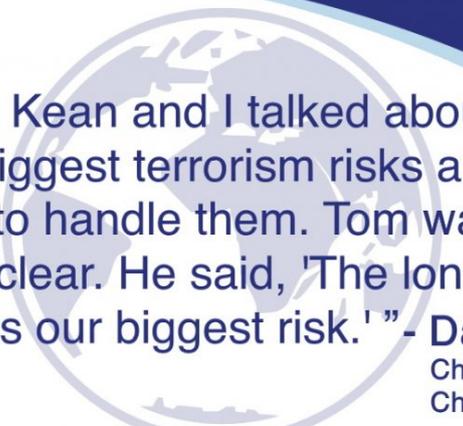


Cumberland Advisors Market Commentary – Inflection Point?

I've known Tom Kean, former governor of New Jersey and co-chair of the 9/11 Commission, for 40 years, and served in several positions in his administration when he was governor. He represents the greatness of the Republican Party, which has produced folks like him and his father Bob Kean and others like Everett Dirksen or Margaret Chase Smith or Jacob Javits or Nelson Rockefeller. Tom's book *The Politics of Inclusion* (<https://www.amazon.com/Politics-Inclusion-Governor-Jersey-Thomas/dp/0029183413>) is a timely reading for today.



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"Tom Kean and I talked about the biggest terrorism risks and how to handle them. Tom was very clear. He said, 'The lone wolf is our biggest risk.'” - **David R. Kotok**
Chairman of the Board &
Chief Investment Officer

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After the 9/11 Commission presented its final report, and over one of our occasional lunches, Tom Kean and I talked about the biggest terrorism risks and how to handle them. Tom was very clear. He said, “The lone wolf is our biggest risk.” He summarized a conclusion and I will paraphrase his words: Our Commission believed the other threats from external forces could be managed even though the cost might be high. But a lone wolf, acting with a distorted or misguided societal view, was the greatest danger. And the potential for that person to

be manipulated by insidious forces in ways that the perpetrator did not comprehend only compounded the danger and made that individual a very dangerous risk to America.

We have just witnessed that threat play out again this weekend.

Authorities have now confirmed that 21-year-old Patrick Crusius, the shooter who opened fire at a Walmart in El Paso, killing 20 and injuring 27, was indeed the author of an anti-immigrant manifesto published online just minutes before the attack. They are now treating the El Paso shooting as an act of domestic terrorism (<https://www.nytimes.com/2019/08/04/us/el-paso-shooting-updates.html>).

In a rhetorical climate marked by intolerance, in which the president of the United States paints perceptions of groups such as non-European immigrants or journalists with a broadly negative and dehumanizing brush, the risks of stochastic terrorism are being realized. (Dictionary.com defines stochastic terrorism as “the public demonization of a person or group resulting in the incitement of a violent act, which is statistically probable but whose specifics cannot be predicted.” See <https://www.dictionary.com/browse/stochastic-terrorism>.)

Tom Kean and his Commission colleagues hit the nail squarely on the head with regard to the dangers of the lone wolf. Washington political forces decided not to listen to them. Now we have the latest news and two more examples to underscore the argument.

As with anything else, there will be an ultimate “inflection point” with domestic terrorism. When that point is reached, things will change. Before that occurs, inertia and special interest politics are the combined obstacles. Only at the “breaking point” do things change, as Malcolm Gladwell has

explored in his writings.

We had years of hijacked airplanes. It took the horrific events that unfolded on 9/11 to change the system with the introduction of TSA. 911 was the breaking point. We haven't had a hijacking since. History is replete with examples of breaking points and the high cost required to alter a landscape once a society has reached an overwhelming consensus to change.

Are we there yet with mass shootings by lone wolves? How many more shootings, killings, and mass murders are needed until a national breaking point is reached and the Congress and the president change the rules? Or the voters throw the incumbents out and replace them with responsible leaders who will change the rules. Time will tell.

Here is a compilation of the buildup toward the breaking point.

2017:

In 2017, the US saw 382 mass shootings, including the deadliest mass shooting in US history, in Las Vegas, as lone shooter Stephen Paddock took 59 lives and injured 422 people, with hundreds more injured in the panic that ensued (<https://time.com/4965022/deadliest-mass-shooting-us-history/>).

2018:

323 mass shootings, with 387 killed and 1274 injured (https://en.wikipedia.org/wiki/List_of_mass_shootings_in_the_United_States_in_2018). Though the year was not unusual in terms of the number of mass shootings, more shootings occurred at schools than ever before: <https://www.vox.com/2018/12/10/18134232/gun-violence-schools-mass-shootings>.

2019:

251 mass shootings to date, with 281 fatalities and 1032

injuries

(https://en.wikipedia.org/wiki/List_of_mass_shootings_in_the_United_States_in_2019). At the Gun Violence Archive (https://en.wikipedia.org/wiki/Gun_Violence_Archive) readers can view a list of 2019 mass shootings so far. That list is 11 pages long already and likely, sadly, to get longer: <https://www.gunviolencearchive.org/reports/mass-shooting>.

Here is a 37-year summary of mass shootings in the US, with a downloadable database: <https://www.motherjones.com/politics/2012/12/mass-shootings-mother-jones-full-data/>.

Inflection point? Are we there yet?

David R. Kotok

Chairman of the Board & Chief Investment Officer

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analysis on upcoming, important economic issues that potentially impact global financial markets. Our team shares their thinking on global economic developments, market news and other factors that often influence investment opportunities and strategies.

A Trifecta of Hate

The recent trifecta of hate crimes casts a pall. It just feels so heavy. Somber reflection adds to the weight.



Conversations at meals and in meetings are muted. Sure, we talk about it. Sure, we mourn. And sure, we are lost for answers about these three heinous lone wolves. Sure, we worry about the next one and the one after that.

The political debate over fault-finding is rancorous and tiresome. I'm sick of hearing Fox blame the left. When Chris

Farrell is interviewed by Lou Dobbs and attributes the source of funding for the Honduran march to George Soros and uses all the codes words for hatred and anti-Semitism, I'm disheartened. (See

<https://twitter.com/joshtpm/status/1056324117329297409?s=11>.)

To Fox's credit, they subsequently pulled the interview and pledged not to use the interviewee again. (See <https://www.newsmax.com/newsfront/lou-dobbs-cancels-show-george-soros/2018/10/28/id/888320/>.)

I'm equally tired of CNN's behavior, where, for example, in interviews of people who survived the Pittsburgh synagogue shooting, they ask baited questions such as, "Do you think President Trump said the right thing? Or said enough?" The anti Trump bias is the mirror image of the Fox pro Trump bias. CNN feeds its constituency just as Fox feeds its constituency. The weight gets heavier. More somber reflection.

And here we go again about guns. Armed guards? No guards? Second Amendment? Legal purchase? Illegal purchase? No one seems to offer a rational and thoughtful way to reduce or eliminate or thwart the murderous lone wolves – unless the constitutionally protected freedoms that are currently threatened are removed. Do we really want to do that? I certainly don't.

At the end of the day there is a pervasive sense that nothing will change. Perhaps that is the worst part of the aftermath of hate crimes as successive horrors give way to bleak reflection. No one I talk with expects anything to change.

Few expect politics to change for the better, either. Many believe bipartisanship is dead. I worry they may be correct. I worry that instead of seeking "a more perfect union," we are on a trajectory of competitive dominance aimed at achieving destructive divisiveness.

Both political parties are responsible. The two-party system

seems to be failing. But how do we change it when the insiders of those two parties are the powerful minority?

More Somber reflection. Our political situation is going to get worse.

Here is an example of a hopelessly partisan tweet by a leading Republican:

“We cannot allow Soros, Steyer, and Bloomberg to BUY this election! Get out and vote Republican November 6th. #MAGA” – House Majority Leader Kevin McCarthy, Oct. 27, Twitter

McCarthy later deleted that tweet, but not before an active progressive Democrat jumped on him and accused “the Kochs, the Mercers, and Adelson” of buying the election from the other political wing. See

<https://twitter.com/feysperson/status/1056378207065108480?s=11>

.

Implied in this comparison is how difficult bipartisan outcomes are to obtain. The writers of these tweets are using them to rouse political constituencies in adversarial ways only. The current system has no incentives for these folks to behave in any conciliatory manner.

Consider this deeper history, too.

It was a Democrat Senate leader, Harry Reid, who undermined the 60-vote rule in 2013 as his departing attack on the Republicans. (See

https://en.wikipedia.org/wiki/Nuclear_option.) What went around came back around. In 2017 the Senate Republicans, led by Mitch McConnell, turned the tables by extending the “nuclear option” to the consideration of Supreme Court nominees.

The next chapter is about to unfold, and I fear it will make no difference which party gets the majority in the House of

Representatives. We will quote the POLITICO Playbook for Oct. 28. (See <https://www.politico.com/newsletters/playbook/2018/10/28/a-week-of-violence-anti-semitism-and-domestic-terrorism-334882> for the complete Playbook issue.)

“THE INVESTIGATIONS – ANTHONY ADRAGNA – The powerful weapon House Republicans handed Democrats: Democrats eager to investigate the Trump administration if they seize the House would have the GOP to thank for one of their most potent tools – a sweeping subpoena authority that Democratic lawmakers denounced as an abusive power grab three years ago.

“House Republicans changed the rules in 2015 to allow many of their committee chairmen to issue subpoenas without consulting the minority party, overriding Democrats’ objections that likened the tactic to something out of the McCarthy era.

“Now the weapon that the GOP wielded dozens of times against Barack Obama’s agencies could allow Democrats to bombard President Donald Trump’s most controversial appointees with demands for information. And many Democrats are itching to use it.” (For the complete POLITICO story on the subpoena rule change, see <https://www.politico.com/story/2018/10/28/house-republicans-subpoena-trump-943265>.)

We’ll stop. Heaviness and somber reflection from the trifecta of hate have brought fatigue. This last week was tough.

Readers may obtain the market outlook and our market comments and strategies from the Cumberland Saturday morning weekly summary. See <http://www.cumber.com/cumberland-advisors-week-in-review-oct-22-2018-oct-26-2018/>.

David R. Kotok

Chairman and Chief Investment Officer

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