

## Cyclical Forces

By John Mauldin | September 30, 2023



Intellectual Rocket Fuel  
Gears in the Machine  
Forces of Nature  
*Eavesdropping on Millionaires*  
New York and Changes

Intermission is over. Today we resume my series on the global cycle theories that, probably not by coincidence, all point to major change unfolding in the next few years. Finishing it may take some time since I keep finding new material.

(If you missed—or want to review—the previous installments, [check out this X thread](#) for brief summaries and links to the full letters.)

Before we start, let me (gently) push back on a criticism I keep hearing. Some readers say these cycle theories are just “curve fitting” attempts to impose predetermined conclusions on conveniently useful data. That is always a risk in any kind of analysis. Confirmation bias is a powerful force, and we all have to actively resist it.

Two points: First, the idea that human history has repeating patterns is just reality. We humans *are* a repeating pattern. We live our lives, usually reproducing more humans whose personalities we shape, and they go on to do the same thing, with slight differences. The same happens to groups of humans: families, villages, and nations. They evolve and change in a process that includes a lot of repetition. Maybe “cycle” isn’t the right word for this, perhaps it should be a pattern, but I think either describe the process.

For that matter, even without humans, nature itself has cycles: the sun, the moon, the seasons. Animals and insects have identifiable life cycles during which their population grows and shrinks. I think it's quite plausible, even likely, that similar processes help mold human civilization in ways that would be obvious if we were on the outside looking in.

Second, the cycle/patterns I am describing are all based on different observations but come to the same general conclusions in terms of the *fin de siècle*—the end of the cycle or period—for entirely different reasons. Yes, they are using the lens of history, and that history is the same for all of them, but they see a different set of reasons for the periodicity in these cycles.

If five different systems all come to the same (general direction) conclusion, then perhaps we should pay attention? I understand the future is unknown and lots of things can happen, but that is what every person, country, and culture said before they had their own crisis.

Even if you don't believe all that, these ideas should still be enlightening. They help you think about what could explain what we are going through. They can uncover ways to make the best of it. Keep an open mind; we all have much to learn.

A final thought: If you don't feel that US culture (and much of the world in different ways) is in turmoil, you are not paying attention.

I'm going to simply list some of the issues facing us. I am not taking a position here, simply noting that these are issues that seem to divide us. Howe, Friedman, Terchin, Dalio, and myself all feel that "this too shall pass." But not without a crisis.

We face tensions unlike I have ever seen, even during the Vietnam protest days. Then it was just the war. Now it is crime and not arresting thieves who simply raid stores. Somehow it is cruel to prosecute young thieves who clearly have permission to steal in some local areas (and that seems to be spreading) and not to care about the plight of the small business owners who watch their lives disappear.

Immigration. Education at all tiers. Race. When did gender become this fraught? Gods forbid we mention the dysfunctionality of politics at both the national and state and even local levels where both sides demonize the other as either uncaring, unthoughtful, recidivist troglodytes or extreme socialists bent on tearing down the culture of the country and dictating social mores.

Wealth and income inequality? Culture wars? Do we even mention the whole climate crisis debacle? (Whisper: Am I allowed to say the pharma community has not covered itself with glory in destroying the faith we had in "the science," which now has overtones of Big Brother? How did that happen?) The list just goes on and on.

I think most people across the political spectrum believe even more turmoil is coming. Add in the national debt and fiscal crisis. This all leads to what I think will be The Great Reset. But today, we'll look at another view of the cycles that make nations fail and then reform.

We will get through this period. I am hoping this series will help you decide on your personal path.

## Intellectual Rocket Fuel

Ray Dalio, founder of the giant and very successful Bridgewater Associates hedge fund, is a familiar name to many of my readers. I've cited his work from time to time. In 2019 we had [a little dialogue](#) when I pushed back on some of his work. We don't always agree on particulars, but I consider Ray one of the finance industry's greatest thinkers. And while I can (and likely will) nitpick, in general I think he is right in his diagnoses.

As a writer, Ray has possibly the highest information-to-word ratios I have ever seen. Seriously, you really have to read him one paragraph at a time, then go take a walk and think about it for an hour. You can skim through, of course, but you'll miss a lot. Everything Ray writes is high-octane intellectual rocket fuel.

At 576 pages, Ray's 2021 [\*Principles for Dealing with the Changing World Order: Why Nations Succeed and Fail\*](#) is a magnum opus. Just giving you a fair summary would take me 10 letters. I sincerely intend not to do that, and instead just point to a few of the most instructive highlights.

(Note: You can read some excerpts for free by [clicking here](#).)

You can tell a lot about an author by who endorses them. Here are a few familiar names from the book's Amazon page...

- Andrew Ross Sorkin
- Henry Kissinger
- Arianna Huffington
- Bill Gates
- Henry Paulson
- Larry Summers
- Mark Cuban
- Tim Geithner
- Tony Robbins
- Jamie Dimon
- Michael Bloomberg
- Adam Grant

- Tim Ferriss
- Reed Hastings

This diverse group doesn't agree on much, but they all got a lot of value from Ray's thinking. That should tell you something. Whatever you may already believe, reading Ray Dalio will challenge you on it. It certainly has done that for me.

## Gears in the Machine

Ray's theory of history follows what he calls the "Big Cycle." Keep in mind, Ray is a trader/investor. He got where he is by learning to recognize why asset prices rise and fall. Stocks, bonds, and so forth all respond to supply and demand factors. If you know those factors well enough, you can position your assets to profit from them. Ray spent his career doing it better than most.

Similarly, Ray thinks societies, economies, and entire nations also respond to identifiable factors. He uses the word "forces," which I find interesting for reasons I'll explain below. But in any case, Ray shows how history develops in response to five big forces, each of which has its own cyclicity. Sometimes they coincide, which is when big change happens.

I'll briefly describe these five forces today, then we'll dive deeper in future letters.

### 1. The Financial/Economic Force

This one should be familiar to experienced investors and economists. It's what we sometimes call the "business cycle" or "credit cycle." The desire to borrow money and the willingness to lend it both follow a pattern that produces economic booms and busts.

Most of the turbulent times have been because of money and credit collapses, wealth gaps, fights over wealth and power, as well as severe acts of nature which includes epidemics.

You know how this goes. The cycle begins when banks are flush with cash and looking to lend it. This causes low interest rates, which entice borrowers—households and businesses and governments—to go into debt. They buy things, invest in new production, pay for government programs. Private money sometimes uses debt to innovate and build stuff. All this activity makes money speed through the economy.

This expansion phase typically unfolds over several decades, during which most people seem happy, at least in economic terms. But because it's mostly a credit-driven illusion, it ends when credit dries up. We call that part "recession," which eventually ends and the cycle repeats.

A complicating element here is that outside forces—mainly central banks and governments—try to influence the process, often for non-productive reasons. They can either extend it, making the inevitable fall even worse, or end it too soon and prevent growth that would have benefited everyone.

## 2. The Domestic Order Force

The second force is about *order* within a nation or society. This isn't "order" in the sense of everything being neat and clean. It's more about everyone feeling comfortable and fairly treated. They may not be wealthy, but they see opportunities to raise their living standards. They trust their neighbors and feel a sense of shared identity.

**This "domestic order" begins to break down when people perceive gaps within their society. These can be about wealth, income, education, job opportunities, religion, morality, and more. The common thread is people begin adapting an "us vs. them" attitude. Factions develop and the sense of shared identity disappears. That's when populist movements arise.**

This force isn't an "on/off" switch. It has many intermediate levels. Large cultures are rarely in full cohesion for long. Fissures develop, people disagree, they argue and get angry. That's not all bad; challenging each other's ideas helps us learn and grow. It can even be good if the friction stays within boundaries everyone respects.

But more often, the boundaries slowly weaken and eventually break. That's what makes this a "cycle."

## 3. The International Order Force

Aside from events within nations, things happen *between* nations. It's an ongoing, incremental process, but occasionally there are major realignments. Two occurred in living memory.

In 1945, the end of World War II established the US and Soviet Union as the top powers. Then that era ended in 1991 when the Soviet regime collapsed, leaving the US as the only superpower for a time. Now China is challenging that structure. (My long-term view of China is one area that I would nitpick with Ray, but it is secondary in the overall scheme of things.)

These changes are nothing new, however. Ray documents how they happen cyclically, going back many centuries. And they aren't just about territory or military power. In modern times they are largely economic, defining international commerce and financial flows to the advantage of some and disadvantage of others.

All this occurs while the other financial/economic and domestic order forces create pressure inside the nations that in turn are in conflict with each other. Tension builds and, rarely but inevitably, explodes into something much worse.

## 4. The Nature Force

Nature has cycles completely apart from what humans are doing. Many happen so slowly we are only dimly aware of them. But nature also has staggering power to upend our lives and economies in sudden, often unpredictable ways. Earthquakes, volcanoes, and pandemics can come out of nowhere with very little warning.

Ray Dalio believes extreme weather events will be more common and more costly in the next decade due to climate change and the El Niño weather pattern. The resulting destruction will be, in effect, a kind of tax or inflation. It will impose costs without creating any new productivity. This can then interact with the other forces—unraveling domestic order as a society debates how to distribute those new costs, for instance.

## 5. The Technology Force

Technology can be a world-changing force. It certainly has been in the past. Gunpowder changed warfare, then navies allowed greater areas of conflict, then airplanes changed it again, and then nuclear weapons *really* changed it. These affect the international order force. Meanwhile other technologies affect the economic and domestic order forces.

The technology itself is only the beginning, though. The ways in which we apply technology tend to spark conflict.

To take another example from the news, Hollywood actors and automotive workers are both on strike partly because they think technology will affect their livelihoods. Some people support the strikes, others don't. Those arguments subtract from domestic order, they have economic effects, and they have international consequences. All these forces push against each other in myriad ways we don't always understand and often can't control.

You might think of Dalio's five forces as the gears inside a machine. Ideally, they all turn together in productive harmony. But sometimes they clash, and we can't just lift the hood and put them back together.

## Forces of Nature

In Dalio's view, the Big Cycle of human history is basically the result of interactions between those five big forces. Each has its own internal cycles, then they combine into broader cycles. Understand these interactions and you can begin anticipating where history will go.

I think it isn't coincidental that a top trader recognized all this. Ray is a genius at recognizing *market* forces. They have different characteristics, but the broad idea is similar. Identify the forces behind asset prices and you can better anticipate which way prices will go.

But there's another, deeper parallel. Science tells us that *reality itself*—the entire universe—is the result of four fundamental forces:

- Gravity
- The weak force
- Electromagnetism
- The strong force

I'm not a physicist so forgive me if I mangle this explanation. You can read a better one [here](#). But briefly...

*Gravity* holds everything together. Isaac Newton defined it as the attraction between two objects. Einstein later said gravity isn't really a "force," it's just what happens when space-time gets bent. Regardless, without gravity we and everything we know would spin apart.

*The weak force* is what makes subatomic particles decay and become different particles. It's not exactly "weak" as we normally use the word because this decay causes, among other things, nuclear fission. Our sun would not exist without the weak force.

*Electromagnetism* has two aspects: electricity and magnetism. It comes from the interaction between positively and negatively charged particles. Aside from powering the lights in your house and the device on which you are reading this, electromagnetism is what allows motion. You can walk because the particles in your shoe produce friction with the particles of your floor.

*The strong force* holds particles together and allows them to form new kinds of particles. It lets protons and neutrons combine in the combinations we call "elements."

Scientists don't fully understand how it all works, but interaction between these four forces seems to define everything. Some theories suggest they may all be aspects of a single "everything" force yet to be discovered.

I don't have the scientific vocabulary to say much more. My point here is that the most advanced human thinking on the deepest conceivable topics points to a limited number of forces defining the whole universe. If that is the case, then a similar process—like Ray Dalio's—might help us understand how human affairs develop.

And if we can understand how they develop, we have a better chance of understanding where they are going.

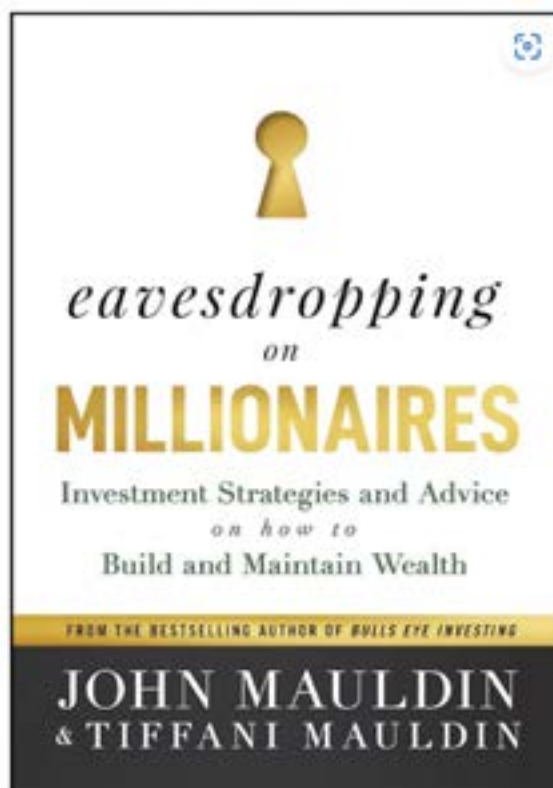
I'll leave it there for today. Next week we'll go deeper into Ray Dalio's book.

## Eavesdropping on Millionaires

My new book, [Eavesdropping on Millionaires](#), will be in stores in early November. (You can pre-order your copy now!)

In 2006–7, I did a very large survey to my readers getting their views on over 100 different topics. It was extraordinarily revealing. My daughter Tiffani and I began to do a series of interviews with almost 100 millionaires to get their stories. It was fascinating but 2008 was the wrong time to bring out a book on millionaires. Around 2015, we went back to those same millionaires and interviewed them to see how they did during the Great Recession. Again, time passed. Early this year, we again interviewed them to see how they made it through the COVID recession. (We transcribed each of these interviews, so we had good notes.)

The stories and data are fascinating. In this book we choose dozens of millionaires who have significantly different ways of becoming a millionaire (or more!). How often do you have the chance to sit down with a millionaire and ask, “How did you do it?” But that is exactly what we did and now you can read their stories. I am proud of the book. It is a quick read and will make a wonderful gift for friends and family (especially your kids beginning their journey).



Source: [\*Eavesdropping on Millionaires\*](#)

We hope you will find it as fascinating as we did.

## New York and Changes

I will be in New York for dinners and meetings starting October 15–18. I have a few open slots so reach out and maybe we can connect.

Reading Dalio is not “fun,” but it’s important. It is certainly giving me clarity on portfolio construction for what I feel will be The Great Reset. I’m going to have to adjust my own portfolio, but thankfully there’s time. I will be getting into what that looks like in later letters. Nothing radical like only buying gold and guns and moving to the hills, just the things that will help us get through a period of crisis.



I think about my kids in that regard. What can I do to help them? And the grandkids? I came across this picture from about 6 years ago at one of the Dallas SICs. Missing a few spouses and five grandkids but it does make me smile.



And with that I will hit the send button. Have a great week. I will turn 74 this next week without a great deal of fanfare. Next year will be a much bigger deal if plans go right. And don't forget to [follow me on X](#).

Your needing to find that fountain of youth soon analyst,

John Mauldin

[subscribers@mauldineconomics.com](mailto:subscribers@mauldineconomics.com)

<http://www.mauldineconomics.com/members>

© 2023 Mauldin Economics. All Rights Reserved.

Thoughts from the Frontline is a free weekly economic e-letter by best-selling author and renowned financial expert, John Mauldin. You can learn more and get your free subscription by visiting [www.MauldinEconomics.com](http://www.MauldinEconomics.com).

Any full reproduction of Thoughts from the Frontline is prohibited without express written permission. If you would like to quote brief portions only, please reference [www.MauldinEconomics.com](http://www.MauldinEconomics.com), keep all links within the portion being used fully active and intact, and include a link to [www.mauldineconomics.com/important-disclosures](http://www.mauldineconomics.com/important-disclosures). You can contact [affiliates@mauldineconomics.com](mailto:affiliates@mauldineconomics.com) for more information about our content use policy.

To subscribe to John Mauldin's Mauldin Economics e-letter, please click here: <http://www.mauldineconomics.com/subscribe>

To change your email address, please click here: <http://www.mauldineconomics.com/change-address>

Thoughts From the Frontline and MauldinEconomics.com is not an offering for any investment. It represents only the opinions of John Mauldin and those that he interviews. Any views expressed are provided for information purposes only and should not be construed in any way as an offer, an endorsement, or inducement to invest and is not in any way a testimony of, or associated with, Mauldin's other firms. John Mauldin is the co-founder of Mauldin Economics, LLC. He also is the President and investment advisory representative of Mauldin Solutions, LLC, which is an investment advisory firm registered with multiple states, President and registered Principle of Mauldin Securities, LLC, a FINRA and SIPC, registered broker-dealer. Mauldin Securities LLC is registered with the NFA/CFTC, as an Introducing Broker (IB) and Commodity Trading Advisor (CTA).

This message may contain information that is confidential or privileged and is intended only for the individual or entity named above and does not constitute an offer for or advice about any alternative investment product. Such advice can only be made when accompanied by a prospectus or similar offering document. Past performance is not indicative of future performance. Please make sure to review important disclosures at the end of each article. Mauldin companies may have a marketing relationship with products and services mentioned in this letter for a fee.

PAST RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS. THERE IS RISK OF LOSS AS WELL AS THE OPPORTUNITY FOR GAIN WHEN INVESTING IN MANAGED FUNDS. WHEN CONSIDERING ALTERNATIVE INVESTMENTS, INCLUDING HEDGE FUNDS, YOU SHOULD CONSIDER VARIOUS RISKS INCLUDING THE FACT THAT SOME PRODUCTS: OFTEN ENGAGE IN LEVERAGING AND OTHER SPECULATIVE INVESTMENT PRACTICES THAT MAY INCREASE THE RISK OF INVESTMENT LOSS, CAN BE ILLIQUID, ARE NOT REQUIRED TO PROVIDE PERIODIC PRICING OR VALUATION INFORMATION TO INVESTORS, MAY INVOLVE COMPLEX TAX STRUCTURES AND DELAYS IN DISTRIBUTING IMPORTANT TAX INFORMATION, ARE NOT SUBJECT TO THE SAME REGULATORY REQUIREMENTS AS MUTUAL FUNDS, OFTEN CHARGE HIGH FEES, AND IN MANY CASES THE UNDERLYING INVESTMENTS ARE NOT TRANSPARENT AND ARE KNOWN ONLY TO THE INVESTMENT MANAGER. Alternative investment performance can be volatile. An investor could lose all or a substantial amount of his or her investment. Often, alternative investment fund and account managers have total trading authority over their funds or accounts; the use of a single advisor applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. There is often no secondary market for an investor's interest in alternative investments, and none is expected to develop. You are advised to discuss with your financial advisers your investment options and whether any investment is suitable for your specific needs prior to making any investments.

All material presented herein is believed to be reliable but we cannot attest to its accuracy. Opinions expressed in these reports may change without prior notice. John Mauldin and/or the staffs may or may not have investments in any funds cited above as well as economic interest. John Mauldin can be reached at 800-829-7273.