

Crisis of Capitalism? Two Missing “Black Swan” Events

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The present status quo of the world reflects neither calm nor confidence. It has become highly charged and the natural human hegemonic tendencies have kicked into high gear for the final battle between the ‘uni’ and ‘multi-polarists’.

The world is already in an undeclared war, both kinetic and economic, pitting the behemoths of the West against those of the East. The smaller nations are being induced by hook or crook to side with one or the other and no one is allowed to sit on the fence.

Politically, there are running wars in Syria, Ukraine, Libya, Yemen Somalia, Afghanistan, etc., all of which can escalate to encompass a wider array of opponents. There are increasingly belligerent threats of war against North Korea, Iran, Venezuela, Cuba, etc., all of which can easily get out of control. And lastly, the rising adversarial tensions between the USA, Russia, China, Turkey, Greece, NATO, Ethiopia, Egypt, etc. are becoming more dangerous by the day.

Economically, there is a running trade war between the USA and China, economic sanctions on Russia and others and everyone is overloaded with unpayable debt flimsily supported by inflated assets and stock markets – verily an unstable house of cards. Now, the threat of economic and financial collapse and/or recession is becoming evident everywhere.

But wars are expensive and consume a lot of treasure, which necessitates the propping up of economies to generate more taxes, increase public borrowing and inflate assets creating dangerous bubbles. Governments can get away with such chicanery by lulling their citizens into a false sense of prosperity and comfort; encouraging them to happily continue their exuberant consumption with total disregard for their governments’ deeds.

What Happened?

The chickens have finally come home to roost, and the only thing missing was a “Black Swan” event (or two), which providence duly supplied.

The first event was the Corona Virus epidemic COVID-19 erupting in China and upsetting the smooth running of the world’s primary workshop and exposing the impracticality of the presently envisaged concept of Globalism. COVID-19 is now making its rounds amongst the nations of the world and its final outcome and the extent of damage to societies and economies appear gloomy.

The second event was the supposed disagreement between Russia and Saudi Arabia on how to tackle the foundering oil prices.

Saudi, already unhappy with the persistent decline in global oil demand, realized that the COVID-19 was rapidly aggravating this decline. It had two options; either to decrease OPEC+ oil production beyond the cuts that were already in place, or increase production to flood the market and crash prices to drive out US Shale Oil production and dramatically reduce world supply. But as it had tried this tactic in 2014/15 and was badly burned, it opted for the less risky option of reducing its own supplies and those of the OPEC+ members.

Russia, on the other hand, viewed cutting OPEC+ supplies as ineffective especially beyond the very short term as well as contradicts its strategic priorities. Also, it had seen how the previous attempts to cut production only resulted in the loss of its market share to the US Shale producers and thus had no intention of repeating that mistake. Additionally, it assessed that the Shale producers were not only financially weak, but many were literally bankrupt, or close to it, which makes it an opportune time to deal them the crippling blow that Saudi attempted a few years earlier, especially in light of the current financially turbulent and economically weaker US and Western economies.

Saudi retorted by reversing its policy and went beyond Russia's vision. It began flooding the oil market by cutting prices and threatening to increase its production from approx. 9.8 million barrels per day to approx. 12-13 million barrels.

While this has been interpreted as a disagreement with and a rebuff to Russia, it actually seems to be in line with Russia's stance of undermining the Shale producers but in a more acute manner.

In fact, this aggressive approach could have a greater impact and dramatically shorten the time for Shale's partial or full demise and thus, reduce the risk of extended economic damage to both Russia and Saudi.

Of course, the US government may attempt to counter such moves by throwing cheap credit/money at the Shale producers and there are rumors of a US\$ 1 - 1.5 Trillion lifeline for all sectors negatively affected. Alternatively, it can pressure Saudi to stand-down and return to a policy of restricting OPEC's oil production. As a last resort, the US could block all oil imports into the US to keep local US prices sufficiently high for the Shale producers' survival, but this would be reckless and would generate a lot of internal American ill-will towards the government, especially in an election year. Of course, it can always use its well-tested bag of tricks and sanction specific oil producers (guess who?).

Possible Outcomes

The Russian/Saudi foray has already depressed oil prices and is likely to lower them further in the hope of knocking out Shale and raising prices. But this will take some time and the interim dangerous time lag could trigger total turmoil in the financial markets (equities, derivatives, debt, currencies, etc.) and pop one bubble after the other. The ensuing collapse would be global and would be difficult to rebuild.

Where would the enormous funding needed for rebuilding come from? Everybody is up to their eyeballs in debt, which leaves the money printing presses and helicopter money as the only tools available - other than global war.

And assuming that we are spared by providence from a global war, rebuilding 'the rise from the ashes' is unlikely to replicate the existing unfettered predatory capitalistic model. The

collapse would have inflicted so much pain and destruction on people, societies, and institutions that they are unlikely to remain quiet if the elites attempt to follow the same blueprint.

We may be on the threshold of a new era and a different sociopolitical model; Capitalism v2.0, Socialism v2.0 or even Soc-Cap v.1.5. Accordingly, the weaker and/or poorer people and nations should be aware (woke) so as not to be beguiled again and, if necessary, be ready to stand up and speak their minds despite the likelihood of being trampled by the elephants.

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