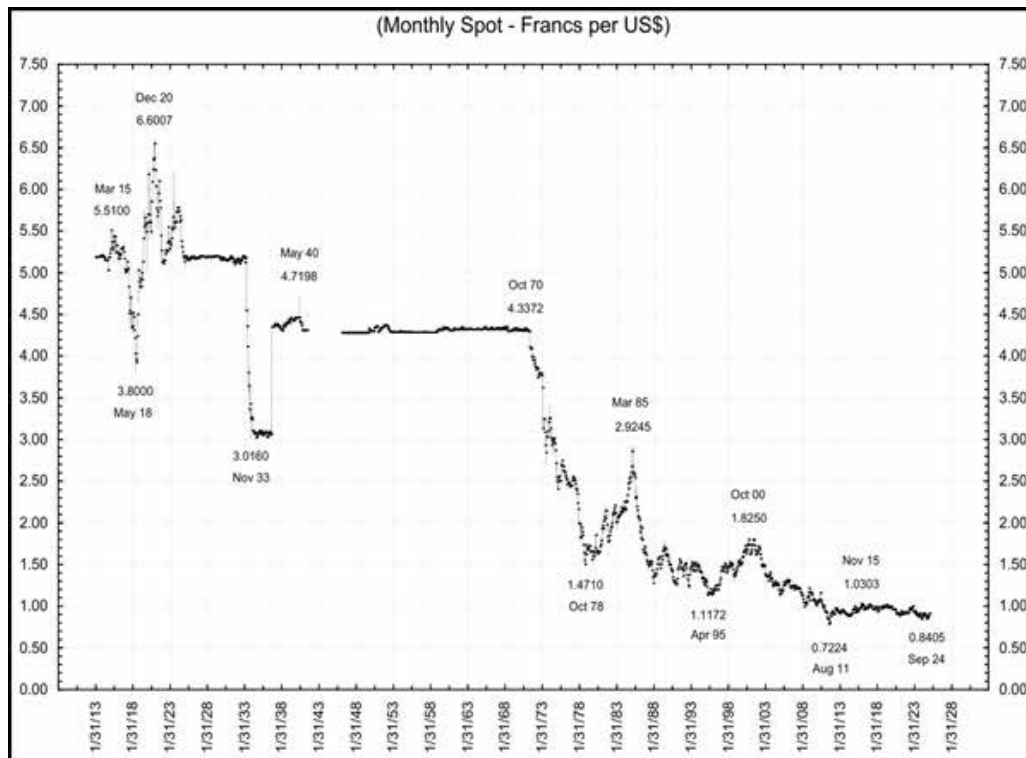
Source: www.stansberryresearch.com

Figure 3 US Dollar Index, September 2022 – February 2025



Source: Steven Hochberg, www.elliottwave.com, www.cqg.com

Figure 4 Swiss Franc per US Dollar, 1913 – September 2024



Source: Ron Griess, www.thechartstore.com

Figure 5 US Dollar Index, 2010–2025



Source: www.stockcharts.com

Note: Red dotted arrows denote target levels by *Elliott Wave International*; green arrow indicates my downside objective

My negative stance about the US dollar isn't based only on economic and financial factors but also on the composition of the Trump team, who are mostly wealthy asset holders. **And who of these affluent asset holders, including their delusional leader, would want to crash the stock market through tight monetary and fiscal policies?** Rather, we should expect even more monetary and fiscal largesse, which would support assets in nominal terms but crash them in real terms – notably against precious metals.

THE ROLE OF MORALITY IN CAPITALISM

Above, I touched briefly on the character traits of narcissists. In this regard, I was also interested to read an essay by Jonathan Wellum titled "A Call to Build Back Better". Wellum writes:

... masses of people can also be disconnected from reality by the *Conformity Bias*. [A loss of touch with reality is very common among narcissists – *ed. note.*] People look to their social group to tell them what is true. Independent critical thinking is discarded and people

adopt their worldview much like a sponge absorbs water in a bucket. Tyrants dream about populations that acquire their beliefs this way. The strategy is quite simple – **lie with impunity and dumb down the population**. There are no limits to the lies when the target audience is essentially removed from reality and a framework of truth. [See further below – *ed. note.*]

Before we consider Jonathan Wellum’s essay more closely, I would like to share an observation my friend Patrick McKim made about last month’s report inclusion by Fernando del Pino, “On the Common Good”, which resonated with many of our readers. Patrick McKim (pat@pmckim.com) commented:

Your piece reminded me of a friend and a man who greatly influenced my life. I met Vice Admiral Jim Stockdale when I worked on the Armed Services Committee for Senator Pete Wilson (R-CA). Later, I would meet with him when he was at Hoover and I was in technology in Silicon Valley. (It was before he began to fail from Alzheimer’s). I was fortunate to meet a few great Admirals, but Stockdale was the greatest teacher. He was a Medal of Honor awardee (he didn’t “win” it, but was awarded it) for his exemplary leadership in the Hanoi Hilton where he attempted to cut himself up (twice) to avoid spilling the beans on the dishonest premise for the Tonkin Gulf Resolution and for literally leading his fellow POW’s down the torture chute. His first lesson of leadership was “You are your brother’s keeper.”

One of the things he used to say was that we needed more people to gain a classical education and that the goal of a classical education was to reform civilization if necessary – which seems to be congruent with what you wrote. Everyone extrapolates that the good times will roll on. That is not always a valid assumption. I met Stockdale in my early 40’s. I spent my life until my 50’s “doing” as a man of action. Sure I thought a lot, but not what Stockdale thought about. He was a man of action until his Masters at Stanford. He recommended I read the Durants’ *Lessons of History*, their *Story of Civilization* and the *Story of Philosophy* for starters. *Lessons of History* has been a constant companion, but Stockdale’s study of Stoicism seems to have continued to bother me as it bothered him, as the country and world became increasingly corrupt. He said something in his book *A Vietnam Experience* that struck a chord:

Leadership must be based on goodwill. Goodwill does not mean posturing and, least of all, pandering to the mob. It means obvious and wholehearted commitment to helping followers. We are tired of leaders we fear, tired of leaders we love, and most tired of leaders who let us take liberties with them. What we need for leaders are men of the heart who are so helpful that they, in effect, do away with the need [for] their jobs ... [G]reat leaders gain authority by giving it away.

James B. Stockdale (1923–2005), *A Vietnam Experience*, p. 141

He talks not only of “goodwill” but of “high mindedness,” something I have experienced. Which is what a civilization should be founded with. Forrest McDonald’s

Novo Ordo Seclarem: The Intellectual Origins of the Constitution discussed Virtue in a way that Stockdale who related to the ancient Greek and Roman Stoics appreciated:

[The American Founding Fathers had a] preoccupation with the mortality of republics. (“Half our learning is their epitaph,” said Dawes.) The vital — that is life-giving — principle of republics was *public virtue* ... Public virtue entailed firmness, courage, endurance, industry, frugal living, strength, and above all, unremitting devotion to the weal of the public’s corporate self, the community of virtuous men. It was at once individualistic and communal: individual in that no member of the public could be dependent upon any other and still be reckoned a member of the public; communal in that every man gave himself totally to the good of the public as a whole. If public virtue declined, the republic declined, and if it declined too far, the republic died. Philosophical historians had worked out a regular life cycle, or more properly, a death cycle. Manhood gave way to effeminacy, republican liberty to licentiousness. Licentiousness, in turn, degenerated into anarchy, and anarchy inevitably led to tyranny.

Forrest McDonald, *Novo Ordo Seclarem Intellectual Origins of the Constitution*, pp. 70–71

Will you tell me how to prevent riches from becoming the effects of temperance and industry? Will you tell me how to prevent riches from producing luxury? Will you tell me how to prevent luxury from producing effeminacy, intoxication, extravagance, vice, and folly?

John Adams, letter to Thomas Jefferson (1815), in *The Founders and the Classics*, p. 54

Almost two centuries earlier Sir Francis Bacon’s observation, “**Luxury doth best discover vice, but adversity doth best discover virtue**”, provided similar observations that the Founders saw in the ancients. Our problems with luxury and narcissism are never very far off, particularly when so many crave externals.

There is a chapter in Stockdale’s *A Vietnam Experience* which came from a sermon Stockdale gave when he was President of the Naval War College. It sums man’s desire for freedom (from an old political prisoner’s point of view), and the founding of our country. Stockdale uses Dostoyevsky’s *The Brothers Karamazov*, where the Grand Inquisitor criticizes a silent Christ (his second coming) for not making people fall down before their Catholic leaders: “It is to mankind’s advantage to live all in one unanimous, harmonious antheap of universal unity.” Christ says nothing and the Inquisitor understands His desire to have his flock free. Stockdale finishes by going back to the Founders, stating: “And I am one who believes that the order in which our Founding Fathers chose to list those purposes (in the Constitution’s Preamble), that is, justice first, domestic tranquility second, defense third, and welfare (general) fourth, was intentional” to preserve their freedoms.

I enjoyed your piece. I think many people are thinking about this, and it was appropriate of Marc to think of putting your piece in [the GBD report]. Stockdale often used the same quote you did from *Invictus*:

**It matters not how strait the gate,
How charged with punishments the scroll,
I am the master of my fate:
I am the captain of my soul.**

Something very appropriate for a sailor, a Naval Officer, and certainly a stoic.

Best,
Pat McKim

To return now to Jonathan Wellum’s essay, “A Call to Build Back Better” ...

Some time ago, my friend Laura Stein sent me a link to a speech by Jonathan, a highly credentialed fund manager (B.Comm., B.Sc., MA, MBA, CFA). Although I don’t usually listen to speeches by fund managers, for some reason I decided to spend the time. Both the content of Jonathan’s speech and his delivery fascinated me, and I asked Laura to introduce us. When I asked him to contribute to this report anything he might wish to discuss, the result was the essay “A Call to Build Back Better”, which I really love because of its clarity, lack of ambiguity, and emphasis on morality and faith. (I also like that Jonathan came across in our correspondence as a polite and modest man of morals. His formal education concluded with a Master of Arts degree in Theology and Philosophy from Trinity Evangelical Divinity School, Chicago.)

Jonathan is also a successful businessman, a founder of Rocklinc Investment Partners Inc., an independent investment management firm focusing solely on creating portfolios of high-quality assets customised to its clients’ needs to protect and grow their wealth tax efficiently over time. Prior to founding Rocklinc in 2009, Jonathan began his investment career with Portland Investment Counsel (formerly AIC Investment Services) in 1990 and served as both the Chief Investment Officer and Chief Executive Officer. In 1995, Jonathan was named Fund Manager of the Year by *Investment Executive* magazine and in 1997 he was awarded Fund Manager of the Year at the Canadian Mutual Fund Awards Gala. In addition, he was a recipient of Canada’s “Top 40 under 40”.

A Call to Build Back Better

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Over the past few years, a lot of politicians have been trumpeting the idea of building back better. Unfortunately, most of their policies have little to do with improving the conditions of the populace and more to do with chaining the citizenry to the State. If we are serious about building back better, shouldn't any rebuild lead us in the direction of a more vibrant, free and prosperous country for all citizens, and not just a small horde of Davos elites? What is happening to our freedom of speech, property rights, economic opportunity, religious freedom and other civil liberties? Why do they all seem to be slipping away? Is this what our overlords mean by building back better?

A cursory look at the world today compels us to ask the question – are we actually building back better or are we spiraling out of control? The truth is, in most countries, we are heading towards tyranny. We are in a revolutionary period that is dramatically changing our civilization. Without an extraordinary 180-degree pivot on every major issue we will soon experience a social and economic collapse. Regrettably, few people seem to fathom the severity of the situation. Bryce Buchanan in a recent post¹ gave three reasons why the majority of people seem oblivious to the surrounding danger despite the palpable signs everywhere.

First, the *Normalcy Bias* is “a cognitive bias that occurs in times of crisis, leading us to disregard any signs or warnings that we are in danger. Normalcy bias is a defense mechanism that lulls us into thinking life will just continue as it always has. It is a reassuring presumption that things will get better, or, at least things will not take a dramatic change for the worse.”²

But steady progress is not the way the world works. History is littered with the stories of the rise and fall of civilizations. Tyranny, hardship, and vassalage are more often the norm, and it should not surprise us if we return to that way of life. The never-ending expansion of the State, the rejection of sound money, the attacks on Western history and the undermining of the Christian faith are all catapulting us towards despotism. One truth we never seem to grasp is that centrally managed economies always fail; there are no exceptions.

Second, masses of people can also be disconnected from reality by the *Conformity Bias*. People look to their social group to tell them what is true. Independent critical thinking is discarded and people adopt their worldview much like a sponge absorbs water in a bucket. Tyrants dream about populations that acquire their beliefs this way. The strategy is quite simple – lie with impunity and dumb down the population. There are no limits to the lies when the target audience is essentially removed from reality and a framework of truth.

¹ Buchanan, Bryce. “Why We Are Sleepwalking into Tyranny.” *American Thinker*, November 12, 2023.

² Nikolopoulou, Kassiani. “What is Normalcy Bias?” *Scribbr*, March 24, 2023.

In the book *1984*, George Orwell symbolized this by showing that model citizens readily accepted the government decree that $2+2=5$. Many of the lies today are equally absurd. They are direct contradictions of what we know to be true. How else can you convince a population that there are more than two genders and that a man can choose to be a woman and even give birth to a baby? How can our intellectual elites be so blind that they think the nuclear family, the foundation of our culture, is a danger to society? How can you increasingly convince humanity that it should become another “thing” in the “internet of things” and commit its own suicide?

Aleksandr Solzhenitsyn and Václav Havel, two brilliant opponents of tyranny, said that simply telling the truth was one of the most lethal weapons citizens must use against tyrants. Solzhenitsyn famously stated, “[T]he simple step of a courageous individual is not to take part in the lie. One word of truth outweighs the world.”

Third, populations can easily be distracted with trivial pleasures while the prison walls are being built all around them. Aldous Huxley, with great prescience said, “[T]here will be a dictatorship without tears ... producing a kind of painless concentration camp for entire societies, so that people will in fact have their liberties taken away from them, but will rather enjoy it, because they will be distracted from any desire to rebel by propaganda, brainwashing and the use of drugs...” A quick glance at the superfluous and often debased content of social media sites and a walk down the streets of our cities, littered with homelessness and drug addicts underscore the seriousness of the hour.

Do we really want to “build back better” or are we deluding ourselves? If we are serious about any lasting reset, we must begin by resetting our moral foundation. In the past, the moral foundation in the West was rooted in Christianity and the Holy Scriptures.

But all this changed with the rise of the Enlightenment that witnessed a worldview shift away from Christian theology in two significant areas. First, the Enlightenment rejected revelational epistemology for human rational autonomy. Humans were no longer viewed “from above” (from what God revealed about us in Scripture) but “from below” (from the standpoint of finite, fallen, human perspectives independent of Scripture). Second, there was a corresponding rejection of trinitarian theism. This was first replaced by deism and then evolutionary naturalism, both hollow substitutes which have greatly affected how we think about human origins, design, purpose, and significance.³

Today, Christianity no longer provides the consensus for our societal norms or for our law. The Christian consensus is all but gone and the freedoms that it brought to the world and in particular, the West, are being destroyed before our eyes. We are living at a time when decades of advancing evolutionary naturalism is coming to its logical conclusion in the areas of anthropology, morals, values, and law. All we are left with are relativistic values and competing views against Christianity e.g., secular humanism, Marxism, existentialism, nihilism, behaviorism and deconstructionism. But as Dr. Francis Schaeffer pointed out,

³ Wellum, Stephen. “The Need for Theological Anthropology.” *Christ Over All*, January 8, 2025.

“[I]f there are no absolutes by which to judge society, the society is absolute. Society is left with one man or an elite filling the vacuum left by the loss of the Christian consensus which originally gave us form and freedom.”⁴

It was the Christian Reformation that unleashed the unprecedented levels of freedom and prosperity in the West. When building upon the Bible as God’s infallible revelation, the West was provided with both a freedom in society, based on God’s laws and summarized in the Ten Commandments, and yet a form in which that freedom could be maximized and protected. In the Reformation countries, levels of freedom and prosperity were without historic precedent. We cannot understand our society unless we understand what has happened. As Aleksandr Solzhenitsyn famously stated it, “[M]en have forgotten God.” This is why we see the breakdown of morality everywhere in our society. The devaluation of human life is alarming and we see it in the secular sacraments of abortion, euthanasia, pornography and transhumanism. Today, the desire for a posthuman world where we become little gods connected to machines is being thrust upon us. But this folly and replay of Genesis chapter 3 will only lead to death – both physically and spiritually. It is a total materialistic delusion of crazed billionaires who are at war with their Sovereign Creator.

Don’t be deceived by the unhinged Yuval Noah Harari who tells us that the future of man is to become god (*Homo Deus*). Harari is an Israeli philosopher, atheist, transhumanist, homosexual, and senior advisor to the World Economic Forum. From his secular, evolutionary, and postmodern view, he argues that truth and morality are merely human social constructions. Since humans are simply evolved animals, all we need is some high-tech engineering and a few medical advances and we can make man a “god”. Who needs the Second Coming in order to overcome death when the engineers can take care of this technical problem? For Harari and his billionaire friends, we can remake man into a new humanity. All they need are billions of dollars and a State with unprecedented powers.⁵

But Harari and his collaborators err by not knowing who man really is and by not knowing the King eternal, immortal, invisible, the only wise God of Scripture. His view of man is woefully wrong and his view of God is blasphemous. “Why do the nations rage and the peoples plot in vain? He who sits in the heavens laughs; the Lord holds them in derision” (Psalm 2:1,4).

If we want a real reset – one that will put us on the path to increased freedom and prosperity – we must begin by humbling ourselves before God and His Word. Dr. Greg Bahnsen wrote: “Those who refuse to presuppose the epistemic Lordship of Christ, the truth of Scripture as the standard of knowledge, and the necessity of God’s light before they can see light, are led into futile thoughts and darkness.”⁶ Our current situation proves the truth of this statement. We are inundated by futility and darkness that is leading us into a state of tyranny and death because we have turned from the God of freedom and life.

⁴ Schaeffer, Francis A. *How Should We Then Live*. 1976, p. 147.

⁵ Wellum, Stephen. “The Need for Theological Anthropology.” *Christ Over All*, January 8, 2025.

⁶ Bahnsen, Greg. “Always Ready.” *Covenant Media Foundation*. 2004, p. 21.

We must begin by restoring our moral foundation and returning to a revelational epistemology. If by God's grace, we humbly bow before the Lord and His Word, there are at least six areas that must be reset if we are going to answer the call to truly build back better.

First, the family unit must be reset. The Biblical family is the most important and foundational institution for the progress of human culture and its flourishing. No culture, society or economy can withstand the destruction of the home. The assault on marriage, the sexual revolution and the attack on children are destroying our civilization because they are ultimately attacks on our Creator. Any attempt to build back better without the reestablishment of the biblical family as the creative norm will end in failure. It is in the home where the foundation for all education takes place, including the development of the virtues and ethics necessary for a free and democratic society. As King Solomon instructs us in Proverbs 22:6: "Train up a child in the way he should go; even when he is old he will not depart from it."

The triune God is the Creator of the family and it is in the Scriptures that He has given us the blueprint on how to organize and build families that honour and reflect Him. The family is a place where God's grace can rest and be seen in such beautiful ways, or, it can be a real battlefield filled with strife and disharmony. We all know too many situations where family life is ugly, violent and marked by abuse, drunkenness, drugs and sexual immorality. Too many families are dangerous places to be raised because Christ is not at the centre of the home.

The State along with many of our institutions in the West hate the Christian family and are doing everything they can to destroy the home. Why? Because a well-ordered home is the most powerful bulwark against expanding totalitarianism. A nation characterized by strong stable homes has little need or desire for an intrusive State. Strong families = small State. Weak families = large State. This reality is patently obvious when you visit our inner cities where family structure has all but collapsed. In the midst of this carnage the results are stark. Broken homes, most of them fatherless and bereft of leadership, living in poverty and under the cruel thumb of government handouts.

Second, we must reset all of our educational institutions. If the fear of the Lord is the beginning of wisdom (Proverbs 1:7), there are massive implications for our educational institutions. All knowledge must begin with the Creator, in whom are hid all the treasures of wisdom and knowledge (Colossians 2:3). How can we know what is true apart from the one who is Truth? In the West, our most prestigious universities were founded by devote Christians in the pursuit of truth and in obedience to the Holy Scriptures. Take a moment to look at the mottos of our older universities. Harvard University's motto is "*Veritas*" which is Latin for truth. How does Harvard University, whose motto is truth, end up with President Claudine Gay, who must resign in shame over multiple allegations of plagiarism and a rejection of truth? Yale University's motto is "*Lux et veritas*" which means "Light and Truth", and is a clear reference to Jesus Christ who is described in the pages of Scripture as both light and truth. One of the universities I attended, founded by entrepreneur William McMaster, has one of the best mottos for a university (taken from Colossians 1:17): "In Him [*Jesus Christ*] all things hold together."

What is education without a Creator who upholds and sustains the universe by the word of his power and has revealed himself in both natural and special revelation? A look at our educational institutions today reflects the devastating results of rejecting God. Rather than opening the minds of students to truth, our universities have closed the minds of students and left them drowning in a sea of confusion, futility, meaninglessness and evolutionary chance.⁷ One thing is sure, do not blindly trust much of the science coming from our universities. Science publisher Wiley recently reported that more than 11,000 “peer-reviewed” scientific papers were determined to be fake.⁸ In fact, one of the largest scam industries is now the \$30 billion-dollar academic journal industry! As the prophet Isaiah wrote more than 2,600 years ago, “So justice is turned away, and righteousness stands at a distance. For truth has stumbled in the public square, and honesty cannot enter” (Is. 59:14).

Third, we must reset our priority to protect private property and invest in the development of the earth’s resources. Rather than attacking the right to private property, we must affirm the right to the ownership of the earth’s resources in the hands of individuals. No economic system produces the level of wealth and efficiently and effectively manages the earth’s resources better than a free market economy. In fact, no other system comes close. To suggest that people would be happier not owning anything is sheer folly and another lie. To strip people of their God-given property rights, a policy being promoted by some of the richest people, while they buy up all the property, would lead to abject poverty and tyranny for the masses.

God has created a resourceful earth, separate from Himself, and placed mankind as His vice-regents on the earth to develop and harness the earth’s resources. In an age characterized by climate ideology and zero-sum welfare economics, it is essential that we begin with the truth concerning the abundant wealth and rich diversity of God’s created order. Any culture that begins with the ideology of artificial limits, deifying the creation and a zero-sum vision of economic life will always find it more rational to hinder development and take from those who actually produce in the guise of distributive justice. Instead of increasing production through innovation, capital accumulation and human creativity, the economy will stagnate and lead to a loss of wealth and decreasing standards of living. Don’t be fooled by the acronym ESG (Environmental, Social and Governance). On the surface it sounds so righteous but below the surface it is an agenda that has little to do with stewarding the environment and everything to do with expanding the State while at the same time crushing our standard of living under increasing energy costs and self-imposed deindustrialization.

Herbert Schlossberg adeptly points out that the question of distribution cannot be separated from the question of production, which itself is rooted in one’s view of the richness of creation and hence your view of the Creator.

⁷ Bloom, Allan. *The Closing of the American Mind*. Simon & Schuster, 1987, p. 25.

⁸ Subbaraman, Nidhi. “Flood of Fake Science Forces Multiple Journal Closures.” *Wall Street Journal*, May 14, 2024.

Redistribution changes production. People do not willingly produce goods they know will be seized for the benefit of others. The redistributors will find that there is less to distribute, for a redistributory economy is less than zero sum. It is negative sum ... the predictability of redistribution makes it sensible to reduce both investment and production in order to provide less for the tax collector. People consume more and hoard more, work less, save less, and invest less. Thus, redistribution is literally destructive of a nation's wealth, dismantling capital resources and providing disincentives to replace them.⁹

Fourth, we must reset the size of our government. Rather than expanding the State, we must substantially reduce the State. Over the past sixty years, Western countries have allowed the public sector, as a percentage of GDP, to increase from approximately 20% to over 45%! Without a dramatic reduction in the size of the State, it will be impossible to return to strong, free and prosperous economies. The State is the most inefficient, wasteful and unaccountable part of the economy. How can almost 50% of the resources be allocated to the State without crippling the private sector under the excessive burden of taxation and regulation?

Throughout the West, governments are passing legislation removing any semblance of democratic governance founded on basic and recognized principles such as: freedom of expression, assembly, and religion; mobility rights; property rights; a fair and responsible press; the rule of law; citizen participation; regular elections; and habeas corpus. Any reset to build back better requires a massive reduction in the size and influence of the State. Hobbes' Leviathan must be slain.¹⁰ Recent developments in Argentina with President Javier Milei and in the United States with the re-election of Donald Trump are important moves in the direction of dramatically right-sizing the State. Time will tell whether these countries will be able to lead the way in resetting the size of the State in the West.

Fifth, we must reset our means of exchange and return to sound money. The Bible teaches us that civilizations fall when they become morally corrupt. This corruption is expressed in fiat-based currency, a violating of God's law for honest weights and measures. Consider what happens when a government is unconstrained from the demands of sound money. If a government can print money at will, it will always out-of-thin-air, create money and force its citizens to honour this corruption of money through legal tender laws. This provides the politicians with the ability to spend more and more without directly taxing their citizens. The real tax ends up being inflation and a loss of purchasing power. It is not hard to see how a degenerating currency can lead to a degenerating culture and vice versa. As political pressure builds to print money to empower interest groups, the constitutional constraints on government power vaporizes.

⁹ Schlossberg, Herbert. *Idols for Destruction*. Nashville, TN: Thomas Nelson Publishers, 1983, pp. 282–283.

¹⁰ See Bill 63, currently in Parliament in Canada.

The western world has experienced the very degeneration of which Friedrich Hayek warned in *The Road to Serfdom*. Over time, as he foresaw, government welfare changes the moral character of the people. Society demands more free lunches, which require evermore fiat currency. The State crowds out the self-reliance of the citizen. What economists call “moral hazard” becomes endemic, whereby individuals are allowed to enjoy the benefits of irresponsible behaviour while pushing off the costs onto society at large. For example, any introduction of Universal Basic Income (UBI) would be absolutely crippling to our economy financially. But more than that, it is a rejection of our humanity. It scoffs at the truth that we are made in the image of God and that work is the meaning of life¹¹ and that God created each of us to cultivate his glory through work.

Today, the world is drowning in debt. We are facing a debt crisis of unprecedented proportions. The global debt-to-GDP statistics, which includes government, corporate and personal debt are appalling. In 1970, the ratio was 100%. In 2000, the ratio had jumped to 240% and today the ratio more than 320%. In the US, the federal government debt first topped \$1 trillion in October of 1981 and now sits at \$36 trillion. In the last year, the US has been adding \$1 trillion to their debt every 120 days. The federal government debt/GDP ratio in the US was 28% in 1981 is now more than 125% today. The annual compound rate of growth in government debt over the past 41 years in the US was 8.7% with the annual growth in GDP averaging 4.6%. You do not need a Ph.D. from Harvard or Yale to realize this trend is not sustainable.

In order to service this debt, central banks around the world have dramatically increased the money supply, otherwise known as cranking up the printing press. In the US, the Federal Reserve has grown its balance sheet from \$800 billion in 2008, prior to the financial crisis, to a peak of \$9 trillion during COVID. Today, the Federal Reserve’s balance sheet is approximately \$6.8 trillion. Other countries like Canada have not fared much better and are reeling under the death of sound money, dishonest governments, immoral economic policies (ie. Modern Monetary Theory) and a complicit population that no longer believes in hard work, personal accountability and production but rather in State-sanctioned redistribution.

Relative to gold, which is real money, the US dollar has lost 98.7% of its purchasing power over the last 53 years, when President Nixon “temporarily” removed the US dollar from the partial gold standard on August 15, 1971. At the time, gold was trading at \$35 an ounce and today it is trading around \$2,750 an ounce. This is why every investor needs to maintain a significant weighting in the precious metals to protect themselves from the ongoing debasement of our fiat currency.

We also need to be vigilant in our opposition to Central Bank Digital Currency (CBDC). It is encouraging to see several governments pushing back against the introduction of CBDCs, including the United States under the leadership of Donald Trump. While CBDCs don’t offer any unique benefits to the people, they do pose serious risks to financial privacy and economic freedom.

¹¹ Bahnsen, David. *FullTime*. Post Hill Press, 2024, p. 12.

Sixth, we must reset the idea of the importance of the Nation State. There are three reasons why this reset is important. First, multiple nation states provide healthy competition between countries. Second, comparative advantage is very important to the progress of the overall global economy. Countries can benefit from trading with each other by focusing on making the things they are best at making. Third, the loss of national sovereignty and the expansion of globalism and a global state will lead to the greatest level of tyranny and human suffering in the history of the world. The globalist dream is to dethrone God and replace him with some sort of technological wizardry. The horror of such a world is beyond comprehension and must be opposed.

To concentrate power into the hands of one government, or one group of globalists, would be devastating for the future of humanity. Jeremiah 17:9 says, “The heart is deceitful above all things, and desperately sick; who can understand it?” In Genesis 6:5 we read, “The LORD saw the wickedness of man was great in the earth, and that every intention of the thoughts of his heart was only evil continually.” It was this evil that eventually led to the formation of nation states with the confusing of languages at the Tower of Babel (Genesis 11).

Today, politicians and business leaders are bowing to the agendas of multinational corporations and transnational organizations, such as the United Nations, the World Health Organization, the International Monetary Fund and the World Economic Forum. The result is that power and control in the world is being concentrated in unaccountable organizations. God-ordained nation states must push back against this rising totalitarianism and not cede any of their sovereignty to these global entities, that are stuffed full of incompetent, power hungry and unelected bureaucrats.

In summary, there is no building back better without first resetting our moral authority. Our starting point must be the sovereign God who is the creator, sustainer and redeemer of all things. Psalm 24:1 states, “The earth is the Lord’s and the fullness thereof, the world and those who dwell therein.” Having reset our moral authority, we can begin to speak truth in an age of lies.

Building back better means that we must reset the family, reset our educational institutions, protect private property and human rights, downsize the State and return to sound money. Lastly, we must break down global institutions with too much power and reinvigorate the nation state and local authorities.

INVESTMENT OBSERVATIONS

The January GBD report concluded with the observation that while US equities were tracing out a major top, emerging markets and, in particular, China/Hong Kong were tracing out major lows. That report also referred to the December essay by Kevin Duffy (duffy@bearingasset.com, www.bearingasset.com) entitled “**Bull in the China Shop**”, which highlighted the undervaluation of Chinese high-tech stocks relative to the US. Since late last year, China/Hong Kong stocks have tended to meaningfully outperform US equities. The Hang Seng Index is up year-to-date by 14% and Alibaba is up from the January 13, 2024 low by 58% and has vastly outperformed the New York Fang Index (see Figure 6).

Figure 6 **Alibaba Group relative to the NYFANG+ Index, 2023–2025**



Source: www.stockcharts.com

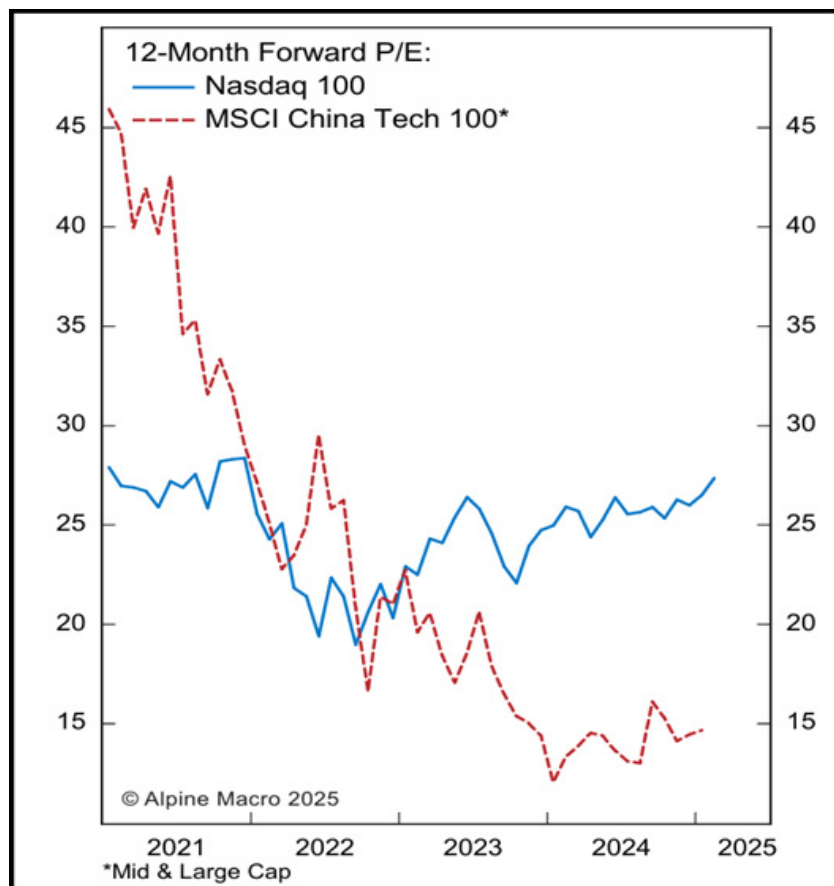
I remain rather positive about our exposure to Hong Kong/China because I see that fund managers around the world are gradually being forced by the upturn in stock prices to adopt a more constructive view. Furthermore, research houses such as Alpine Macro are clarifying some erroneous beliefs among Western investors about China. Yan Wang, the Chief Emerging Markets & China Strategist at Alpine Macro, just published an excellent report entitled **Chinese Tech Displacement: Silver Linings of the Growth Downturn** (February 18). He writes: “Beyond the specific technicalities of AI, the macro

investment theme is a common one. China’s manufacturing prowess, productive labor force, strong entrepreneurship and the government’s R&D support have created formidable competitiveness, causing massive disruptions for established global players in numerous industries. **The displacement began in low value-added products, such as textiles, base metals, and electronics. In more recent years, the impact has moved to higher value-added sectors, such as green energy, drones, batteries, and electric vehicles. DeepSeek and the emergence of other Chinese AI models are a continuation of this recurring theme.**”

Needless to say, the US and European publics, dumbed down by Western media, still believe that China is all about “the displacement”, which “began in low value-added products, such as textiles, base metals, and electronics”.

Earlier in the month, Chen Zhao, Chief Global Strategist at Alpine Macro, had produced a chart that clearly showed the low valuation of Chinese tech stocks (see Figure 7).

Figure 7 **China Tech Stocks, 2021–2025: Good Growth on the Cheap?**



Source: Chen Zhao, Chief Global Strategist, Alpine Macro, www.alpinemacro.com

Zhao concluded his report by stating: **“It is not too late to buy some Chinese tech stocks, at least for tactical reasons. Go long Chinese tech stocks (ETF: CQQQ).”** (See Figure 8.)

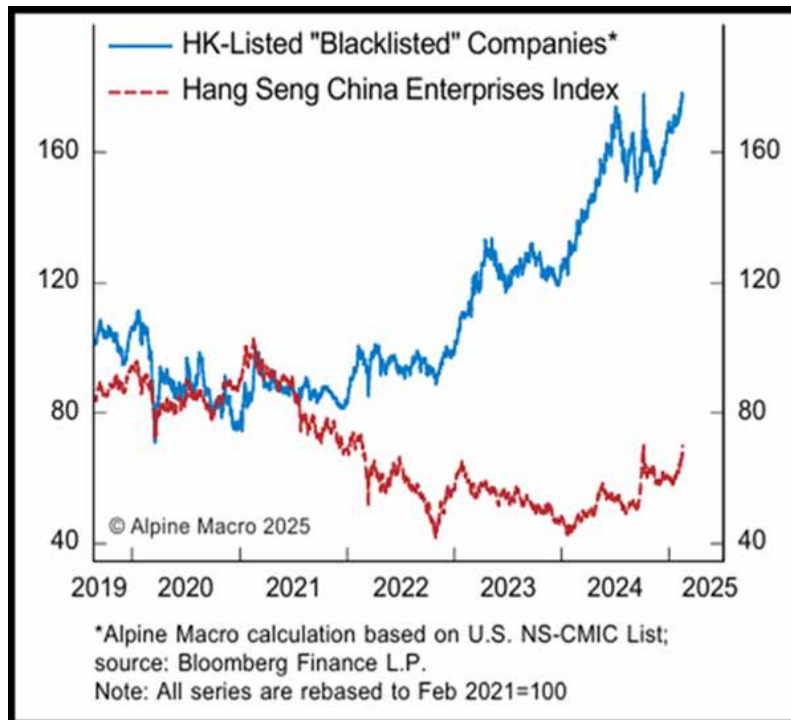
As an aside, Yan Wang also included in his report a chart that depicts the performance of sanctioned companies and which provides unquestionable proof of just how dumb the American State Department is (see Figure 9).

Figure 8 China Technology ETF (CQQQ), 2010–2025



Source: www.stockcharts.com

Figure 9 Performance of Hong Kong–Listed “Blacklisted” Companies, 2019–2025



Source: Yan Wang, Chief Emerging Markets & China Strategist, Alpine Macro, www.alpinemacro.com

As I have explained in earlier reports, I still like my exposure to Hong Kong/China, which includes (among other stocks) property companies such as **Hong Kong Land (HKL SP)**, **CK Hutchison Holdings (1 HK)**, **Sung Hung Kai Properties (16 HK)**, **Hysan (14 HK)**, **Sino Land (83 HK)**, **Great Eagle (41 HK)**, **Swire Properties (1972 HK)**, **CK Asset Holdings Limited (1113 HK)**, **Hang Lung Properties (101 HK)**, etc. I have added cautiously to my exposure to conglomerates such as **Jardine Matheson (JM SP)** and all other Jardine Group companies listed in Singapore, including **JCNC SP**, **DFI SP**, and **HKL SP**. I also mentioned in earlier reports my exposure to **CK Infrastructure Holdings (1038HK)**, **NWS Holdings (659 HK)**, **Swire Pacific (19 HK)**, and **Swire Pacific class B shares (87 HK)**. I continue to favour these conglomerates, due to their large discount-to-asset value.

It is encouraging that, in Hong Kong/China, financials have recently moved up, including **Hang Seng Bank (11 HK)** – see Figure 10) and **Bank of China (3988 HK)** – see Figure 11).

In Hong Kong, I have also added to my positions in **Hutchison Telecom (215 HK)** and **SmarTone (315 HK)**, both of which have a dividend yield of more than 7%.

The performance of banks has also improved in Thailand (see Figures 12 and 13). In this wonderful “failed state”, which is a favourite of tourists and retirees, the recent increase in the quotations of banks suggests that a stock market bottom should occur shortly.

Moving on to Europe, a chart that caught my attention shows that since January 2022, European banks have outperformed the Magnificent 7 (see Figure 14). I have been holding Italy’s **Intesa Sanpaolo (ISP IM)** and Spain’s **Banco Santander (SAN SM)** for years despite these banks being the favourite shorts of hedge funds (see Figures 15 and 16).

Figure 10 Hang Seng Bank (11 HK), 2020–2025



Source: www.investing.com

Figure 11 Bank of China (3988 HK), 2020–2025



Source: www.investing.com

Figure 12 Bangkok Bank (BBL TB), 2020–2025



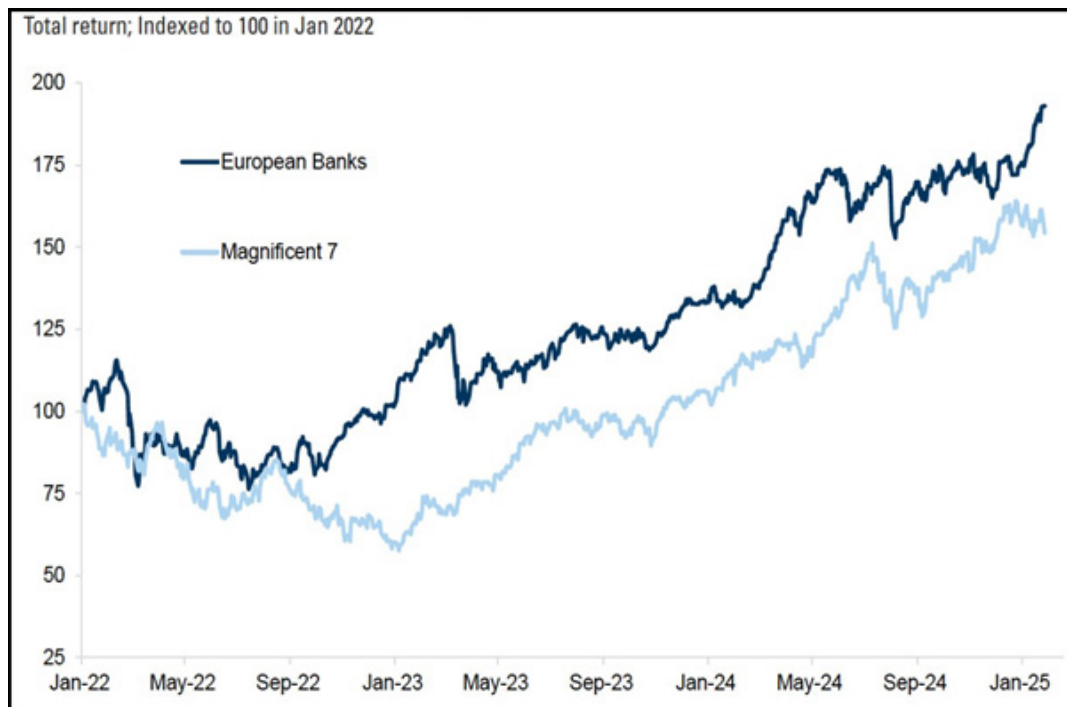
Source: www.investing.com

Figure 13 SCB X (SCB TB), 2020–2025 (Siam Commercial Bank)



Source: www.investing.com

Figure 14 Total Return of European Banks and of the Magnificent 7 in the United States, January 1, 2022 – January 2025



Source: Datastream, Goldman Sachs Global Investment Research

Figure 15 Intesa Sanpaolo S.p.A. (ISP IM), 2020–2025



Source: www.investing.com

Figure 16 Banco Santander S.A. (SAN SM), 2020–2025



Source: www.investing.com

I have mentioned the recent strong performance of European banks because it seems that this strengthening coincides with European stock markets having outperformed US stocks since December 2024 (see Figure 17). In Europe, I have added to my positions in **Sanofi (SAN FP)** and in **GSK PLC (GSK LN)**, which is also listed in the United States.

Over the past 18 months, I have frequently mentioned Latin American markets, where I hope that the Milei reforms will spread into countries like Brazil, Chile, and Colombia. I hold positions in either ADRs or bonds of **Bancolombia (CIB – see Figure 18)**, **Grupo Aval (AVAL – see Figure 19)**, **Ecopetrol (EC)**, **Bank of Chile (BCH)**, **Petrobras (PBR)**, **Braskem (BAK)**, **Itau Unibanco (ITUB)**, and **Banco Bradesco (BBD)**. Furthermore, I believe that agricultural commodities could move up in 2025, which would be favourable for large and efficient agricultural producing countries such as Colombia. (I am surprised that Mr. Trump doesn't want Colombia as the 52nd state of the US, since the two countries complement each other and the trade deficit would shrink overnight.)

As I have done for the last 30 years or so, I urge my readers to own some physical precious metals and some miners, which remain depressed relative to the price of gold. In my opinion, Mr. Trump will follow highly inflationary fiscal and monetary policies, which would further weaken the US dollar against precious metals.

My friend **Peter de Vries of Asia Frontier Investments Limited** recently visited me and highlighted the **Iraq Fund**, which is one of the funds that AFC manages in frontier markets. Below, my readers will find a brief report.

Figure 17 **Eurozone ETF (EZU) relative to NASDAQ 100 Index, July 2024 – February 18, 2025**



Source: www.stockcharts.com

Figure 18 Bancolombia ADRs (CIB), 2023–2025



Source: www.stockcharts.com

Figure 19 Grupo Aval ADRs (AVAL), 2020–2025



Source: www.stockcharts.com

Note: Please notice the lengthy bottom formation.

AFC's Iraq Investment Thesis in a Nutshell

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Iraq's economy, after decades of conflict, is undergoing a significant transformation and its equity market has begun to reflect this, with the Rabee Securities U.S. Dollar Equity Index (RSISX USD Index) up 97.2% and 44.8% in 2023 and 2024, respectively. In the same timeframe, the AFC Iraq Fund was up 110.4% and 43.5%. Its valuations continue to be low, despite this impressive performance, as corporate earnings growth has outpaced the market's rally. At the end of 2024, they were an estimated weighted harmonic average trailing 12 months P/E ratio (only companies with profit) of 6.6x, an estimated weighted harmonic average P/B ratio of 1.9x, and an estimated weighted average portfolio dividend yield of 3.5%.

Since its launch, the fund has focused on capturing the returns of the long-term drivers of the transformation of the Iraqi economy, and in 2023 and 2024, two of these began to bear fruit. The first was the significant fundamental developments that are accelerating the adoption of banking and bringing about a transformation of the sector and its role in the economy. The second was the cumulative positive effects of the relative stability that the country has enjoyed over the past few years, creating a stable and predictable macroeconomic framework for businesses and individuals to plan for capital investments on a scale last seen in the 1970s and early 1980s before the onset of the four decades of conflict. These were boosted by the liquidity injections into the non-oil economy by the expansionary three-year 2023-2025 budget, adding a significant boost to non-oil GDP. The combination provided the wherewithal for the leading companies in the country to deliver outstanding profit growth that has underpinned the market's powerful rally over the last two years.

The over-arching theme is that these drivers are in the early stages of their transformation of the Iraqi economy, a process that would unfold over the next few years, bringing with it high economic growth that would feed into higher corporate profits and, ultimately, higher stock market returns. We believe that the fund's holdings stand to capture these returns in the next few years in the same way that they did in 2023 and 2024.

Asia Frontier Capital has just released a short video discussing the Iraq investment thesis and the drivers of the transformation of the Iraqi economy, with images that highlight the ongoing transformation of the country. The link is available on AFC's YouTube Channel [here](#).

If you want to know more about the AFC Iraq Fund, you can reach out to iraq@asiafrontiercapital.com

THE GLOOM, BOOM & DOOM REPORT

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