

Red Alert: Global Systemic Economic Crisis

Recession, Geopolitical Tensions, Insolvency...

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September-October 2012: When the trumpets of Jericho ring out seven times for the world before the crisis

The progression of world events unfolds in accordance with the anticipations mapped out by LEAP/E2020 during these last few quarters. Euroland has finally come out from its political torpor and short-termism since François Hollande's election (1) as France's president and the Greeks have just confirmed their willingness to resolve their problems within Euroland (2) thus contradicting all the Anglo-Saxon media and Euro sceptics' "forecasts". From now on, Euroland (in fact the EU minus the United Kingdom) will therefore be able to move forward and create a true project of political integration, economic efficiency and democratization over the 2012-2016 period as LEAP/E2020 anticipated last February ([GEAB N°62](#)). It's positive news but, for the coming six-month periods, this "second Renaissance" of the European project (3) will really be the only good news at world level.

All the other components of the global situation are in fact pointed in a negative, even catastrophic, direction. Here again, the main media are starting to echo a long-standing situation anticipated by our team for summer 2012. Indeed, in one form or another, more often on the inside pages than in big headlines (monopolized for months by Greece and the Euro (4)), one now finds the following 13 topics:

1. Global recession (no engine of growth anywhere / end of the myth of the "US recovery") (5)
2. Growing insolvency of the Western banking and financial system and henceforth partially recognized as such
3. Growing frailty of key financial assets such as sovereign debts, real estate and CDSs underpinning the world's major banks' balance sheets
4. Fall off in international trade (6)
5. Geopolitical tensions (in particular in the Middle East) approaching the point of a regional explosion
6. Lasting global geopolitical blockage at the UN
7. Rapid collapse of the whole of the Western asset-backed retirement system (7)
8. Growing political divisions within the world's "monolithic" powers (USA, China, Russia)
9. Lack of "miracle" solutions as in 2008 /2009, because of the growing impotence of many of the major Western central banks (Fed, BoE, BoJ) and States' indebtedness
10. Credibility in freefall for all countries having to assume the double load of public and excessive private debt (8)
11. Inability to control/slow down the advance of mass and long-term unemployment

12. Failure of monetarist and financial stimulus policies such as “pure” austerity policies
13. Quasi-systematic ineffectiveness henceforth of the alternative or recent international closed groups, G20, G8, Rio+20, WTO,... on all the key topics of what is no longer in fact a world agenda absent any consensus: economy, finances, environment, conflict resolution, fight against poverty...



Major indices (stock exchanges and oil) in May 2012 – Source: MarketWatch, 06/2012

According to LEAP/E2020, and in accordance with its already timeworn anticipations, just like [Franck Biancheri](#) from 2010 in his book “[The World Crisis: The path to the World Afterwards](#)”, this second half of 2012 will really mark a major inflection point of the global systemic crisis and the answers to it.

In fact, it will be characterized by an event which is very simple to understand: if, today, Euroland is able to address this period in a promising fashion (9), it's because, these last few years, it has gone through a crisis of an intensity and depth unequalled since the beginning of the European construction project after the Second World War (10). From the end of this summer all the other world powers, led by the United States (11), will have to face an identical process. It's at this cost, and only at this cost, that they will subsequently, in a few years, be able to start a slow recovery towards the light.

But today, after having tried all means of delaying the payment on the due date, the hour of payment arrives. And, as with everything, the ability to put off the inevitable comes at a high price, namely the bigger shock of adjusting to the new reality. In fact, it's a question of the endgame for the world of before the crisis. The seven blasts of the trumpets of Jericho marking the September-October 2012 period will cause the “Dollar Wall's” last sections and the walls which have protected the world as we know it since 1945 to collapse.

The shock of the autumn 2008 will seem like a small summer storm compared to what will affect planet in several months.

In fact LEAP/E2020 has never seen the chronological convergence of such a series of explosive and so fundamental factors (economy, finances, geopolitical...) since 2006, the start of its work on the global systemic crisis. Logically, in our modest attempt to regularly publish a “crisis weather forecast”, we must therefore give our readers a “Red Alert” because the upcoming events which are readying themselves to shake the world system next September/ October belong to this category.



American household % change in median and mean net worth (2001-2010) (dark green: median / light green: mean) – Sources: US Federal Reserve, 06/2012

In this GEAB issue, we expand on our anticipations for seven key factors in this September-October 2012 shock, the seven blasts of the trumpets of Jericho (12) marking the end of the world before the crisis. Four Middle Eastern geopolitical factors and three economic and financial elements are involved at the heart of the coming shock:

1. Iran/Israel/USA: The war too far will really happen
2. The Assyrian bomb: the Israeli-American-Iranian match put to the Syria-Iraq powder keg
3. The AfPak chaos: the US army and NATO, hostages in an exit from an increasingly difficult

conflict

4. The Arab Autumn: the Gulf countries swept away in the turmoil.

5. United States: « Taxageddon » will begin from summer 2012 – The US economy in free-fall by autumn

6. Major bank insolvencies due in September-October 2012: The City-Wall Street version of Bankia

7. The untenable irresponsibility of QE in summer 2012 – the US, British and Japanese central banks out of the game

In addition, we expand on our clear recommendations on how to minimize the impact of the shock in preparation on one's own situation whether an individual or a business or public service decision maker. We also offer this month's GlobalEurope Dollar Index.

Finally, LEAP/E2020 announces the resumption of its political anticipation training next autumn, which will henceforth take place on line to satisfy the demand coming out of the four corners of the planet. If GEAB is a "fish", an end product of anticipation, with this training, we hope to teach a growing number of people to "fish" for direction in the troubled waters of the future. Because hopes that the endgame of the world before the crisis leads to the building of a better world after the crisis, it seems essential to us to build the anticipation capacities of as many people as possible. In fact, it's this absence of anticipation which for the most part has caused the mistakes at the current crisis' origin.

This training will be organized in partnership with the non-profit Spanish foundation FEAP (Fundacion por Educacion E Formacion has Politica Anticipation) recently set up thanks to a donation from Franck Biancheri (13).

Notes:

(1) Henceforth discussions, salutary especially if they are frank and wide-ranging, will be concerned with the long-term average, political integration and the new institutions needed. By the end of summer, the evidence that the Euroland dimension is core will prevail and make it possible to circumvent the difficulty of the 27 country institutions which are in such a state of decay and British omnipresence today that it's not possible at this stage to entrust them with the important task of setting up Euroland governance. The Holland-Merkel problem sticks much closer to this reality than a "common institutions" divergence or "intergovernmental approach". The Brussels institutions also belong to the world before the crisis and are unfit to found the Europe of after the crisis. Sources: [Deutsche Welle](#), 11/06/2012; [Spiegel](#), 06/05/2012; [El Pais](#), 10/06/2012; [La Tribune](#), 10/06/2012

(2) Who, in exchange, will make the country's difficult adjustment after 30 lost years within the EU more tolerable, lost because they were wasted without any modernization of the Greek State at stake. Source: [YahooNews](#), 18/06/2012

(3) [MarketWatch](#), 14/06/2012 is even predicting Switzerland's inevitable integration in Euroland... as LEAP already did some time ago.

(4) As diversion strategies oblige!

(5) Sources: [Bloomberg](#), 15/06/2012; [Albawaba](#), 12/06/2012; [ChinaDaily](#), 05/06/2012; [CNNMoney](#), 11/05/2012; [Telegraph](#), 04/06/2012; [MarketWatch](#), 05/04/2012

(6) Source: [Irish Times](#), 12/04/2012; [CNBC](#), 08/06/2012

(7) Sources: [WashingtonPost](#), 11/06/2012; [Telegraph](#), 11/06/2012; [TheAustralian](#), 15/06/2012; [Spiegel](#), 06/05/2012; [ChinaDaily](#), 15/06/2012

(8) In two years, there has been disarray in the world diplomatic diary.

(9) On this subject, LEAP/E2020 anticipates questions of defence being introduced into the middle of the political integration debate. Just like the Euro was created at the centre of a complex agreement involving strong French support for German unification against the pooling of the Deutsche Mark, the political integration which emerges will involve the “German signature” pooling in return for a form of pooling (at least for the Euroland core) of the French nuclear deterrent. The French leaders will thus discover three things: that the security/defence issue is a major concern for their Euroland partners contrary to appearances (in particular due to the fact of the rapid loss of credibility in US protection), that there is no reason that a complex and difficult debate should be sparked off by this new phase of integration in Germany alone (France also will have to get involved), and finally that public opinion is not against this kind of very practical approach unlike incomprehensible legal texts (as in 2005). As regards defence, we are already seeing a major change: France is turning away from any significant partnership with the United Kingdom without proclaiming it high and low to focus on co-operation with Germany and the continent’s countries. The fact that the United Kingdom always promises and never keeps to its commitments as regards European defence (latest: the joint aircraft carrier development is called into question by the British decision not to adapt its aircraft carrier to accommodate French aircraft) has been finally analyzed for what it was, namely an uninterrupted attempt to prevent the emergence of a European defence. And the drastic reductions in British defence capabilities for budgetary reasons, have made it an increasingly less attractive partner. Sources: [Monde Diplomatique](#), 15/05/2012; [Telegraph](#), 06/06/2012; [Le Point](#), 14/06/2012

(10) A shock amplified in collective European and world psychology by the Europeans’ incapacity during this period to prevent itself from being used by City and Wall Street media wise, in order, on one hand, to, divert attention from their own difficulties and, on the other, to try and “break” this emerging Euroland which was jostling the post-1945 established order.

(11) A country which has seen its inhabitants’ wealth reduced by 40% between 2007 and 2010 according to a recent US Federal Reserve study. A reminder that, in 2006, when we explained in the first GEAB issues that this crisis was going to cause a 50% fall in American households’ wealth, most “experts” considered this anticipation totally absurd. And that’s for 2010. As we have said, US households can expect a further fall of at least 20%. This reminder aims at stressing that one of the greatest difficulties of anticipation work is the immense inertia of opinion and the absence of experts’ imagination. Each reinforces the other to give the impression that no major negative change is just round the corner. Source: [WashingtonPost](#), 11/06/2012; [US Federal Reserve](#), 06/2012

(12) For more information on the story of the trumpets of Jericho: see [Wikipedia](#)

(13) It must be one of the very rare players to have brought money into the Spanish banking system these last few weeks. Proof of a convergence between analysis and action.

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