



Escalation: Recent Events Suggest Mounting Economic Danger

Description

A common refrain from people who are critical of alternative economists is that we have been predicting crisis for so long that “eventually we will be right.” These are generally people who don’t understand the nature of economic decline – It’s like an avalanche that builds over time, then breaks and quickly escalates as it flows down the mountain. What they don’t grasp is that they are in the middle of an economic collapse RIGHT NOW, and they just can’t see it because they have been acclimated to the presence of the snow and cold.

Economic decline is a process that takes many years, and while you might get an event like the market crash of 1929 or the crash of 2008, these moments of panic are nothing more than the wreckage left behind by the great wave of tumbling ice that everyone should have seen coming far in advance, but they refused.

In 2022 the job of warning people is far easier than it used to be because we are well past the midpoint of the process of decline. But, believe it or not, I still get people today who claim that we analysts are “doom mongers.” The power of willful ignorance is truly amazing. It’s enough to make a person blind to stagflationary crisis, supply chain disruptions, quickly inflating prices, stock market carnage, bond market instability, record consumer debt, and international conflict.

At this point, I think if a person can’t see the dangers ahead they are probably a waste of time and space and are destined to be buried in the ice; there’s nothing that can be done for them. Yes, there are some people out there that don’t get exposed to the information and we have to take them into account, but my priority will be people that are awake and aware and try to give them a sense of what point in the collapse process we find ourselves.

In the past month there has been a considerable uptick in economic and geopolitical activity that suggests we are entering a new phase, and not surprisingly it’s all accumulating right before we hit October. Here are the events that I find most concerning:

The European Energy Crisis

This is an event that I have been predicting since the Russian invasion of Ukraine and now it is upon

us. I wrote about it extensively in my recent article 'Europe Is Facing Energy Disaster And It's Going To Bleed Over Into The US' so I won't rehash all that information here. What I do want to point out is the complete lack of planning on the part of European officials to deal with the threat. It is as if they WANT a full spectrum disaster.

Russia has now completely cut off natural gas supplies to Europe, which represent around 40% of all EU energy resources. Europe's benchmark natural gas prices spiked by 28% a week ago, on top of already existing inflation. Oil supplies are also in steep decline for Europe and the EU government has pledged to cut what's left of Russian oil imports by sea at the end of the year. Sadly, they have offered very little in the way of solutions to the supply-side problem.

There has been talk of increasing imports of alternative resources from other nations, but the EU is already buying up around 75% of all liquid natural gas from the US. OPEC oil producers have indicated they will not be attempting to increase production anytime soon (probably because they can't due to inflation in operation costs). There is NO backup energy resource for Europe; it doesn't exist right now. They will try to buy up whatever coal, oil and gas they can find on the market while driving up prices even more for other countries. They will still come up short, which means people are going to freeze this winter.

Best case scenario is that there are mostly mild temps and people barely scrape by with minimum heating. But EU industry is going to suffer and many manufacturers are going to cut production (which mean more stress on the global supply chain).

Core Inflation Is Still Rising

As I warned last week in my article 'It's A Fact That Needs Repeating: The Federal Reserve Is A Suicide Bomber,' inflation is continuing to rise despite the Fed's continued interest rate hikes, giving the central bank even more ammunition to justify higher rates into extreme economic weakness.

The latest CPI print showed an increase to 8.3% and was a shock to markets which universally expected a drop. This is the nature of stagflation – Even with falling demand prices continue to climb or remain high for extended periods. The stagflation event of the 1970s lasted for a decade until the Fed jacked rates to 21% and then employment crumbled in the early 1980s.

This doesn't mean that rates will go to 21% this time; they don't need to. All it would take is a Federal Funds Rate of around 4% – 5% to crash our current QE addicted system. A 75 bps rate hike is now widely expected at the next Fed meeting this month, with some predicting a 100 bps hike. This would put us close to crash territory for markets and for employment, though I think we still have well into 2023 before unemployment really starts to spike.

Putin's Meeting With Xi

As I write this, Vladimir Putin is set to meet with China's Xi Jinping and the nature of the conference is not clear. There are the obvious points of agreement such as China's continued purchases of Russian oil and other commodities, as well as the ongoing plan to build a pipeline to China by 2025. There is also strategic cooperation which is evident in the recent naval exercises between the two nations around Japan and Taiwan.

The timing of the meeting is concerning to me, because the prime season for a potential Chinese invasion of Taiwan is fast approaching (October is the best month for naval movements to avoid typhoons). China would not necessarily need to commit to a ground invasion, either. They could simply cut off all import/export trade from any source other than China and starve Taiwan until they accept unification.

There is also the issue of Ukraine and arms sales. With the amount of propaganda coming from Ukrainian Intelligence and NATO, it's hard to say what is actually happening, but I suspect Russia is changing strategies and repositioning to deploy missile and artillery bombardment of infrastructure, including power grids and water. This is a tactic that Russia has avoided for months (until this week), which is surprising because one of the first measures usually taken by the US during an invasion is to eliminate most key infrastructure (as we did in Iraq). You would think Russia would have done the same, but perhaps they were saving that scenario for winter when it is harder for Ukraine to cope.

This would make Ukraine essentially unlivable in the coming winter for most of the population. Putin may be seeking to ensure China remains a steady economic partner should geopolitical pressures increase. They may even be making a deal of mutual support: China takes Taiwan while Russia makes Ukraine a resource wasteland and they each support the other economically when NATO counties try to impose sanctions on China. We probably won't know until October, but the timing of the meeting should raise eyebrows.

If the manure is about to hit the fan in Taiwan along with Ukraine, then diplomatic and economic ties will be severed and western access to China's manufacturing will be cut. This is a problem for China's economy, certainly, which may be why they have continued their mass covid lockdowns well after every other government has abandoned them. Could this be practice for civil controls in an impending war environment?

China's global dominance in imports/exports gives them considerable economic leverage in trade, however. Many nations would not support sanctions against them. Also, their vast holdings of US dollars and Treasuries could be used as a weapon to damage or destroy the dollar's world reserve status. If China invades Taiwan this year, then all bets are off – The economic decline will move swiftly from that point on.

There are many other trends which factor into the crash environment but the above factors are the most recent and hold the biggest potential for causing a domino effect globally. The question that always arises is "what can we do about it?" Not much in terms of prevention. What we can do, though, is prepare locally to weather the storm. This means stocking necessities before they rise even further in price or become non-existent. Become a producer and learn a valuable skill for survival in a depleted economy Organize with people locally who are on the same page to create security and alternative trade opportunities.

Hopefully, the aware citizenry will rise to the challenge and organization will be extensive, because the worst case scenario would be great masses of completely isolated people all vying against each other rather than working towards mutual security. Even in a slow collapse scenario this is a problem in terms of rising crime; so plan on working with others if you want to avoid inevitable third world conditions.

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Category

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