President Trump and the Fall of Davos Man

By Charles Gave
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For decades, all around the world but especially in Europe, the notion of the sovereign nation has been under fierce attack. Leading the assault have been the international bureaucrats and a clique of economists in league with those I have dubbed the men of Davos, all of them resolute proponents of crony capitalism.

Until this year, the offensive worked for them like a dream. Unsurprisingly, it did not work so well for the mass of ordinary people, the poor "*idiotes.*" The problem, as Pope John Paul II pointed out nearly 40 years ago, is that "individual freedom" can be exercised only in a democracy operating in a sovereign state. And as a Pole, he certainly knew what he was talking about.

Over the last few years, I have observed with mounting alarm how the exponents of this new international order were not only trying to destroy that "willingness to live together" which as Ernest Renan argued constitutes the essence of a nation, but that they were also tampering with interest rates, exchange rates and international trade – the very cogs which allow capitalism to work.

So these men of Davos were not only intent on destroying our nations, they were also destroying our standard of living. Presumably this was because their attempts to destroy local sovereignty were not succeeding in creating faster growth. Apparently they reasoned that if destroying sovereignty does not work, then destroying the financial expression of that sovereignty – national currencies – would have more success. Inevitably under such stewardship, the world economy has gone from bad to worse.

The consequence is the "surprising" – at least to the men of Davos – election of Donald Trump as president of the United States, a result which has momentous implications not just for the US, but for the grand projects pursued by Davos man everywhere around the world.

"We the people" are in the process of taking back their sovereignties, and are serving notice to the technocrats that they are fired. First Brexit, now Trump, next Italy, probably to be followed in due course by the Netherlands and France.

The problem is that the recovery of these sovereignties will necessarily lead to the destruction of the false sovereign structures, let's call them the usurper sovereignties, put in place by the Davos men in their attempts to create a new world order.

Nowhere has this usurpation gone further than in euro-land. So, when an old and proud European nation such as Italy, France, the Netherlands or Germany decides to recover its sovereignty in order to manage its future democratically once again, it will inevitably mean the destruction of that financial Frankenstein's monster, the euro.

Trump's election victory is a clear indication that the majority of people are not interested in a world government, but want to return to a classical, local democracy. Strange as it may seem to the Davos men, most people tend to love their "patria", the land of their fathers.

In financial terms, this means that any currency which is not backed by a nation is a technocratic fiction, and has no value. In turn this implies that the historical price volatility of assets denominated in such a currency conveys no information about the risks run by the holders of debt in that currency.

The time has come to realize that in Europe owning a volatile portfolio of high quality shares which have nothing to do with the local governments is going to be far less risky than owning a diversified low volatility portfolio of euro-denominated sovereign bonds.

This applies even to Germany, because Germany holds close to €1trn in assets issued by countries that can repay at most just 50% of their debt. Germany has been engaging in a very unhealthy form of vendor financing, exchanging cars and machine tools for paper, and the bill is about to get torn up.

So if I were still a portfolio manager, and if I had to manage a Europe-only portfolio, I would hold a lot of cash, mostly in British pounds and the rest in Swedish krona, no euro-area bonds at all, and all my equity positions I would keep in the shares of companies operating in what I have previously called "the non-communist sectors" of the economy. By this I mean the free market sectors, rather than those heavily interwoven with government, because needless to say, the biggest value traps are going to in the shares of companies in the communist sectors.

To me personally, the news is getting better and better as the men of Davos suffer setback after setback. Already, the second Berlin wall, hastily raised by those who never accepted the logical conclusions of the fall of the first – including that technocracy does not work – is crumbling. With one more effort, we will be back in a world with market-determined prices. And then we will enjoy the bull market of a lifetime. I have never felt so optimistic.