

## Unprecedented Convergences Creating Systemic Crises

*How many people do you know-*

- *Who are facing bankruptcy?*
- *Have had their property foreclosed on?*
- *Have no health insurance?*
- *Have or are at risk of losing their job?*
- *Have seen their pension or retirement disappear or reduced by 50 percent?*

*Did you know that 1 in 33 families will be in foreclosure; 1 in 6 have no health insurance or that there are more bankruptcies than people graduating from college?*

Everyday in the paper we continue to read about more and more unprecedented or nearly unprecedented events. In June the Dow Jones Industrial Average collapsed more than in any June since 1930 during the Great Depression; stalwart companies in the automotive industry, financial industry, building industry, mortgage industry, and airline industries as have seen their stock prices decline 60-70 percent; year to date corn commodity prices are up 60 percent, Brent crude oil is up 40 percent and natural gas prices are up 70 percent. Meanwhile, every day nearly 5,000 or more Americans lose their jobs, 8,000 more have their home foreclosed, and the national debt (currently at \$9.4 Trillion) increases by \$1.3 billion a day. According to the former head of the GAO, David Walker, the total liabilities of our nation and citizens is over \$53 trillion dollars. That is over \$176,000 for every man, women and child in America.

And this is barely scratching the surface. What is going on here? How did we get into such a mess?

It can all be simplified by a few simple points: (1) we have a failure of **national** leadership to make difficult and bold choices – those poor decisions have primarily been related to financial responsibility and in developing a coherent national energy policy, (2) we have a crisis in ethics and trust – people failing to exercise integrity, transparency, and just plain ethical and moral virtues that resulted in incredibly poor lending practices and finally, (3) we live in a country with far too many people are living far beyond their means spending and borrowing to fuel a consumer mindset that has put them in so much debt that they will spend 10 years or more trying to pay it off.

The big problem, the really big problem, is that there has been a convergence of unprecedented factors that have created a long-term systemic problem. My friends America is in deep trouble.

Those unprecedented convergences include:

1. **3 Billion people born in ten years:** Our new world, born in 1995 with global systems and the Internet, began to walk in 2000 and before we knew it was alive, was sprinting by 2005. The primary reason for the explosive growth is because multinational companies modernized the east when technology and telecommunications created global access. This opened the world for three billion new people and now we are running out of fuel and electrical power - in cities across every country, on every continent. The future of energy is looking like a perfect storm, created by a ten year old global economy, swirling so fast that it is sucking us into a dark abyss where a convergence of industries and countries compete for the last available crane, rig, platform, pipeline, skilled welder, offshore crewman, steam turbine, or tanker filled with crude.
2. **Scarce Commodities:** these newly modernized three billion people now want what the west has - cars, homes, new cloths, electronic gadgets and more. This massive increase in global demand has caused crude oil to quadruple, gold and corn futures to tripled, and caused the world fuel tank, food pantry and water bottle to be running on empty or projected to be.
3. **Out of Control Inflation:** In countries around the world, inflation is soaring - in Singapore it is over 7 percent, in China, India and dozens of other countries it is running at double-digit rates. This is the result of a basic law of economics - too many people are chasing too few products and services.
4. **Shortage in Critical Skills.** With all this demand for new products and services there is a huge shortage of critical skills and individuals with the education to meet the rapidly growing demand for basic jobs that build the infrastructure.
5. **Financial Crisis:** The subprime mess has created a financial liquidity crisis. You cannot sell an asset thirty times over in complicated hedges, swaps and insurance deals and expect the market to survive when the underlying asset was sold to someone who cannot afford it.
6. **Real Estate Crisis:** The real estate crisis is separate from, albeit caused by financial irresponsibility. The huge drop in market prices, coupled with increasing inventories and lost jobs, lost income and increasing lending rates is going to cripple the United States for a decade.
7. **Energy Crisis:** I can write for three months on this. Visit my other blogs and articles or listen to those shows but the fundamental issue has nothing to do with the amount of reserves we have, or speculators, or filling the strategic petroleum reserve. We cannot make it as fast as we need it and we cannot replace the reserves as fast as they are being depleted.
8. **Aging Population of Baby Boomers.** These people (and that includes me!) are in trouble. Our peak earning years are over and our retirement accounts, home prices, stock accounts and pension plans are shrinking fast. On top of

- this, the United States has no way of funding social security or the Medicare and Medicaid programs.
9. **US Net Debtor.** Our ability to pay our national debt is about zero. According to the former head of the GAO, David Walker, the total liabilities of our nation is over \$53 trillion dollars. That is over \$176,000 for every man, women and child in America. Thirty years ago we were a net creditor.
  10. **Personal cash flow.** Each household is like a mini bank – we have money coming in, money going out and assets. In the last ten years median income has been flat, money going out in the form of consumer prices has increased 28 percent and we are now faced with 71 percent more household debt, 68 percent more national debt and all our assets are dropping precipitously.
  11. **Eco-system (air, land, water) change.** In a future show in July, we will talk about the major challenges facing mother earth, including food scarcities, water depletion, deforestation and desertification. The challenges for producing the very stuff we need to survive, food and water, will continue to drive up the prices of everything as the cost for providing food and water will continue to increase, as will the cost of energy to make it happen.