



PRESERVING OUR ANIMAL SPIRITS

An **UNBREAKABLE** INVESTOR

SPECIAL REPORT

By Charles Payne

Preserving Our Animal Spirits

Election 2024 & The (potential) Death of America's Animal Spirits

A rising tide within the nation and beyond against America's success began during the Second Industrial Revolution as the nation was surpassing Great Britain as the world's preeminent economic power.

As farms were emptying and cities began overflowing, a new power struggle also emerged over the hearts, minds, and control of the workers building this industrial powerhouse.

In addition to the power that came along with this control, there was also the vast amount of wealth spreading among the masses who historically lived each day in hopes that their toil would provide the basics needed to sustain life, not going to the club on Friday, shopping on Saturday, and to the game on Sunday.

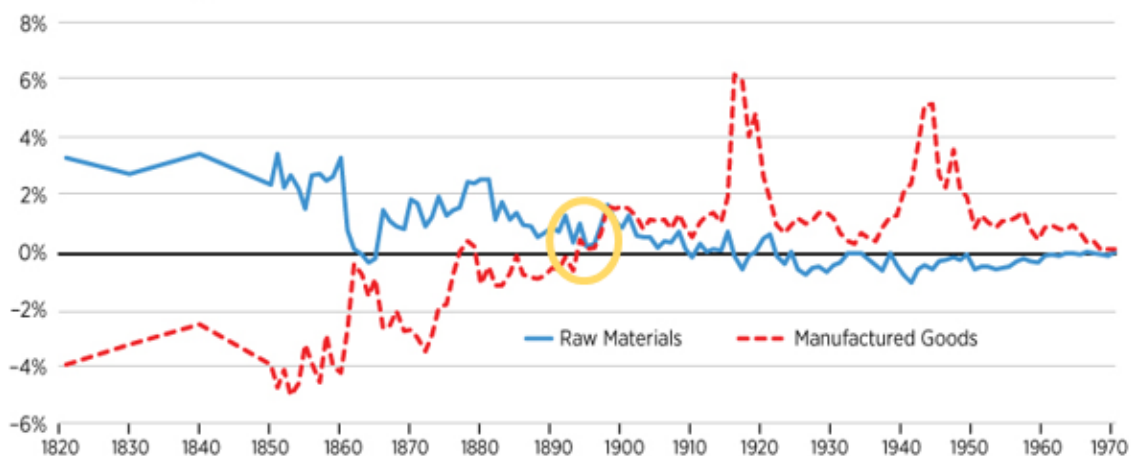
But I'm getting ahead of myself.

Industrial Revolutions & Economic Evolution

The first Industrial Revolution began when Great Britain began industrializing in the late 18th century, but the U.S. remained primarily agricultural.

The United States trade balance saw surpluses in raw materials like coal, cotton, and foodstuffs but major deficits in manufactured goods in part due to Europe's massive innovation.

U.S. Trade Balances of Raw Materials and Manufactured Goods as a Percentage of GDP



SOURCES: U.S. Census Bureau, 1975; measuringworth.com; and authors' calculations.

NOTE: Data begin in 1821.

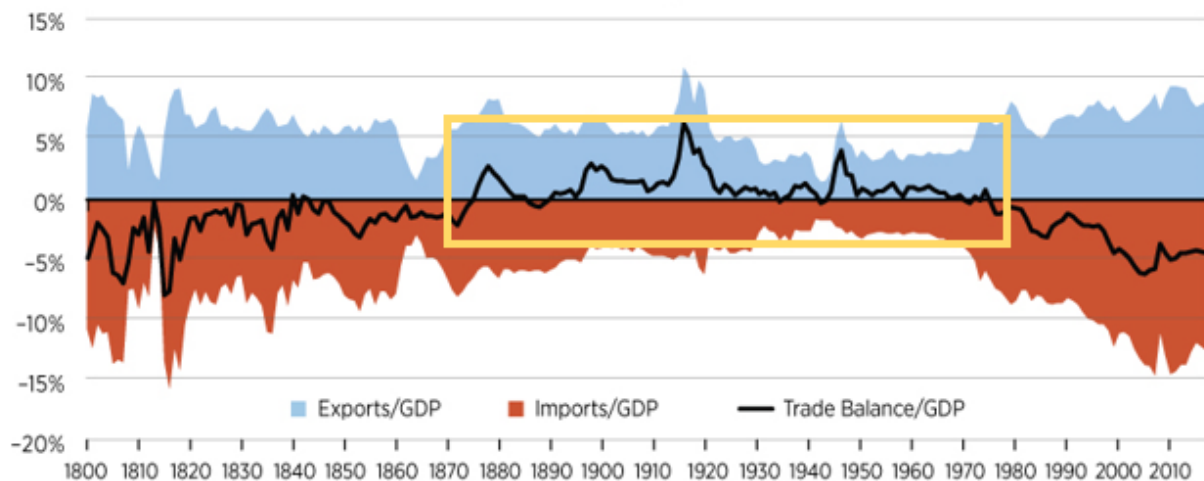
■ FEDERAL RESERVE BANK OF ST. LOUIS

As railroads spread across the nation, they unlocked animal spirits that combined with the fierce independent ethos to spur rapid development as an industrial powerhouse.

By the late 1800s, the second industrial revolution in manufacturing and capital markets to finance innovation and growth saw the United States surge ahead of Europe as trade deficits became surpluses.

According to the St Louis Fed, 1870 to 1970 were the golden years of US trade, during which time we enjoyed surplus advantages.

U.S. Goods Trade Balance as a Percentage of GDP



SOURCES: U.S. Bureau of Economic Analysis, World Trade Historical Database, measuringworth.com and authors' calculations.

■ FEDERAL RESERVE BANK OF ST. LOUIS

The Chicago World's Fair of 1893 was the coming-out party for America's new position on the world stage.

The birthplace of the skyscraper (Montauk Building)

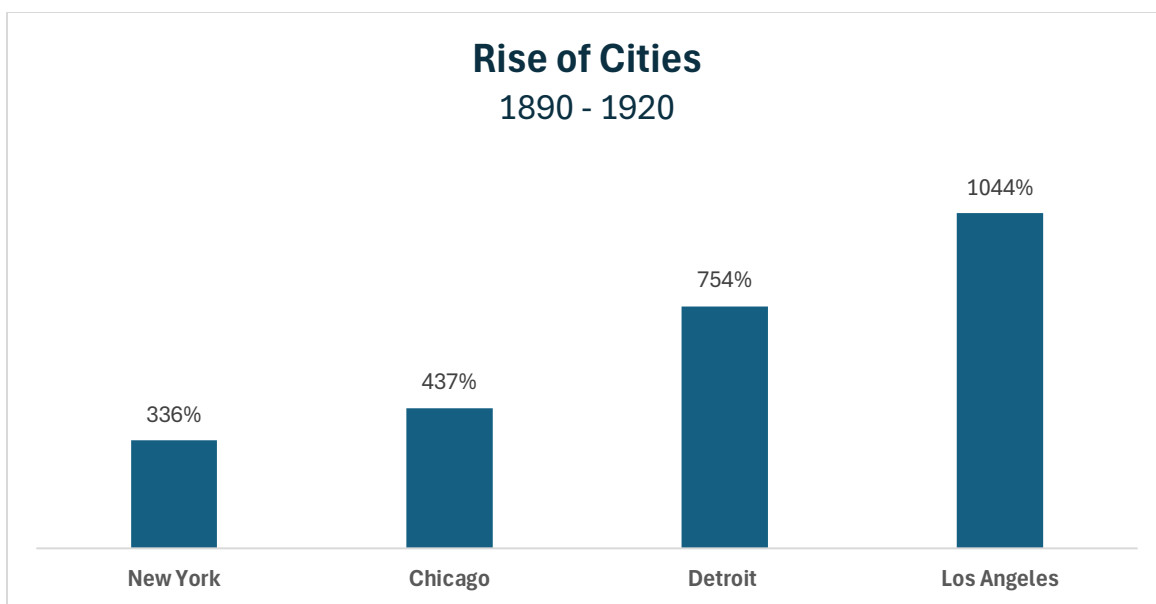
The power of electricity which powered the White City

American-style consumerism

- Area of Amusement
- Juicy Fruit Gum
- Cracker Jacks
- Pabst Blue Ribbon Beer
- Ferris Wheel



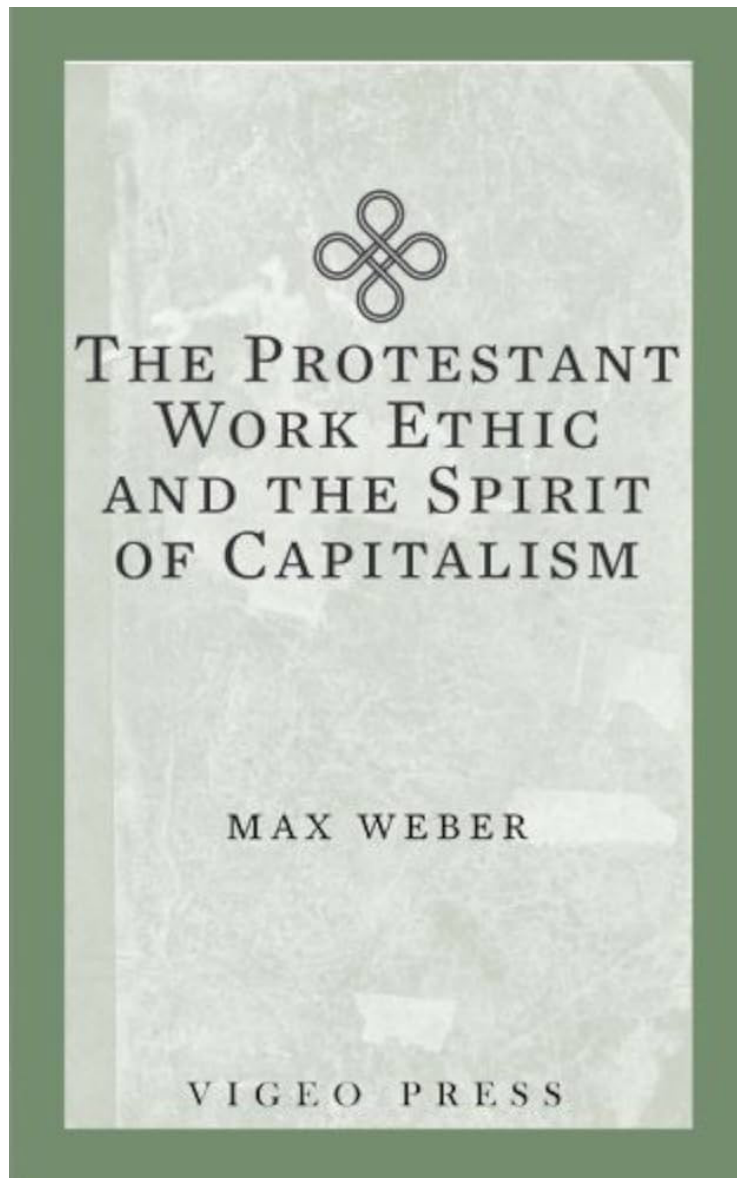
This newfound industrial might coincide with the rise in the population of US cities, which also began to swell with the immigration wave that saw arriving families settle in cities rather than seeking out rural land or farming communities.



The folks who came from farms to cities brought with them a particular determination and self-discipline.

Max Weber called it The Protestant Work Ethic and The Spirit of Capitalism. The book was first published in Germany and took over a decade to be published in America, but it gets to the heart of the system that has greatly improved humankind's lives.

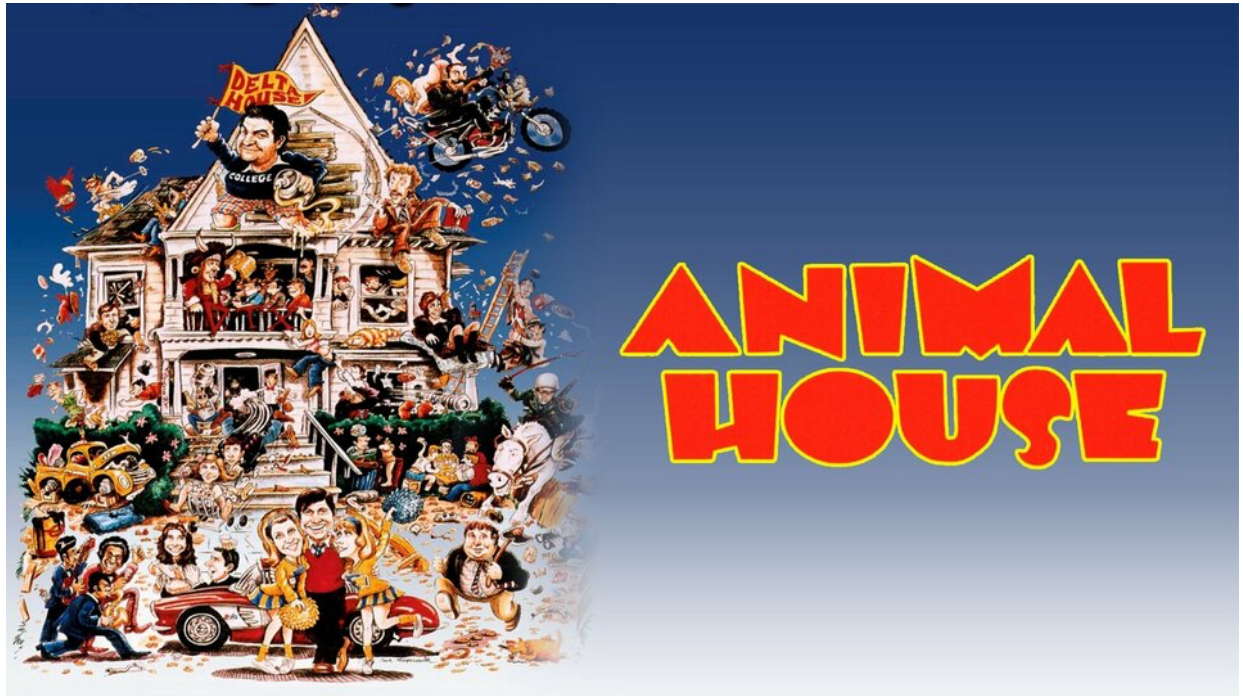
It gets to the heart of what I see as animal spirits.



Animal House

Over the years, this term has morphed into something that doesn't represent its true meaning, which is why it must be preserved if America is to remain the world's preeminent nation.

Animal spirits are not the same devil-may-care hijinks seen in Animal House.



That movie classic captured the nonstop and lighthearted approach to life without consequences.

It is the antithesis of animal spirits that guides nature and has guided America's rise to greatness.

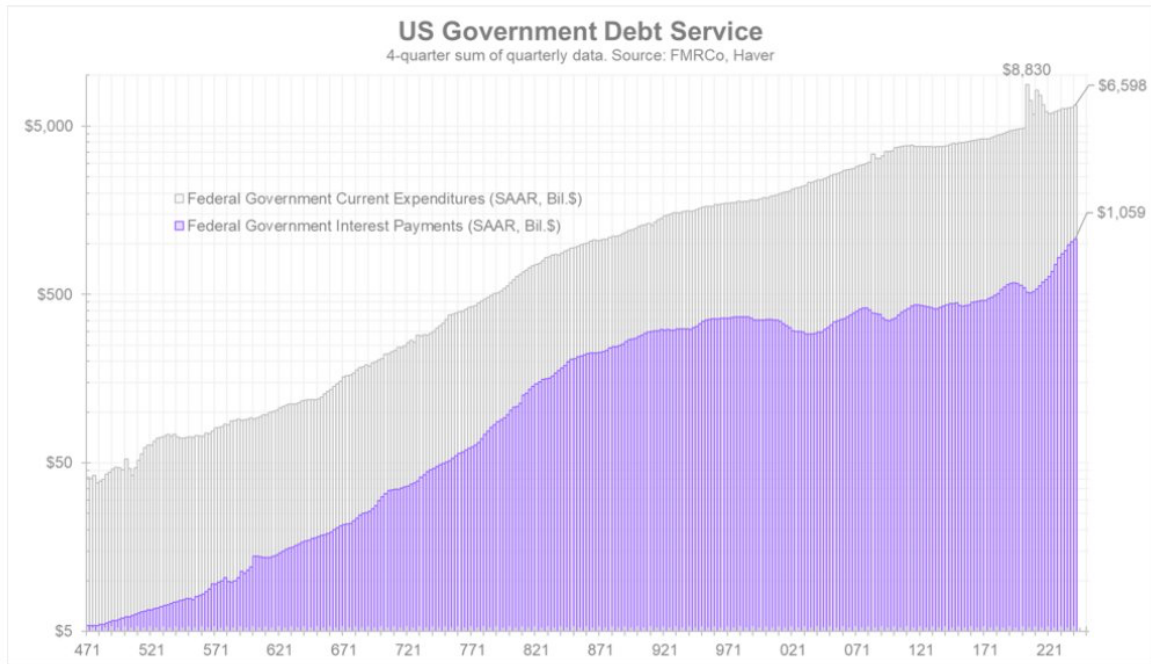
Ironically, that Animal House vibe was the purpose of those who seek to have America abandon its core ethos and foundations.

That was the aim of the last four years when the modern monetary theory was put into play. This meant people didn't have to work unless they wanted to get smaller weekly checks.

Trillions of dollars, coupled with not having to pay rent or college loans, gave workers the power to ghost a new job after one day at work or simply not going to work at all.

Like any wild frat party, it was fun while it lasted.

But then the plan backfired by ushering in runaway inflation not seen in this country for forty years and saddling the government with debt of 35 trillion dollars and interest payments north of one trillion annually.



Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 06/23/2024. Past performance is no guarantee of future results.



I cannot say if the mission failed because November is too close to call.

Maybe the allure of more money, free stuff, and forms of social justice will resonate with enough people to get them to vote for more.

It's hard to imagine anyone who regularly goes grocery shopping or must purchase children's clothing opting for this Faustian deal.

But we have already seen great nations succumb to ideological pulls that only result in destruction and ruin.

Germany is a living, breathing example of what America must avoid.

We must avoid giving away our animal spirits.

Animal Spirits

In nature, true animal spirits mean survival by adapting to and maximizing one's circumstances and resources.

While it is true that animals find time to socialize and have fun, there is no luxury in the unbridled pursuit of fun.

Except for maybe the panda bear.

Silly Panda



Animal spirits mean tunnel vision regarding the goal of procreation and keeping the species alive.

Animals spend long hours searching for food, shelter, and security for their offspring. Frugality and responsibility are hallmarks of animal spirits.

This is also at the core of the Protestant Ethic, which focuses on an ascetic lifestyle and long work hours, eschewing idleness, and saving money and resources while investing for future benefit.

The beneficiaries of this sacrifice and lifestyle were communities, future generations, and God's glory.

This is what prospering is all about.

The Battle is Joined

Philosophers, economists, and politicians have all weighed in on which economic system is best, although defining best hasn't always meant most productive or beneficial.

Ricardo wrote about free trade.

Adam Smith gave us *The Birth of Nations* and, before that, *The Theory of Moral Sentiments*.

Malthus gave us death.

As the first industrial revolution was bearing fruit, Karl Marx gave us *The Communist Manifesto* and *Das Capital*.

Another name not well-known these days but a powerful voice in the early and still ongoing debate on the spoils of capitalism was Henry George.

Born in Philadelphia in 1839, George had a complicated outlook on economics. In his book *Protection or Free Trade*, he makes a strong case against protective tariffs, which are designed to stop the trade of items revenue tariffs are designed to generate revenue from certain items.

The book is said to have turned the tide when tariffs and protection were very popular. Activists of free trade celebrate him to this day.

That same book shared his thoughts on free trade with a push against private ownership of land, which he compared to slavery.

In this regard, he became a socialist hero. George agreed with Karl Marx's fundamental tenet: "Labor is the producer of all wealth."

For George, land had no intrinsic value and needed labor to be productive, and landowners provided nothing in this equation. His goal was to make all land common property.

Ironically, he was against all taxes except those that would disincentivize private land ownership after he realized that confiscating land was not necessary, just essential, to confiscate rent.

The tug of war for the spoils of capitalism started and has never paused.

Essentially, there are three types of economies.

- ***The market economy that is free of all government***
- ***The mixed economy, which is a hybrid of the private sector and government***
- ***Command economy, where the government controls all economic activities and transactions.***

Globally, this tug-of-war saw the rise of socialism, communism, and command economies, which were so ruinous that they killed the goose that laid the golden eggs everywhere.

It's unlikely that those command economies will ever exist again; if so, they will not exist long. However, there is a desire for mixed economies with a heavy dose of government control and a relationship like the coyote and badger.

Spotted! A Coyote and Badger Hunting Together

An Open Spaces Blog



Coyote and badger at Black-footed Ferret Conservation Center. Photo by USFWS | [Image Details](#)

Coyotes and badgers are known to hunt together and can even be more successful hunting prairie dogs and ground squirrels when they work in tandem.

Studies have shown that this unusual relationship is beneficial for both species. The coyote can chase down prey if it runs, and the badger can dig after prey if it heads underground into its burrow systems.

Each partner in this unlikely duo brings a skill the other one lacks. Together, they are faster and better diggers than the burrowing rodents they hunt.

These partnerships tend to emerge during the warmer months. In the winter, the badger can dig up hibernating prey as it sleeps in its burrow. It does not need the fleet-footed coyote.

Currently, the modern-day version of a coyote and badger economy is Communist China. President Xi has all the power, but businesses have grown large enough to allow freer reign to grow and expand worldwide. China also has a wealthy class that rivals even America's.

This blend of capitalism and communism frequently has hiccups and skirmishes that President Xi always wins.

However, the threat of capital flight has always existed, and in recent years, foreign direct investment has dried up.

Military and expansionary goals, along with poor policy planning and a fertility crisis, will more than likely defeat this unlikely mix of economies.

Mussolini Style Economy

I believe modern-day progressives in America desire an economy closer to Mussolini's implementation in Italy.

Economic Socialism is All the Rage

An article from the Cato Institute describes how widely popular Mussolini was when he initially took power:

Mahatma Gandhi called Mussolini "one of the great statesmen of our time." In the mid-1920s, Winston Churchill met Mussolini and said: "If I had been Italian, I am sure I would have been with you from the beginning." The British playwright George Bernard Shaw declared that "socialists should be delighted to find at last a socialist [Mussolini] who speaks and thinks as responsible rulers do."

Mussolini seems to have been the *New York Times*' favorite dictator. For example, in 1923 the *Times* quoted magazine writer Isaac Marcossan as saying, "Mussolini is a Latin [Teddy] Roosevelt who first acts and then inquires if it is legal. He has been of great service to Italy."

An AI report underscores Mussolini's achievements.

Laissez-faire

Expansionary fiscal policy

Corporative State

Reclaiming land

Building new industries

Mussolini started large steelmaking and shipbuilding plants in Naples and Taranto. He also built new towns in Sardinia to house miners for the coal industry.

Make the Trains Run on Time

Additional observations of Economic fascism from Cato:

- People often clamor for a strong man to restore order.
- Politicians know better than private citizens what should be done. "Government alone," Mussolini insisted, "is in the right position to see things from the point of view of the general welfare."
- With so much at stake, a strong man must not be hampered by an archaic constitution that unreasonably limits his power.

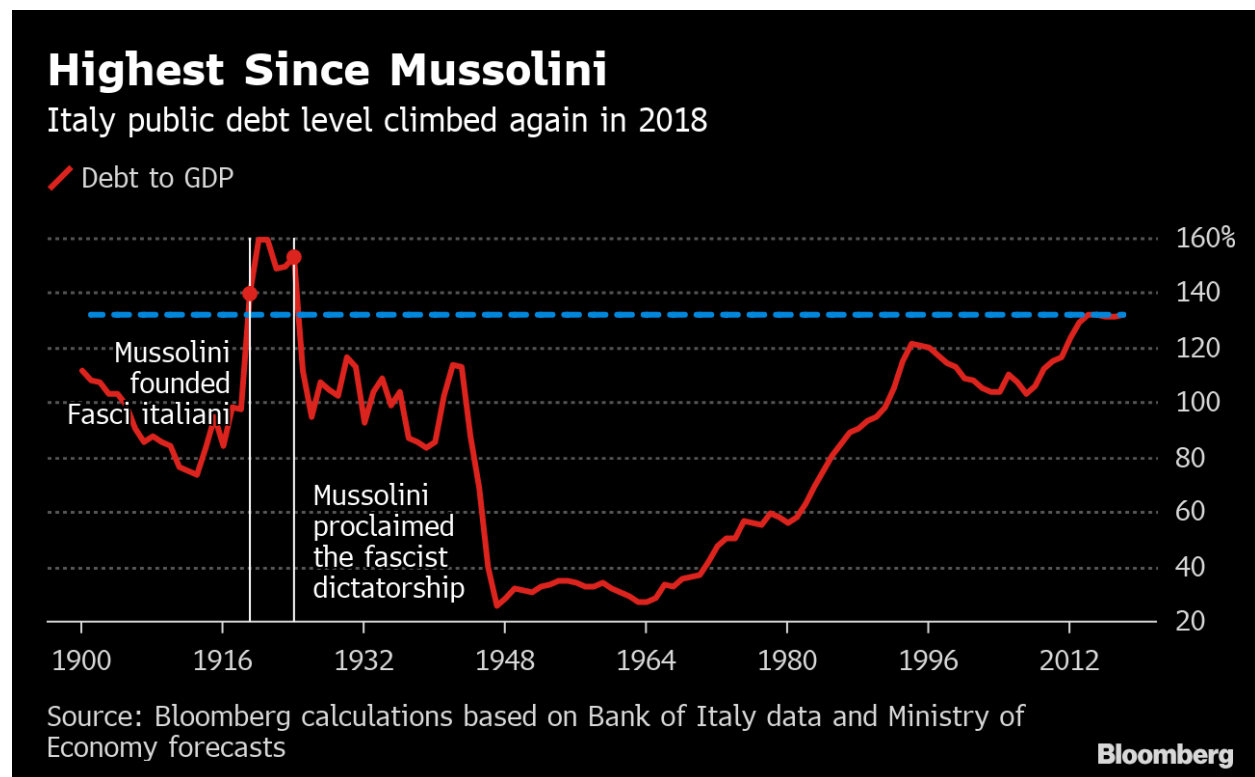
Mussolini came to power in 1922 and had the good fortune to appoint a classical liberal economist who ushered in free market principles (see below from Wikipedia).

During the coalition period, Mussolini appointed a [classical liberal](#) economist, [Alberto De Stefani](#), originally a stalwart leader in the Center Party as Italy's Minister of Finance,^[6] who advanced [economic liberalism](#), along with minor [privatization](#). Before his dismissal in 1925, Stefani "simplified the tax code, cut taxes, curbed spending, liberalized trade restrictions and abolished rent controls", where the Italian economy grew more than 20 percent, and unemployment fell 77 percent, under his influence.^[7]

Alberto De Stefani died in 1925; the same year Mussolini declared himself dictator.

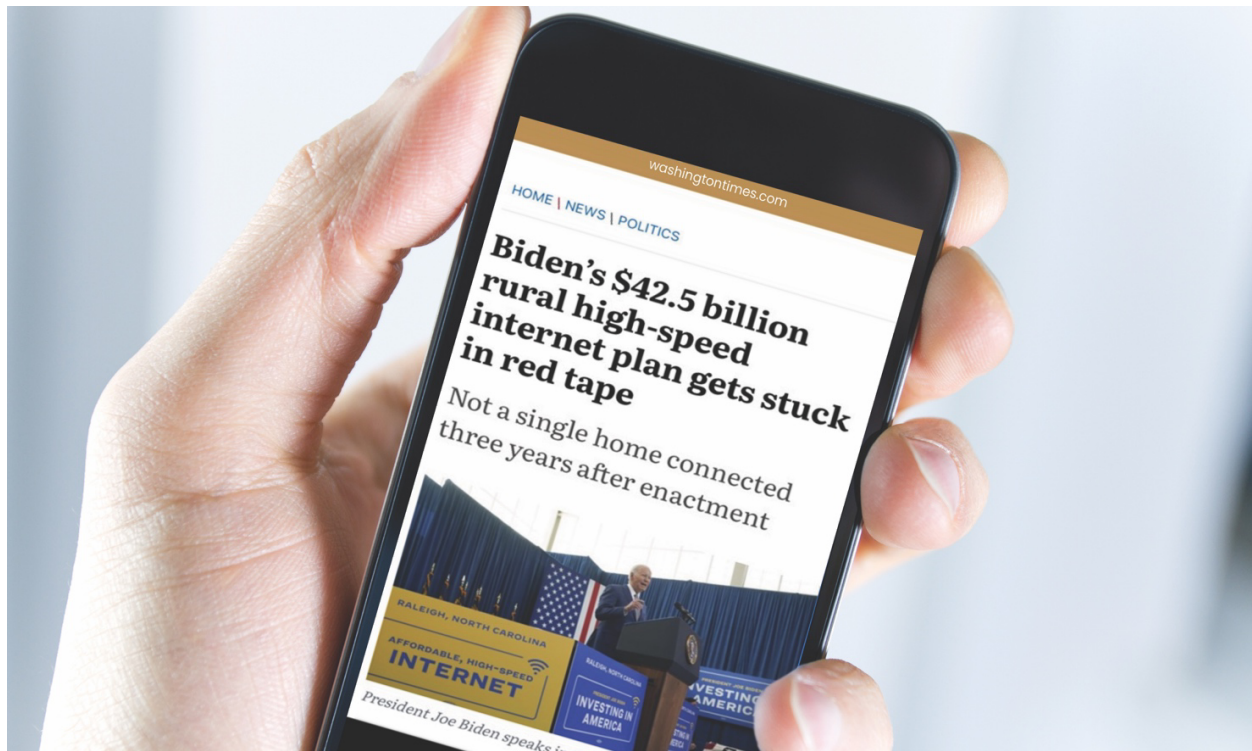
Mussolini's disdain for individualism created greater human rights issues inside the country; meanwhile, military adventurism and the invasion of Ethiopia kept debt levels too high for true economic gains to take footing.

Mussolini built a fantastic network of trains and grand stations that are still wonderful to see (I've traveled by train between Milan and Rome, and it was magnificent). Mussolini also bragged that the trains in Italy always ran on time.



The secret weapon for economic fascism was the reliance on big government for special favors and the rewards of the government's runaway spending. Biden-Harris needs to get the rails up before they can start to think about them running on time.

I'm not sure we could afford it even with the government controlling the printing presses.



VP Harris' Promises

Money to start a small business

Money to buy a house

Money to buy electric cars

Money to pay college debts

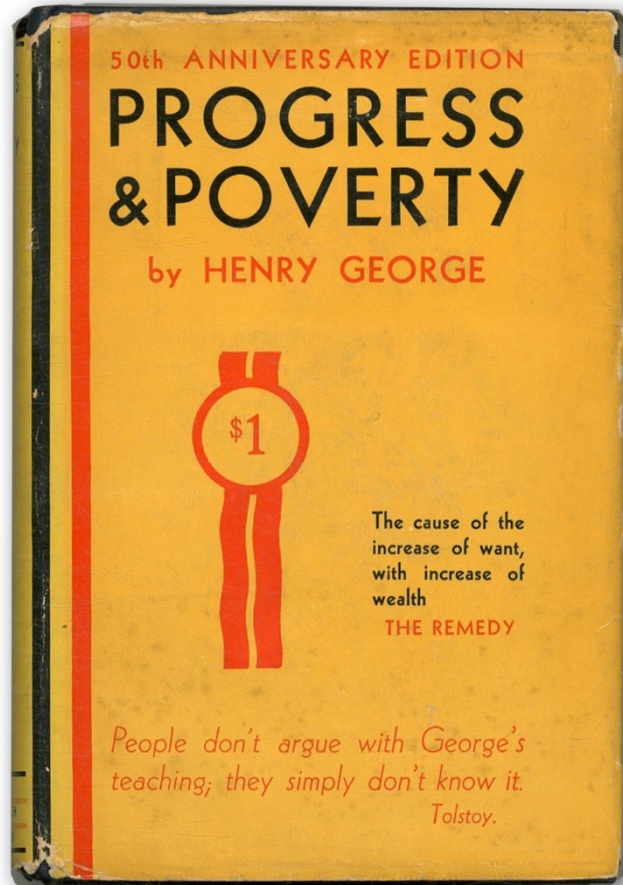
These "promises" have ulterior motives in addition to the most obvious of being in big government debt.

Moreover, much of the money would be applied in ways that eschew meritocracy and focus on past injustices.

There is no doubt that a Harris Presidency would put in motion schemes that, in the end, would lower the value of land and give the government power to supersede local laws to push through YIMBY ideas.

Here's an area where you will see the influence of Henry George.

In his next book, George focused on the cause of the increase in want and wealth. Tolstoy gave the book a strong endorsement.



This is an excerpt from the beginning of the book:

riches of the fabled Monte Cristo. But here, also, side by side with the palaces of the princely rich, was to be seen a poverty and degradation, a want and shame, such as made the young man from the open West sick at heart.

Why in a land so bountifully blest, with enough and more than enough for all, should there be such inequality of conditions? Such heaped wealth interlocked with such deep and debasing want? Why, amid such superabundance, should strong men vainly look for work? Why should women faint with hunger, and little children spend the morning of life in the treadmill of toil?

George proposed taxing land, even unimproved land, with a scheme that would ultimately be worth zero.

Harris wants to tax unrealized profits, which would mean total confiscation of wealth at this point.

And all that cash for housing would come with strings that essentially would destroy suburban neighborhoods.

Yes in my backyard: Democrats are changing their tune on housing policy

Eliza Relman Aug 29, 2024, 12:08 PM EDT

Share | Save



Kamala Harris' platform calls for building 3 million homes in her first term to help alleviate the housing crisis. It's what YIMBYs have been waiting for. Jacek Boczarski/Anadolu via Getty Images; Chelsea Jia Feng/BI

- **YIMBYs are rejoicing.**
- **The pro-housing advocates are celebrating Democrats' focus on building more homes.**
- **A hastily organized group, YIMBYs for Harris, hosted a slew of lawmakers at a virtual fundraiser.**

Progress and Poverty focuses on the contrast between the House of Have and the House of Want. His notion is that the greater the nation, the greater the want. This continues to be an issue today, but there is a distinct difference between want and need.

This reminds me of FDR's 'four freedoms', including freedom from want.

If we want shelter and food, our animal institutions will help us find a way.

If you want a brand-new sports car, our animal spirits will help us find a way.

But we should in no way want the government to remove our desire to enjoy things, as we will lose the ability to obtain them on our own, much as many animals born and raised in captivity cannot survive when released back into the wild.

 <p>Freedom of Speech</p>	<h2>FREEDOM OF EXPRESSION</h2> <p>Painting by Norman Rockwell</p> <p>"In the future days, which we seek to make secure, we look forward to a world founded upon four essential human freedoms. The first is freedom of speech and expression -- everywhere in the world."</p> <p>-U.S. PRESIDENT ROOSEVELT</p> <p>https://www.nrm.org/2012/10/collections-four-freedoms/</p>	<h2>FREEDOM OF RELIGION</h2> <p>Painting by Norman Rockwell</p> <p>"The second is freedom of every person to worship God in his own way -- everywhere in the world."</p> <p>-U.S. PRESIDENT ROOSEVELT</p> <p>https://www.nrm.org/2012/10/collections-four-freedoms/</p>	 <p>Freedom of Religion</p>
 <p>Freedom from Want</p>	<h2>FREEDOM FROM WANT</h2> <p>Painting by Norman Rockwell</p> <p>"The third is freedom from want, which, translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants -- everywhere in the world."</p> <p>-U.S. PRESIDENT ROOSEVELT</p> <p>https://www.nrm.org/2012/10/collections-four-freedoms/</p>	<h2>FREEDOM FROM FEAR</h2> <p>Painting by Norman Rockwell</p> <p>"The fourth is freedom from fear, which, translated into world terms, means a world-wide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor -- anywhere in the world."</p> <p>-U.S. PRESIDENT ROOSEVELT</p> <p>https://www.nrm.org/2012/10/collections-four-freedoms/</p>	 <p>Freedom from Fear</p>

The socialist and progressive remedy has always been to eliminate want through government and eradicate great wealth as a great equalizer of social justice.

Listening to Harris over the years and even recent lame attempts to thread a needle to give die-in-the-wool socialists a wink and a nod while conferring to everyone else, she has changed her spots.

War on Big Business & Success is War on American History and Animal Spirits

The war that Engles, Marx, Malthus, and others started during the outset of the Industrial Revolution has gained momentum and is now being waged by several influential establishments:

The mainstream media

Entertainment industry

Educational industry

One prong of the attack is erasing or negatively casting historic achievements and milestones.

For instance, according to University of Notre Dame history professor Gail Bederman, the Chicago World's Fair 1983 symbolized a male-dominated and Eurocentric society.

In Manliness and Civilization, she wrote, The White City, with its vision of future perfection and the advanced racial power of manly commerce and technology, constructed civilization as an ideal of white male power.

So much for a critical event that propelled the United States to the top of the world while ushering in consumerism and advancements that assisted all the world's people.

Don't be fooled. The war on big business is a war on successful small businesses.

Think about the largest employers in the United States and where and how they got their start. I look at the names on the list that came into being in my lifetime.

America's Biggest Employers

AMZN 1,500,000 Bellevue, Washington

FDX 529,000 Memphis, TN

HD 463,000 Meritta, GA

TGT 415,000 Minneapolis, MN

Then there's Walmart.

Sam and Helen Walton paid \$25,000 for a Ben Franklin store franchise in 1945.

In his book "Giants of Enterprise: Seven Business Innovators and the Empires They Built" Richard S. Tedlow wrote:

Sam Walton's first store was a second-rate store in a second-rate town in what no one would have classified as a first-rate state. Millions, literally, of small stores failed during the course of the twentieth century in America. There were about 1.7 million retail establishments in the United States in 1945. Why wouldn't this one be among the many that didn't make it?

Walton learned many lessons, broke many rules, and was ready to conquer the world when he opened his first Walmart in Rogers, Arkansas, in 1962.



A government that aims to dissuade success by going after the country's most successful companies has launched a war on the notion and aspiration of success.

Who would dare to take risks and make sacrifices if those who have reached the pinnacle of success can be shamed and brought down?

It was like ancient Rome, with those who ran afoul of the gods paid monumental sacrifices:

Prometheus

Sisyphus

Icarus

These success stories come from the most and least significant towns and are authored by the most unlikely people.

Their animal spirits are infectious and the biggest obstacle to the complete takeover of big government.

These animal spirits are not uniquely American and have also lifted other nations.

In fact society learned early on that a foundation focused on frugality and the rule of law (justice) can become a powerful force.



Swabia Germany

An improvised region in Germany developed a sense of hard work, tidiness, and savings. Its residents became inventors and were known for copious patent filings.

But they are also known for being frugal. Because they refuse to waste money, their significant savings become great investments.

At the start of the Industrial Revolution, Germany was far behind Great Britain, but the region of Swabia enabled the nation to pull ahead.

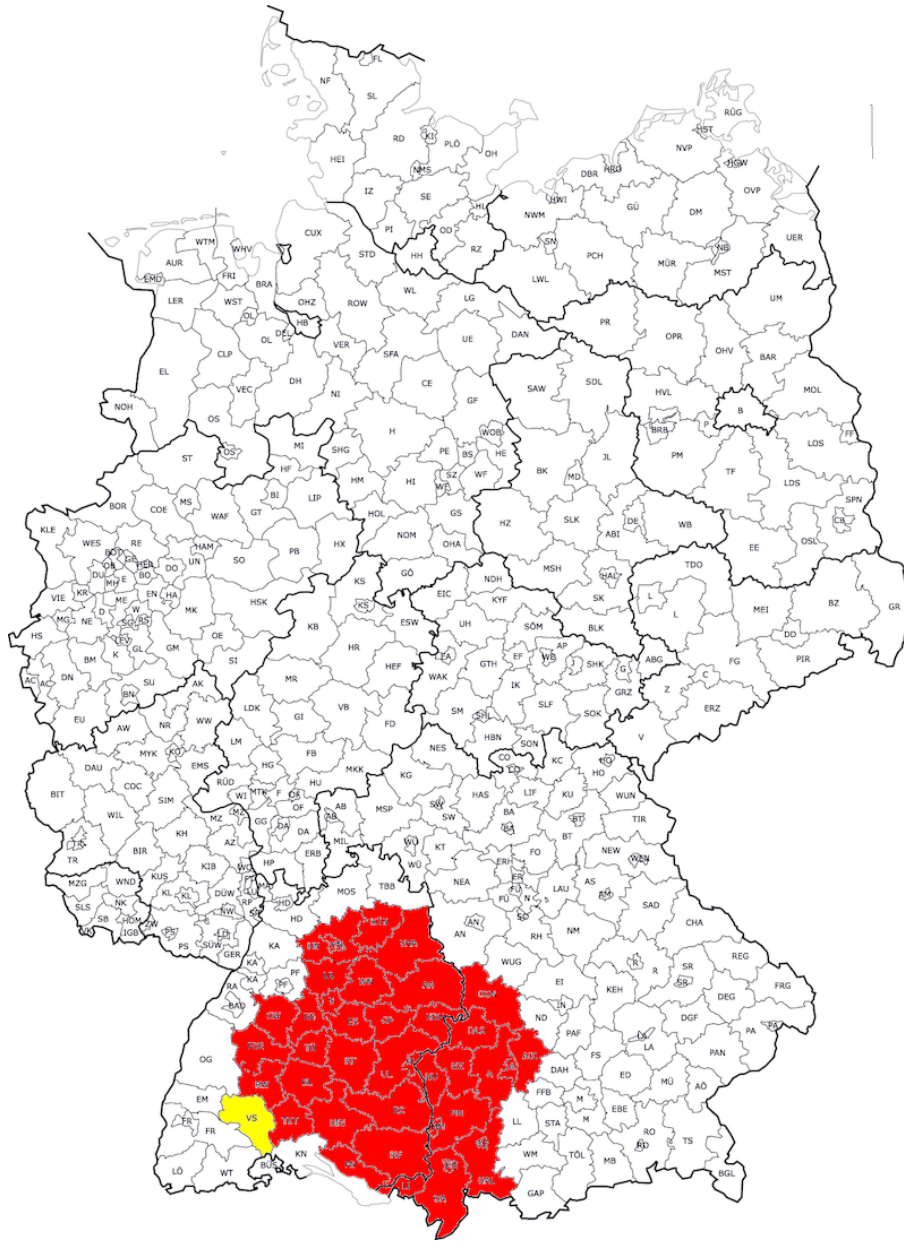
Famous names from the region include:

Daimler

Maybach

Zeppelin

Their Pietism roots are at the very heart of the Protestant work ethic.



Smaland

I only recently learned of the Smaland spirit, which is described as embodying the region's unique blend of resourcefulness, frugality, and community-driven entrepreneurship.

In a visit to the area in 1897, King Oscar II remarked.

"How fortunate it is for such a poor area, one of the most barren in the country, that through the ingenuity and resourcefulness of the local people, have found a new and profitable, and at the same time quite unique way to make a living."



The area overcame crop failures and famine and transitioned into modern industry in the 1900s. It was said that collaboration and dealmaking flourished in a culture where a handshake was as good as a contract.

As a result, ingenuity seemed boundless, inventiveness and tenacity unlimited.

This is the animal spirit of evolving and surviving.

In the United States, after the end of the Civil War, there were more than 50 all-Black thriving towns built and administered by people who had been born into slavery.

Animal spirits are unencumbered by the government and the ulterior motive of keeping people helpless.

I must mention the most famous person from Smaland.

Ingvar Kamprad

Born on a farm called Elmtaryd

In a village called Agunaryd.

The first letter in this name spells IKEA.



It's amazing to me that Ingvar Kampard and Sam Walton never embraced the trappings of their success and always remained true to their work ethic and desire not to waste.

Kampard insisted on the senior citizens discount when he took the bus.

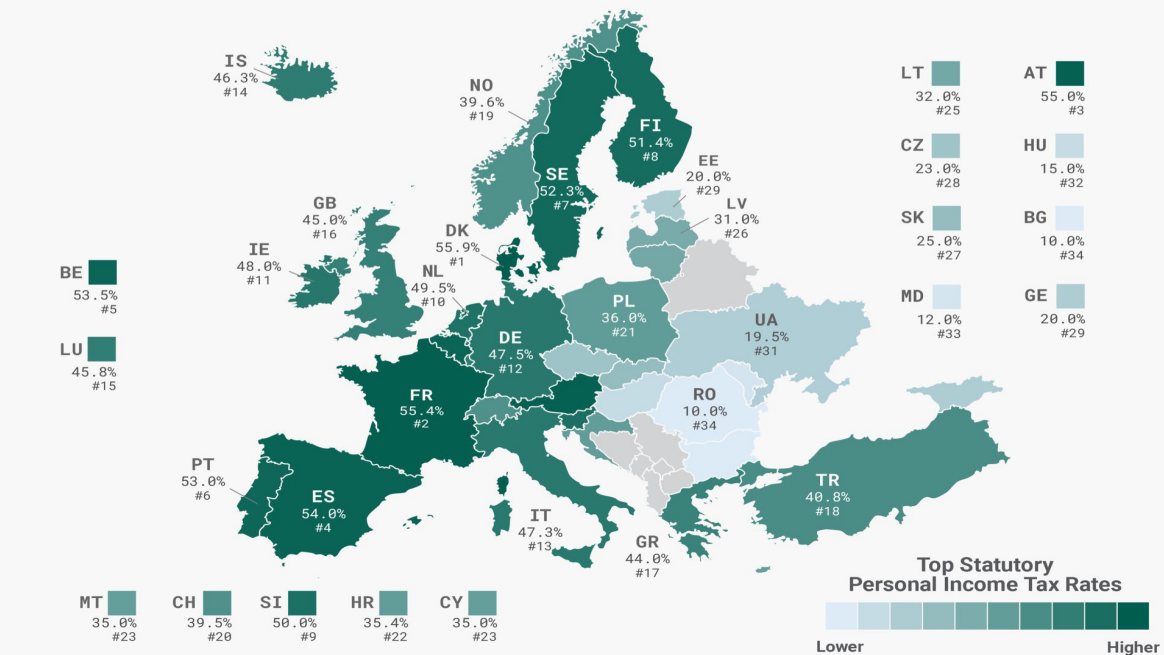
Walton drove an old pickup truck and lived modestly.

Europe is Blazing a Trail of Self-destruction. Let's Watch, Not Follow.

Taxes are too high.

Top Personal Income Tax Rates in Europe

Top Statutory Personal Income Tax Rates in 36 Major European Countries, 2024

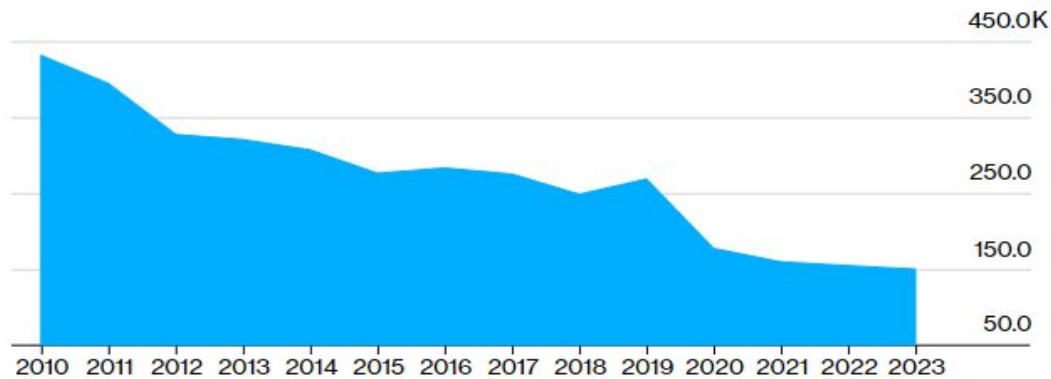


Note: Combined central and sub-central top personal income tax rates and surtaxes are shown. Social security contributions are not captured.
Source: European Commission, "Taxes in Europe Database v3," and PwC, "Worldwide Tax Summaries - Personal Income Tax (PIT) rates."

Starting a business is too hard.

Interest in Starting a Company in Germany at Record Low

Survey shows decline in meetings with potential new-business founders



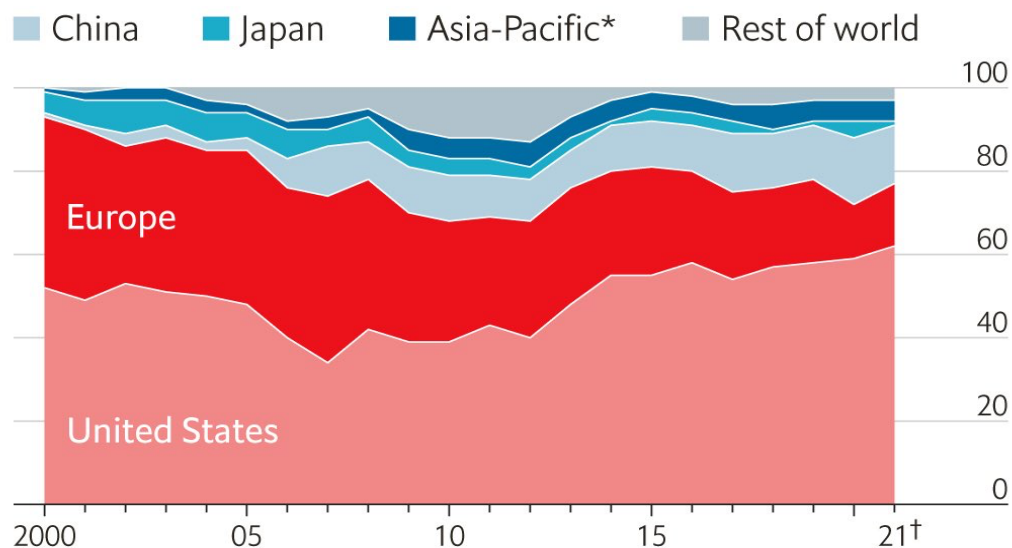
Source: DIHK German Chamber of Commerce and Industry

Global Corporate Influence Is Fading

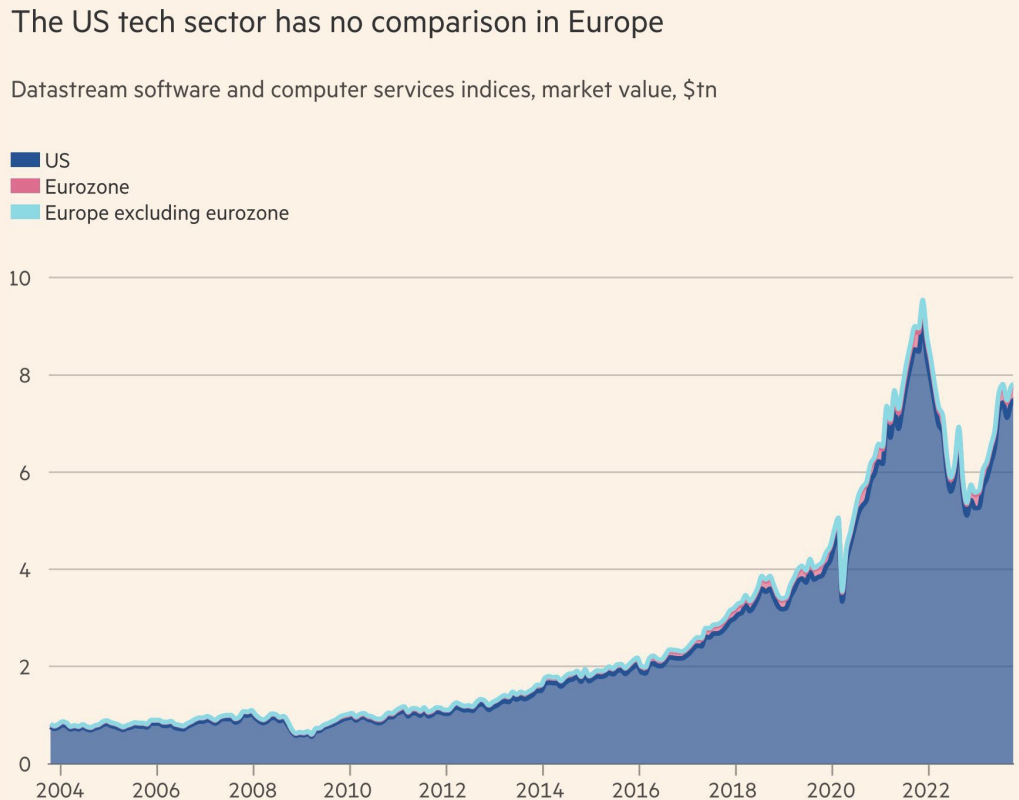
The striking decline of corporate Europe

Top 100 companies by market capitalisation

World, % of total



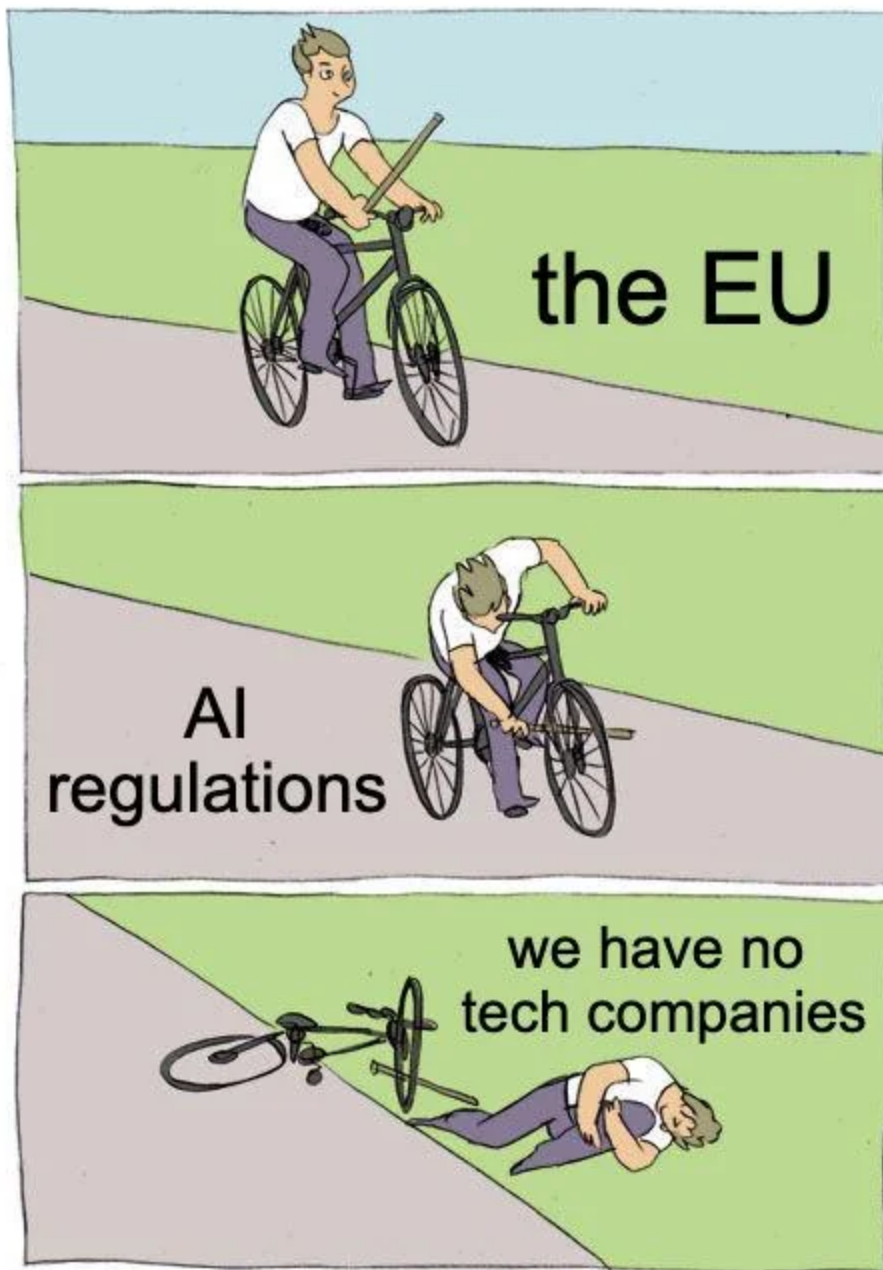
Europe is not part of the Fourth Industrial Revolution.



The only role the EU will play in the Fourth Industrial Revolution is to shakedown successful American and Asian companies. They have regulated themselves out of the game, and now their fines and threats of company breakups mean higher prices for services.

Remember.

- **America Innovates**
- **China Copies**
- **Europe Regulates**



imgflip.com

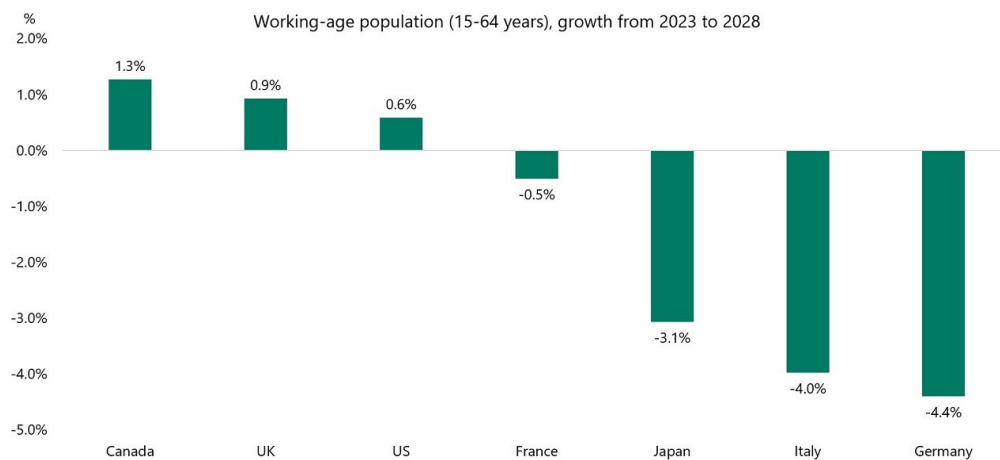
Europe is old and getting older by the minute.



That means there are no workers and no choice but to open borders.

Working-age population growth in the G7

APOLLO



Maybe Americans Need to Have More Fun.

EUROPEAN OUT-OF-OFFICE:

I'M AWAY CAMPING FOR THE SUMMER. PLEASE
EMAIL BACK IN SEPTEMBER.

AMERICAN OUT-OF-OFFICE:

I HAVE LEFT THE OFFICE FOR TWO HOURS TO
UNDERGO KIDNEY SURGERY BUT YOU CAN REACH
ME ON MY CELL ANY TIME.

The work-life balance in America has been based on romanticizing how great Europeans live. It's a farce. America must resist being seduced by talk of fairness, notions of fun, and focus instead on ***preserving our animal spirits***. Remember one of the first fables you read as a child: The Ant and the Grasshopper? The only thing more fun than frolicking all summer is living through winter and remaining the preeminent nation in the world.



This Special Report was created by Charles Payne

Charles Payne is the host of *Making Money with Charles Payne* and joined FOX Business Network (FBN) in October 2007.

Payne is also a contributor to FOX News Channel (FNC), frequently appearing on shows such as *Neil Cavuto* and *Fox & Friends*.

He began his career on Wall Street in 1985. In 1991, he became an independent stock market analyst, and today is one of the country's leading advocates for individual investors.

Charles' most recent best-seller, *Unstoppable Prosperity*, provided his expert guidance to over 300,000 investors. And now, *Unbreakable Investor* brings you an even bigger payload of timely and actionable insights.

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