



Rickards Exposes Globalism's Achilles' Heel

Description

USA: Supply chain disruptions have not been resolved, and it's not clear when they will be. You're seeing the effects of these disruptions at the store in the forms of shortages and higher prices.

Yet the supply chain is a subject that very few are familiar with beyond a superficial acquaintance.

Most people think the supply chain is just part of the global economy. That's not entirely true. **The supply chain *is* the global economy.**

There isn't a single good or service of any kind that does not arrive through a supply chain. Not one.

If the global supply chain is broken, then the global economy is broken. That increasingly appears to be the case.

The supply chain difficulties will grow worse. Even more troubling is the fact that the remedies will take years and sometimes decades to implement.

The reasons for this have to do with long lead times in implementing onshoring. For example, the U.S. can cut its dependence on Asian semiconductor imports by building its own semiconductor fabrication plants (fabs).

The problem is that these plants take from three–five years to build, and the scale needed is enormous.

There are impediments to supply chain recovery that are not directly related to particular supply chains that nonetheless hurt the process of adaptation and substitution.

For example, there's already a labor shortage in America. The causes are complicated.

There's no literal shortage of potential workers, but many workers prefer to stay home because of some combination of government benefits, child-care responsibilities or inadequate pay offered by employers (who can't afford to pay more themselves because they'll go out of business).

A lot of this labor shortage centers on lower-wage jobs such as waiters, store clerks, fast-food staff and office assistants. But there will be a labor shortage coming soon in more high-skilled areas such as engineers, pilots, machinists and medical personnel.

This shortage will not be due to low pay, but to vaccine mandates.

President Biden has ordered that all federal contractors must be fully vaccinated by Jan. 18, 2022. (That's in addition to federal workers and the military who are already subject to vaccine mandates and have no choice).

The vaccinated rate among federal contractors is actually lower than the country as a whole. The national vaccination rate is approaching 70%, while the federal contractor rate is closer to 60%.

It's even lower in some specialties such as avionics.

These workers know the vaccine is available, understand the risks (both ways because of side effects) and have chosen not to be vaccinated. It's almost impossible to change their minds at this point.

Though the courts have blocked the mandate, the Biden administration is not backing off. The federal contractor workforce is huge, in the millions. We expect a massive wave of resignations and terminations among highly skilled workers if the administration gets its way.

Professionals and high-value-added blue-collar workers from Boeing to Textron and hundreds of thousands of other firms will be fired or will quit.

The U.S. economy is already weak. The supply chain is already in disarray. This mass termination of skilled contractors could put the economy into a recession.

Some analysts have even suggested that the global supply chain is being sabotaged by major participants such as China to hurt Western economies for geopolitical reasons.

It's difficult to tell if the supply chain is being intentionally sabotaged or whether it's just collapsing under its own weight. Possibly both.

In a way, it doesn't matter because anything as complex and as highly scaled as the global supply chain will always collapse; it's just a question of when.

For 30 years, the goal of supply chain management has been efficiency, usually defined as the elimination of redundancy, inventory and latency (more on that below). That's fine in the short run but it results in a system that is brittle and has no tolerance for even small disruptions.

The nature of complex systems is that small causes have tremendous impacts to the point of total collapse.

It is possible that one or more parties chose to disrupt the system intentionally without realizing how vulnerable the entire system really was. This combination of intentional acts and unintended consequences is a staple of history, including the outbreak of World War I.

Once the implosion begins, it's very difficult to stop.

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1. Health-Wellness-Healing-Nutrition & Fitness
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3. Opinion-Comments
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