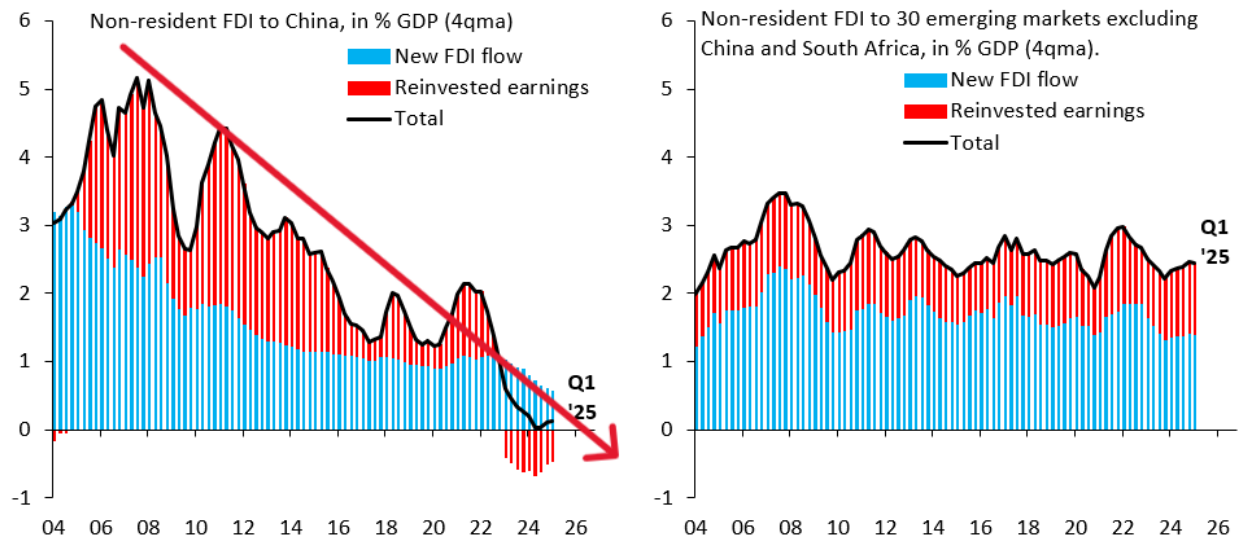


## The Outlook: Oct. 10, 2025

### *Looking at a dark corner in China.*

An Outlook Golden Rule is “Always look at the whole picture, not just the dark corners which the headlines always shout about.” Because we make ourselves do that, we’re almost always optimistic about Main Street USA’s strength and growth, and bullish about Wall Street. But those dark corners are very real, and danger always lurks in them—so we must be “eyes wide open” optimists, never shrugging off their risks. Here’s a picture.

### *Chairman Xi Succeeds in Scaring the World Away*



The red arrow at the left is every bit as dramatic as it looks. It shows us “Foreign Direct Investment” in China: that is, Main Street World’s willingness to invest its money in Main Street China. Yes . . . wow. The arrow basically covers Chairman Xi’s time as China’s dictator . . . during which he has singlehandedly reversed a lot of the trends which made China’s economic miracle, namely more economic and individual freedom; less government regulation and control; and a welcoming attitude to foreign companies interested in committing capital to Main Street China.

Nobody in China would say those trends are still positive. Everyone would say they have become sharply negative . . . except that they dare not say any such thing, under Mr. Xi. But unlike China’s citizens, Main Street World can “vote with its feet” (or money, anyway), and the plunging red arrow tells us that’s just what they’ve been doing.

The market is taking a breather, today (though as always, it might be just a “breather” or it might be the roller coaster tipping downhill.) Our guess at today’s excuse is this week’s bunch of hostile actions by China: tighter rare-earth stranglehold; more slamming-shut doors against foreign chips. Mr. Trump, naturally, instantly punched back with more tariff threats.

Mr. Xi’s behavior has been just plain bad for Main Street China . . . so obviously bad that it makes a good many deep thinkers wonder if we’re all missing something, maybe he’s really clever and we just don’t

grasp his subtleties. At Outlook, we're not among those deep thinkers. We observe, from some knowledge of quite a bit of history, that one of the hallmarks of dictators is that they do amazingly dumb things, things which aren't remotely in their own best interests. They do the dumb things, mostly, because the welfare of their Main Streets is not important to them . . . or at least a whole lot less important than their sense of iron control and their political survival.

We don't think those red arrows of bad trends are going to be reversed any time soon. That is too bad, because a China open to investment and acting as a willing partner in Main Street World would be good for global economic growth and for Main Street USA. So it's one of those "dark corners" for sure, in our whole picture. But short of Mr. Xi going right off the rails and starting a war, it's a burden that the world—and especially Main Street USA—can handle.

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