

"HEADS UP!" Financial Emergency!

A Report on the US Economic Picture

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Abstract

This article is a wake-up call to the severity of the economic crises the US faces and some ideas on how to respond.

Part 1) The current economic crises facing the United States.

Part 2) The compounding effects of resource depletion, peak oil and climate change.

Part 3) Some solutions and pathways forward.

Part 4) A list of recommended internet resources.

Introduction

The information in this article will not be new to people who keep an eye on these things. But for most Americans this article will contain new and disturbing information. This is because current mass media doesn't talk about these things. The severity of the crises which face us are deliberately being withheld from the public. This is to keep the population lulled and misled as much as possible. The controllers don't want mass panic. They also don't want people to demand meaningful change.

Part 1 The Economic Crises

As we go into 2008, it is becoming clear that the economy is getting shaky. Inflation has been increasing, real wages are declining, food prices have risen steeply, unemployment and mortgage foreclosures are increasing, and we are in the beginning stages of a recession that many are predicting will develop into a severe depression. All this affects people at the lower end of the financial spectrum first and hardest, but over time increasing numbers of the middle class will be affected as well. Family and local food security will become very important issues.

Worldwide, almost everyone who studies the global economy expects the US dollar to drop in value dramatically in the near future. The value of the US dollar has been shrinking ever more rapidly in the last few years. The value of the US dollar dropped by 23 percent against a trade-weighted basket of currencies between 2002 and 2007.

The value of the dollar has gone down 32% in value since 2001. Now it is expected to lose an additional 25% to 50% of its value.

Worldwide, almost everyone who studies the global economy knows that the US has entered a recession. The question is whether the decline is temporary or permanent?

A full-blown, prolonged recession in the United States is now inescapable, with the rest of the world set to be dragged into a severe slowdown despite this week's emergency cut in US interest rates, leading economists said at the recent Davos economic summit.

A recession is defined as a decline in a country's gross domestic product (GDP), or negative real economic growth, for two or more successive quarters of a year. A depression is a severe downturn in economic activity. These are considerably worse than recessions.

Two things are clear: 1) Inflation will dramatically increase in the US; and 2) US imports will decrease. Both mean that US citizens (most of them) will have to tighten their belts.

In 2007: ". . . the dollar fell 12% against the euro, 15% versus the Canadian dollar, 10% versus the Swiss franc, 8% against the pound and 7% versus the yen. Import prices as a result rose 11.4% and the PPI was up 7.2%. Official inflation was 4.3%, but our numbers show 11.6%." <http://theinternationalforecaster.com/item.php?topicId=2&articleId=223>

The only people who haven't been talking about this are the federal government, Congress, Wall Street and the US mainstream media (with some exceptions). George Bush made a recent speech saying that the US had a sound economy. Not to worry.

One example of a US official who is sounding the alarm is David Walker, the Comptroller General of the US GAO (Government Accounting Office). He is traveling around the US warning people on what he calls a "Fiscal Wake-Up Tour." You can go on line and see interviews of him on YouTube. Here are two of them:

GAO: "USA is living beyond its means"
www.youtube.com/watch?v=KjZBOCAgR64&feature=related

"The survival of the republic is at stake." David Walker
www.youtube.com/watch?v=QxoP_9W6FC8

A deep recession in the US would affect all the world's economies to one extent or another. All the other countries are trying to figure out how to minimize their damage. Russia's central bank has announced it is ready to weather the storm. Russia is the world's 2nd largest oil exporter after Saudi Arabia, so it is in a better position than most countries to weather an economic storm. It is widely hoped in global economic circles that consumer demand in India, China, South America, etc will substitute for the soon-to-arrive, reduced US consumption rates. The term often used is "decoupling" from the US economy. What this means is that the US is getting to get a smaller slice of the world's production pie.

The prestigious Saxo Bank in Denmark recently predicted that there will be an international financial crisis in 2008. The US economy would shrink 25% and China's would shrink 40%. Oil will hit \$175 a barrel. Saxo has a good track record in its predictions.

No one seems to know exactly what will trigger the anticipated crash, or when. Something akin to "Black Tuesday" which triggered the start of the Great Depression. Around the world people are waiting for the other shoe to drop. The subprime housing collapse being the first shoe.

Here is a list of US financial problems from Mike Shedlock.

Problems Bernanke Faces

- * Falling real estate prices
- * Subprime housing mess
- * Alt-A mortgage mess
- * Pay Option ARM mess
- * Sharply rising unemployment
- * Rising credit card defaults
- * Commercial Real Estate implosion
- * Global wage arbitrage
- * Falling US dollar
- * Overheating China
- * Slowing global economy
- * Tapped out consumers
- * Implosion of \$500 trillion in derivatives
- * Solvency issues at banks
- * Forced unwind of massive Yen carry trade
- * Boomer retirement
- * Pension plan assumptions in an economy starving

for yield

- * Rising corporate defaults

<http://globaleconomicanalysis.blogspot.com>

"Now here are your fundamentals: the credit markets are frozen, the real estate markets are virtually dead with record levels of inventory, much of it vacant, continuing to deteriorate, ARM and pick-a-pay mortgage payments on hundreds of billions in mortgages are about to adjust to unaffordable levels for millions of borrowers, defaults on all types of debt are starting to skyrocket including prime customers, consumer spending and confidence are both decreasing rapidly as hyper-stagflation begins its reign of terror, state budgets are running massive deficits and some are near bankruptcy, inflation is over 11% (officially 4.1%), M3 is about 16% (officially unpublished), unemployment is 15% (officially 5%) and growing as free trade, globalization, off-shoring and out-sourcing continue to decimate our better-paying job sectors, banks are writing off or writing down tens of billions soon to become hundreds of billions in subprime losses and bad mortgages and loans, a looming multi-tens-of-trillions mountain of potential derivative losses continues to threaten markets with a nightmarish thermonuclear meltdown, oriental stock markets are currently crashing while carry trades are unwinding,..." Bob Chapman.

<http://theinternationalforecaster.com/item.php?topicId=2&articleId=224>

The collapse of the U.S. subprime mortgage market has led to about \$146 billion of losses and markdowns at securities firms and banks since the beginning of 2007. Losses may exceed \$265 billion as regional U.S. banks, credit unions and overseas financial institutions write down the value of their holdings, Standard & Poor's said this week. Bloomberg.com

Bank Failures.

In 1933, 1/2 of all US banks failed. In 2008, several of the largest US banks are already known to be in financial trouble. It is possible that we will see a repeat of the 1933 bank failures.

Definition of Nonborrowed Reserves: Measure of banking system reserves, consisting of Total Reserves (member bank deposits in Federal Reserve Banks, plus vault cash), less funds borrowed (Borrowed Reserves) at the Federal Reserve Discount Window. The amount of non-borrowed reserves is computed weekly by the Federal Reserve.

Non-borrowed reserves of depository institutions (Commercial banks, credit unions, savings and loan associations, mutual savings banks, and federal savings banks.) fell suddenly from \$42 billion in November, 2007 to \$200 million in mid-January, 2008. Since then it has gone negative which has never happened before.

I suspect this means there is no money left in the banks. One writer said it was already starting to be a time lapse of a week to take funds out of certain types of institutions. Recently I read that for some types of securities it will be a half-year wait. If there was a run on the banks the federal government would have to declare a bank holiday.

Several years ago I was told that banks had already received instructions on how to handle a federal "bank holiday" No one could take money out of their accounts. No one could take anything from their safety-deposit vault without Homeland Security permission. All gold, weapons, cash and financial securities within the safety-deposit boxes could be seized.

Just in case you feel safe because you have a stash of gold in case of currency failure. Keep in mind that in 1933, the US federal government made it illegal for anyone to have more than \$100 worth of gold, with stiff fines and jail terms for offenders. People were ordered to turn in their gold for paper dollars.

The US public won't be happy about all this. Hopefully they will blame the real culprits, the financial elite. The financial elite and their media mouthpieces will try to shift the blame elsewhere. Possible scapegoats are China, Iran, terrorists, domestic terrorists, environmentalists, Mexican illegal workers, non-Christians, the people who couldn't make their house payments, and anyone else but the financial elite.

You all know the parable of the emperor who had no clothes. Today it seems we have an empire (US federal government) without any money. If we are bankrupt and

the US defaults on its debts to China, Japan, the oil sheiks and all the people in the world who had savings in their central banks. This will make pretty much everyone in the world even more unhappy with the US. On top of the Iraq war. Talk about a bad image problem!

"A recession is long overdue for the US economy to clean-out the malinvestments over the past two decade. The subprime financial and real estate bubble problems in the US Economy are entirely self-inflicted, not caused by foreigners. Capital has been massively misallocated into stupid Middle East wars and absurd McMansion housing that has destroyed millions of acres of productive farmland. The US should be raising interest rates for a "sound monetary currency" and to encourage savings which provide the base for long term productive business investment. A fiscal stimulus adding to the exploding US budget deficit is absolutely the wrong economic policy." Written by Dave Chiang on 2008-01-27.

www.rgemonitor.com/blog/setser/240082/

"His [George W. Bush] results in this respect have been catastrophic. The Treasury's fiscal deficit is the highest in the world, of its own making, and has grown the fastest – not only because of his taxation policies, but also for other reasons such as the imperialist policies in Iraq and Afghanistan and their 737 military bases throughout the whole world. Something similar to this caused the fall of the Roman Empire at the beginning of the second century." From a January 22, 2008 Argentina newspaper article by Fernando Del Corro.

Why this is happening. History

Here is my short, layperson's description of why the dollar will crash. At the 1944 Bretton Woods Agreements, the US dollar was made the world's reserve currency and oil had to be purchased in dollars. This was a sweetheart deal for the US since it required every nation to keep a large supply of dollars in their banks. This has been termed the "Special Privilege". In 1971 the US took the dollar off of being backed by gold and silver.

Subsequently the US started overspending its budget and started borrowing money. In recent decades the national balance of payments and federal government deficits have gotten worse and worse. The nation's debt has doubled since President George W. Bush took office. Bush recently increased the nation's debt limit (again) to \$9 trillion, mainly to finance the wars in Iraq and Afghanistan. The debt limit figure is nine times what it was 25 years ago. The US federal government now owes the equivalent of \$156,000 for every man, woman and child in the country!

It is obvious to the whole world that the US will never be able to pay these loans back. Yet the US keeps demanding that the world keep loaning it more money even though it gets further and further into this unpayable

debt. How would you react if someone owed you a bunch of money you know they will never pay you back and they come asking you for another loan? At some point you will stop giving them loans. This is the situation the rest of the world is in. They also realize that the US "bully" has the biggest military in the world, so they need to be delicate. US military spending is larger than the rest of the world combined.

Speaking of debt. Another factor in all this is the huge level of personal debt in the US because of the extending of easy credit and the recent housing bubble. All of the financial advisors I am reading are recommending going into this economic crisis debt-free if at all possible. This of course is impossible for many people. Individuals who bought homes which are now in foreclosure do have some personal responsibility to bear, but there is also no doubt that there has been lots of predatory loan policies by banks. The City of Cleveland is suing a group of the nation's largest banks for predatory loaning practices. The State of Ohio is also preparing a class action suit against the banks. People are getting fed up with the greed and arrogance of banks and Wall Street.

Not only is the US federal government borrowing heavily overseas to support its addictions and military adventurism, the feds are also borrowing heavily from the Federal Reserve. The Federal Reserve is owned by a private group of bankers. They have the sweetheart deal (given them by congress) that they can print money and loan it to the federal government with interest. These days they don't even print money. They electronically inject money into the banking system. Instant creation of money. Currently almost all governments (or their Federal Reserve equivalents) are busy creating new money. Some more and some less. Worldwide it is estimated that total new money creation in 2007 was 16%! This money creation causes inflation. The elite prints/creates free money and gives it to themselves. Everyone else has to work to get money and it is worth less every year. The current economic system is a rigged game.

Because the world is so awash in money, Wall Street and other financial exchanges around the world have come up with lots of ways to play with the money. Traditional ones like the stock markets and newer ones such as hedge funds, sub-prime mortgage bundling, credit derivatives, futures markets and ponzi-type schemes. Many of these systems are in the process of unraveling and as a result there are widespread losses in the financial sector and banks are having to write down billions of dollars in losses with no end in sight. George Soros, the famous financier, recently estimated that there could be \$45 trillion dollar losses in credit swap defaults alone. This is affecting not only finance businesses, but also businesses that make useful goods. This unraveling of the US financial markets is happening at the same time as the world is tired of loaning money to Uncle Sam or investing in a dollar that is rapidly losing value. They see that the US economy is about to take a big fall and they are trying to reduce their exposure.

What does that mean for the middle and lower classes in the US? Dramatic inflation, loss of purchasing power,

widespread layoffs, rising unemployment, falling value of houses and a decline in the standard of living. If that doesn't sound bad enough, we also face the threat of a totalitarian state. The laws (Patriot Act, etc) are on the books and are just waiting to be enforced. It remains to be seen if the American people will stand for it. The presidential candidate Dr. Ron Paul is a symbol of a current wave of public opposition to the powers that be.

Check out the photo at www.marketoracle.co.uk/Article2206.html to see what hyperinflation looks like in Zimbabwe.

53 million people received a Social Security payment during 2007. The federal government in its need for cash has spent all the money paid into social security. If the US federal government is bankrupt, this puts all current and future social security recipients at risk.

How does federally-backed health care fit into the situation. According to David Walker, Comptroller general of the GAO, the federal government's obligations for health care are 5 times greater than the baby-boomers social security benefits (which Walker says will be a tsunami of spending for baby boomers). Social security, health care and other safety nets will likely be gradually reduced or dismantled.

Pollution, environmental toxins in food, pesticides, pharmaceutical drugs, and the poor-quality food supply has led to an epidemic of ill health in the US. The American food supply may have been cheap for the last half century, but the consequent health costs makes our food supply much more expensive than it appears on the surface. Healthy food is part of the equation for a fiscally-sound society.

Inflation rates published by governments are a bunch of hooey and inflation is much higher than they claim. They deliberately do not include food and energy into their equations. Just ask people at the grocery checkout stand what the rate of inflation is and they will give you a much more accurate figure than the government or the leading, financial institutions.

If this dismal financial prediction comes to pass the sentiment against foreign workers will continue to grow. Mexicans, Hispanics and other ethnic groups may face increasing hostility in some parts of the US. This is very unfortunate because they are doing a lot of the "heavy lifting" in the US labor force. Especially it should be noted that they do the vast majority of agricultural work, both growing and processing. If they all stopped working, we'd be in serious trouble. Replacing them with newbie domestic workers would not go smoothly because it takes time to learn farming skills; and, let's face it, a lot of US people don't know how to do hard, physical labor. By and large, Hispanics are good assets to the communities they live in.

House values are predicted to keep sinking for years before they bottom out and turn around. Besides foreclosures, more and more people are abandoning their housing payments and walking away. "Remember the

catchphrase 'throwing away money on rent'? The bottom will come when people start bragging about the day they stopped 'throwing away money on an overpriced house'. Mish's Economic Global Trends Analysis.

"Given the scale of losses tied to the collapse of the housing bubble - the decline in real estate prices in coming years could cut household wealth by \$4 trillion to \$6 trillion, according to some estimates". CNN.

At one time economists thought that inflation and recession could not happen at the same time. It happened anyway. A new term was coined for it "Stagflation".

Who is responsible for the current economic mess?

"Central banks are designed to siphon wealth from the masses to the banks (and their owners) and to the corporations and government agencies (and hence to actual people) favored by the power elite. That is the true purpose of central banks; nothing more, despite the various official excuses for such institutions." Glen Allport.

At a recent hearing, Rep. Ron Paul, candidate for the Republican presidential nomination, said the Federal Reserve's policy of lowering interest rates in order to increase the money supply was little more than stealing from retirees whose savings are being threatened by inflation.

"There is now, finally, talk even in the Old Media (at least when Ron Paul is being interviewed) about ending the Federal Reserve and abolishing the hated income tax and the IRS. That would have been unthinkable even a year ago, and the noisily-approaching financial collapse is a big reason why it is thinkable today." Glen Allport.

"Another potential and related benefit is wider understanding of where the Old Media stands in this struggle, which is to say firmly on the side of evil. The shocking behavior of most of the Old Media outlets in their coverage of Ron Paul makes it very clear that the corporate Old Media favors the stances and worldview of their favored candidates: they (both the candidates and the media) are, with occasional exceptions to some part of this list, pro-war, pro-torture, pro-tyranny, pro-Drug War, pro-empire, pro-central bank, pro-fiat currency, pro-income tax, pro-government takeover of health care, pro-gun control, pro-secrecy, and in favor of basically anything that takes money and power away from the masses and gives it to the elite." Glen Allport.

"Regulating bankers' livelihoods to keep them from ruining everybody else's may seem like an attractive move". Even main stream press like the New York Times is suggesting that there be some sort of changes in how bankers are paid, such as longer term payment on long term performance, rather than large bonuses for short term profits. New York times Editorial. January 28, 2008. Should Bankers Pay for Their Mismanagement?

Special Privilege: How the Monetary Elite Benefit At Your Expense

Foundation for the Advancement of Monetary Education. 2001. 244 pages. By Vincent R. LoCascio.

The book, *Special Privilege* will (further) acquaint you with the following important facts:

1. Banks create money out of thin air and distribute it, unevenly throughout the economy, at interest.

2. The Fed is expected to combat inflation; instead it has allowed the dollar to lose 75% of its value in the last 30 years alone.

3. Using the accounting rules that apply to others, every money center bank has been hopelessly insolvent for over 20 years.

4. Financial bailouts --- by both the IMF and the U.S. government--- involve massive wealth transfers from ordinary taxpayers to the financial sector (mostly banks).

5. FDIC insurance coverage encourages money to flow into banks---particularly risky banks--- that otherwise would have flowed elsewhere in a free market.

6. While money creation always increases prices, some methods and patterns of distribution produce dramatic wealth transfers while others have no such effect.

7. The Fed was formed in 1913 to be a lender of last resort; yet, throughout the 1920s, banks failed at unprecedented rates and in 1933, 1/2 of all banks failed.

"Contrary to what we've been led to believe--by the media, the financial industry and most of our elected officials--the Federal Reserve is not really part of our government. It's a super-bank created in 1913 of, by and for private bankers.

Wikipedia reports, "The Federal Reserve System is a quasi-governmental/quasi-private banking system..." But if you dig deeper you find that The Fed is more private than governmental.'

"The Fed lets bankers issue debt, create money, set interest rates. In simple terms, wealth is created by physical work, innovation and social cooperation, whether it's growing food, making building materials or manufacturing jet planes. But a privately-controlled federal banking system allows much of our collective and individual wealth to be skimmed off by a select group who control our money supply, debt and interest rates."

www.goal1.org/onetownsquare/2007/09/days-of-dollar-hegemony-numbered/

Foreign ownership in the US

The huge amounts of dollars hemorrhaging out of the US for foreign loans and to purchase imports means that there are huge amounts of dollars held by institutions and individuals in other countries, notably China, Japan and Saudi Arabia. It has gotten harder to spend them elsewhere so many of these dollars are now being spent to buy shares in (or buy outright) US banks, corporations and assets. In particular, we have been seeing large buys into the US economy by sovereign wealth funds. The loose money policies of the last several administrations has led to much more foreign ownership of US assets.

"A **sovereign wealth fund** (SWF) is a fund owned by a state composed of financial assets such as stocks,

bonds, property or other financial instruments. Sovereign funds have existed at least since the 1950s, but their total size worldwide has increased dramatically over the past 10-15 years. In 1990, sovereign funds probably held, at most, \$500 billion; the current total is an estimated \$2-3 trillion and, based on the likely trajectory of current accounts, could reach \$10 trillion by 2012."

http://en.wikipedia.org/wiki/Sovereign_wealth_funds

At the end of the Roman Empire, Rome was invaded, sacked & looted. At the (seeming) end of the US Empire, the US treasury and citizenry have just been sacked & looted. Most US citizens don't even know it happened yet. But they will probably realize it soon.

So, get your financial affairs in order. Get as much useful items, seeds, etc on hand as possible. Band together with local friends to create support groups. Get ready to help the neighbors cope. I have just created a workshop on the permaculture approach to local food production. Hopefully it will lead to a permaculture, train-the-trainers curriculum so that as many people as possible can be trained in gardening. I thought we might have 2008 to put this together before the crunch happens. But at this point I am not sure. The economic changes outlined in this article may be gradual or dramatically fast. Time will tell.

We cannot rule out the possibility of another false flag event in the US like the World Trade Center. This would be used to justify martial law, suspension of elections and likely a restricted use of the internet. Another possible 'card up the sleeve trick' is for the elitists to stage a threat from UFOs/extraterrestrials, followed by global martial law.

Part 2

Resource Depletion

Perhaps the most basic, underlying reason for the faltering economic growth in the US and globally is that we have run into the facts of resource depletion, peak oil and climate change. Many people still do not see these connections. The natural resources to fuel an ever-growing economic boom do not exist. For instance, the world is on the downward slide from Peak Oil, Peak Food and Peak Minerals. The growth economy cannot resume no matter how much everyone wishes otherwise. We have used up and have destroyed much of the world's natural resources, there is still a fast-growing, world population and now the economy is going to collapse. Aspirin, anyone?

Peak Oil

When we talk about lack of resources to keep powering growth, oil is obviously a key factor. It appears that oil production peaked in 2006 since world oil production was lower in 2007 than in 2006 and it appears that all oil fields were pumping full bore. With oil production in decline, it cannot keep fueling the incredible growth the world has seen during the last half century. Already many

of the world's poor are priced out of using oil and (increasingly) the things that oil is used to produce, like food. Sub-Saharan African countries' oil imports have been declining as they get priced out of the oil market. People have been telling us for years that there would be big troubles after peak oil and now they are starting.

In 2006, the U.S. imported 1.6 million barrels per day of oil from Mexico, our second largest oil supplier after Canada. Also in 2006, Luis Corzo, CEO of Mexico's PEMEX, traveled to a U.S. Congressional committee hearing bringing bad news. Their huge oilfield, Cantarell, second largest in the world, had unexpectedly peaked and was "crashing"; its output falling by an irreversible 14% a year.

The Peak of World Oil Production and the Road to the Olduvai Gorge. Richard C. Duncan.

<http://dieoff.org/page224.htm>

Duncan takes a good look at energy per capita trends in the world. Most people just mention peak oil in terms of overall production. However Duncan points out that oil production per capita peaked in 1979 and has been declining since then. Duncan believes that industrial civilization will collapse by 2030. Here is a quote from the abstract to his article: "I believe, however, that the collapse will be strongly correlated with an 'epidemic' of permanent blackouts of high-voltage electric power networks - worldwide."

Interestingly, it is thought that a strong enough solar outburst could fry the high-voltage electric power networks as well as orbiting satellites. The Sun's output has been changing recently including record solar outbursts. They already shut down satellites when these big solar outbursts occur.

Climate Change

Economic systems are not divorced from the real world. Climate change is already having an impact on the world's ability to produce food as well as many affects on oceanic and terrestrial ecosystems, for instance: forest fires are increasing, coral reefs are dying, bigger storms, etc, etc. I have added just a few climate items here to illustrate the climate problems we face along with the economic problems detailed in this article.

The Great Coastal Gale of December 1-3, 2007.

I recently talked with a friend who lives on the Washington coast and experienced this storm first hand. This storm was as big as the continental US and was by many standards the largest storm to hit the Northwest since recording started in 1948. Winds were up to 140 mph! Wind measuring devices were destroyed in many places. These are Category 4 hurricane wind speeds. These are unprecedented wind speeds for the Northwest! 2006 and 2007 have seen a number of these high wind storms. My friend reports that huge amounts of timber were blown down. "Some places look like the aftermath of Mt. St. Helen's explosion". An estimated 150,000 truck loads of timber were blown down in southwest Washington. The coast from Newport, Oregon to Aberdeen, Washington was completely cut off with roads

and power out for several days. Damage losses were high. There was a lot of flooding with record floods in the Chehalis river valley during this storm. For information on this storm go to:

www.ocs.oregonstate.edu/page_links/whats_new/wind_storm.html

Insurance

Insurance companies are under the twin pressures of economic meltdown and larger amounts of claims due to more and bigger catastrophic storms. This forces them to raise their policies to the point that they will put themselves out of business. Either way the future of the insurance industry is not looking good.

Forest Fires

"There has been a four-fold jump in the average number of wildfires since the mid-1980s. The total area being burned is six and a half times greater, and the length of the bush fire season has been extended by 75 percent. In South-East Asia, in Russia and in the Amazon the extent of bush fires has increased."

www.planetextinction.com/

Droughts

The Great Depression coincided with the US "Dust Bowl" period. The world as a whole could be facing the same combination in the coming years. The frequency and severity of droughts have been increasing in many parts of the world. Drought in Australia for the past 7 years and in the southeastern US for the past several years has caused widespread crop reductions in those areas. Most farmers in the Southeast US will tell you they've never seen a drier year than the one they experienced in 2007, and the record books are proof of that.

"There are two reasons why global warming seems almost certain to make the drylands drier. Both have to do with an atmospheric circulation pattern called Hadley cells. At the Equator, warm, moist air rises, cools, sheds its moisture in tropical downpours, then spreads toward both Poles. In the subtropics, at latitudes of about 30 degrees, the dry air descends to the surface, where it sucks up moisture, creating the world's deserts - the Sahara, the deserts of Australia, and the arid lands of the Southwest. Surface winds export the moisture out of the dry subtropics to temperate and tropical latitudes. Global warming will intensify the whole process. The upshot is, the dry regions will get drier, and the wet regions will get wetter." Jim Just. www.goal1.org/onetownsquare/

"World wheat stores declined 11 percent this year [2007], to the lowest level since 1980. That corresponds to 12 weeks of the world's total consumption - much less than the average of 18 weeks consumption in storage during the period 2000-2005. There are only 8 weeks of corn left, down from 11 weeks in the earlier period." International Herald Tribune.

Methane

Global warming is accelerating faster than previously predicted and this may be partly due to the accelerating rates of methane release from permafrost melting and the offgassing of frozen, methane clathrates on continental

shelves. Warmer seas = more methane releases. Methane is a potent greenhouse gas. The heat caused by these methane releases will accelerate the rate of warming. A self-reinforcing trend.

Warming hits 'tipping point'.

"Siberia feels the heat. It's a frozen peat bog the size of France and Germany combined, contains billions of tonnes of greenhouse gas and, for the first time since the ice age, it is melting. It is a scenario climate scientists have feared since first identifying "tipping points" - delicate thresholds where a slight rise in the Earth's temperature can cause a dramatic change in the environment that itself triggers a far greater increase in global temperatures."

www.guardian.co.uk/environment/2005/aug/11/science.climatechange1

Permafrost Methane Time Bomb

"A vast expanse of permafrost in Siberia and Alaska has started to thaw for the first time since it formed 11,000 years ago. It is caused by the recent 3+°C rise in local temperature over the past 40 years - more than four times the global average. Peat bogs cover an area of a million square miles (or almost a quarter of the earth's land surface) to a depth of 25 meters. Those in Siberia are the world's largest."

www.planetextinction.com/planet_extinction_permafrost.htm

The Clathrate Smoking Gun

"Huge quantities of methane are held in ice-like structures in the cold northern bogs and the bottom of the seas. They are called clathrates (or cathrates). They are stable only in the cold or under high pressure. Methane is 24 times more potent a greenhouse gas than CO₂. The estimated amount of methane stored in these clathrates is gargantuan. They are the largest concentration of methane found on earth."

www.planetextinction.com/planet_extinction_clathrates.htm

Almost everyone now accepts climate change to be a fact, and of those few who do not, they probably don't get outside much (or are paid to be scientific confusionists). Global warming is undeniably happening, though people disagree over the reasons. The most recent methane release findings point to a rapid acceleration of the global warming that we currently see. Most global warming scenarios call for increasingly widespread droughts in coming years. A drying trend has been underway for several decades in many parts of the world.

In spite of all this, I am still keeping one ear to the people who are saying current climate changes could tip us into an ice-age (or really cold period). There are also several scenarios that could suspend lots of particulate matter in the air, with a consequent dark, cold period of some years. Possible causes of this scenario include an increase in volcanic action, nuclear war and asteroid hits. In any case, straying very far from the climate norms of the last century, in either hotter or colder directions, will have negative impacts on food production.

Industrial agriculture is not suited to the new millenium. Peak oil, resource depletion and climate change will make this increasingly obvious.

Alternative pathways for the future

There are many possible scenarios of what will happen during the crisis period of the next several decades. They range from incredibly optimistic to incredibly pessimistic and everything in between. Some major categories include:

Types of scenarios:

- 1) Business as usual.
- 2) Gradual adaptation of civilization to a more democratic and environmentally-sound future.
- 3) Totalitarian systems with elimination or imprisonment of dissenters. Gradual reduction in population.
- 4) Gradual collapse of civilization. Gradual reduction in population.
- 5) Fast collapse of civilization. Fast reduction in population.
- 6) Some major miracle happens that awakens love in every heart and gives us the technology for free energy.

These scenarios are not mutually exclusive and we may see elements of all of them at the same time. Not every part of the globe will follow the same pathway.

Most humans would vote for scenario numbers 1, 2 or 6. Very few people would vote for scenario numbers 3, 4 or 5. I don't think scenario #1 is going to continue much longer. I do pray for scenario #6. But the optimistic scenario #2 is where I am lending my energies. I am worried that some sort of combination of scenario #3 and #4 are possible in the US in the coming years. Time will tell. Most people do not want to change their lifestyle. They don't want to hear that the party is coming to an end. We aren't going to achieve scenario #2 because people reform willingly. I only hope that when the chips are down that humanity will rise to the occasion. My best case scenario at this time (barring scenario #6) is a combination of #4 and #2.

Part 3 What we can do? Solutions

There are solutions to the noisily-approaching, economic collapse. The proto-type models are already operating. Basically said, it requires large-scale, cooperative efforts to build healthy, local economies based on local people, local resources and local consumption. Local food production is one of the most important components of this.

There are enough books written on the solutions to fill libraries. I can say this of a certainty for food production and agriculture because this is my specialty. The same is true for the alternatives in many other disciplines such as energy, buildings, education, health, etc.

It is possible to create thriving local economies that meet people's needs and lead to a high quality of life, albeit one that doesn't allow for high levels of consumption.

All the paper money aside, What really counts for the people living in any locality is what resources do they have at hand to provide their necessities of life? Here are the public's three main resources. These resources still exist even if paper money becomes worthless.

1) People. All people deserve recognition and respect for their unique value. Almost every person has something to contribute, whether it is engineering, trades jobs, factory work, farming, washing dishes, watching children, gardening, keeping the electric lines running, etc, etc. The idea of unemployment is outmoded. Everyone should be contributing whether the formal economy provides jobs or not. Lest anyone misunderstand me, I am talking about work willingly performed, not forced labor camps. In the likely advent of the formal economy throwing large amounts of people off of payroll jobs, these people will have to go to work in family or informal economies. This is already a fact of life for many people in third world countries and in the world's slums. People in the US should start studying how things get done in non-monetized economic models.

2) Natural resources such as soil, water, sunlight, trees, livestock, etc that are available locally without outside inputs. Some areas have generous amounts of these things, and others have very little. If resources are short in one area, people are going to try to move to where survival looks possible. In other words there may soon be hundreds of millions of additional economic refugees. This may lead to wars, ethnic cleansings, genocides, etc. The stuff of nightmares which we already see unfolding in some parts of the world.

3) Current goods and infrastructure. If we are going to be able to buy less new things, people are going to have to recycle, re-use, repair, and make-do. Tough times will slow the US throw-away economy. People will consider twice before throwing things away. There are a lot of material goods around which can be kept going or transformed into other useful things.

Permaculture is part of the solution.

Permaculture is a design science which can be applied anywhere in the world. Permaculture offers a huge storehouse of strategies and practical techniques gathered from all around the globe and throughout history. If permaculture designs were implemented on a global scale in cities, farms and homes, then the world would become a Garden of Eden.

Permaculture has a lot to offer in regard to building local, ecologically-sound economies, particularly in food production, but not just restricted to food, as permaculture's design principles and methodology can be applied to all systems and at all scales. Since time, resources, land and water are limited commodities, people need to

get the most bang for their buck. "The most effect for the least effort" is one of permaculture's mottos. We want to maximize production, but at the same time do it sustainably.

Permaculture: Principles & Pathways Beyond Sustainability. David Holmgren. 2002. Distributed in the US by Chelsea Green Press.

This is one of the best books on the topic of adapting successfully to a peak-oil world. The book outlines how society could live within nature's limits while providing a secure future for our children and justice for everyone. Holmgren is co-originator of the permaculture concept. A 'must read' for all those interested in sustainable futures.

Garden Agriculture

Local food production systems are evolving now, but they are still in their infancy for many US cities and regions. Permaculturist, David Holmgren has recently coined the phrase "Garden Agriculture" to describe a strategy for local food production that relies heavily on home gardens and small market gardens in the urban and peri-urban areas. Go to Holmgren's website to view article. www.holmgren.com.au/

Hundreds and thousands of personal gardens and food forests can lead to a combined large, food production at the city-wide or regional level. There are historical precedents for this. The "Victory Gardens" in the US during World War II. More recently in the Soviet Union collapse, their farm production dropped 80%. The home food gardens rallied to produce over half of total food production and largely kept the population from starving. At the same time Cuba's agriculture collapsed due to lack of oil, and outside inputs. It was a huge, organic gardening movement which kept the Cubans alive. Today Havana produces over 50% of its food needs within its urban and peri-urban area. Permaculturists from Melbourne, Australia had a significant influence on the Cuban garden movement.

Permaculture makes use of many gardening strategies including: organic, bio-intensive, biodynamic, conventional, rain-fed gardening, paradise gardens and food forests. Each one of these gardening methods has their pros and cons. Permaculture is a wholistic design system which can incorporate elements of any of these and can improve on all of them.

A **paradise garden** is a productive, largely self-maintaining ecosystem based on perennial plants and self-sowing annuals which yield food and other useful items.

<http://mountaingardensherbs.com/about.html#>

A **food forest** is a productive, largely self-maintaining ecosystem of fruit trees, berry bushes, vines, perennial plants and self-sowing annuals which yield food and other useful items. Resource: www.edibleforestgardens.com

Grow Bio-Intensive gardening offers one of the highest-yielding gardening systems available in the world. They research how to grow a family's food supply on the smallest footprint of land possible. John Jeavons is the princi-

Traditional, rain-fed gardening

Steve Solomon has written a book on family-scale, vegetable gardening which draws on traditional US gardening prior to rural electrification. "*Gardening When It Counts: Growing Food in Hard Times*". Steve Solomon. 2005. New Society Publishers. Eminently practical.

Biodynamic

Biodynamic farming is a sophisticated method of farming which includes animal husbandry, crop rotation, lunar, solar and stellar influences, and biodynamic preparations. Some of their preps and methods can be used in home gardens. www.biodynamics.com/

Organic

There are innumerable variations of organic farming and gardening. Some of this has been codified by various certification and government agencies. By and large, permaculture systems would pass all organic standards, but go much further and are more wholistic.

If paper currency becomes worthless then barter will grow very big. Barter would not be able to replace the complexity of the current global economic system. Protectionism will rise, and economies will move towards less consumption and import substitution.

It would be prudent to look at previous nationwide crises for examples of what might happen in the US and also for examples of how nations survived major economic crises. I would particularly look at what happened in Cuba, the former Soviet Union and Argentina.

Forming local, mutual-assistance groups is what is needed. This can be done at various scales: households, family/relatives, intentional communities, ecovillages, churches, clubs, existing organizations, neighborhoods, federations, county-wide or state-wide groups, national and international organizations. The world has tens of millions of non-governmental organizations. They range from small to huge. The hope of those who are working on scenario #2 is that as the current government, corporate and economic systems falter, or fail, that grassroots civil organizations will create new systems that are socially-just and environmentally sound.

[Here are salient thoughts on a positive way forward.]

"Elements of a Strategy for a Non-catastrophic Transition":

1. Promote awareness of the unavoidability of the transformation.
2. Foster construction of a guiding vision of a workable society built around the new image of man and new social paradigm.
3. Foster a period of experimentation and tolerance for diverse alternatives.
4. Encourage a politics of righteousness and a heightened sense of public responsibilities of the private sec-

tor . . . A politics of righteousness might have been laudable in any generation; it may be indispensable for safe passage through the times just ahead.

5. Promote systematic exploration of and foster education regarding man's inner life, his subjective experience.

6. Plan adequate social controls for the transition period while safeguarding against longer-term losses of freedom . . . Regulation and restraint of behavior will be necessary in order to hold the society together while it goes around a difficult corner.

From "The planned collapse of America" by Peter Chamberlin

www.onlinejournal.com/artman/publish/article_2715.shtml

Personal preparations

Here is a link to a well thought out list of ideas and resources for personal and family preparation. www.lifeaftertheoilcrash.net/Prepare.html

Conclusions

In this twilight of the collapsing US economy, I see the dawn of a better day. As the old system passes away, new systems are being born. I predict that the changes will be swift. I think everyone will be surprized at how well it is all going to turn out in the long run.

There is still a lot of integrity, common-sense, compassion, self-preservation and a sense of justice in the human race. Much more then the media would have us believe. The media concentrates on darkness. We need to focus on positive alternatives. It seems like less and less people want to support (or tolerate) wars, oppression, injustices, violence, corruption, greed, and environmental damage. The current, money economy seems to breed all these things in large measure. As the money system collapses the door is opened to create a world based on love, compassion, sharing and service. The world will become a much more pleasant place to live. Perhaps in retrospect, the collapse of the current financial system will be seen like the metamorphosis of a caterpillar into a butterfly. Hope springs eternal.

Sorry for sounding the alarm, folks. But if I am right (or even partially right), then people will probably fare better if they have some warning. Look at the resources listed here, do your own research, keep an eye on developments and act accordingly.

Batten down the hatches, form neighborhood, mutual-support networks, grow a garden, and pray.

A better world is possible.

Good luck, Michael Pilarski

Part 4 Recommended Internet Resources on the Economy

The Year Ahead by Glen Allport

Part 1. December 31, 2007

www.strike-the-root.com/81/allport/allport1.html

Part 2. January 7, 2008

www.strike-the-root.com/72/allport/allport24.html

An article (in two parts) looking at the problems we face in 2008 (and coming decades). One of the clearest analysis I have seen. Allport includes links to supporting sources. **READ ALLPORT'S ARTICLES!**

Mish's Economic Global Trends Analysis.

Mike "Mish" Shedlock.

<http://globaleconomicanalysis.blogspot.com/>

The Coming Financial Collapse of America (and Why Today's Market Bloodbath is Only a Small Taste of Things to Come...)

Tuesday, January 22, 2008 by: Mike Adams.

www.naturalnews.com/022528.html

Watching America

Discover What the World Thinks About the U.S. With Translated Foreign News.

www.watchingamerica.com/diezeit000028.shtml

Crisis may make 1929 look like a 'walk in the park'

Article in *The London Telegraph*.

<http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/12/23/cccrisis123.xml>

Rising Food Prices

Three articles from *The Economist*. December 7, 2007.

<http://enbworlddeconomy.blogspot.com/>

Survival Acres

<http://survivalacres.com/wordpress/>

Henry CK Liu

www.henryckliu.com/

Independent critical analysis and commentary.

<http://www.lifeaftertheoilcrash.net/>

Blogs & frequently updated websites

Here are a couple sources for frequent updates on the financial scene and other relevant blogs.

Bob Chapman's International Forecaster Weekly

Chapman pulls no punches.

<http://theinternationalforecaster.com/>

Melduke's Blog Page

http://melduke.blogspot.com/2008_01_20_archive.html

Henry Thornton Blogs (Australia)

www.henrythornton.com/blog.asp?blog_id=1034

RGE Monitor, Brad Setser's Blog

www.rgemonitor.com/blog/setser/

The Theroxylandr in Flame

<http://theroxylandr.wordpress.com/>

The Archdruid Report

Druid perspectives on nature, culture, and the future of industrial society. John Michael Greer.

<http://thearchdruidreport.blogspot.com/>

One Town Square

Discussions about energy, climate change, land use, and our communities.

www.goal1.org/onetownsquare/

Youtube

The inevitable collapse of the dollar.

[www.youtube.com/](http://www.youtube.com/watch?v=4n3g5IUgkWk&feature=related)

[watch?v=4n3g5IUgkWk&feature=related](http://www.youtube.com/watch?v=4n3g5IUgkWk&feature=related)

Stock Market and Monetary System on the verge of collapse

<http://youtube.com/watch?v=nWyygiyPbdA>

The Truth About The Economy: Total Collapse

[www.youtube.com/watch?v=cziN3gt-](http://www.youtube.com/watch?v=cziN3gt-hic&feature=related)

[hic&feature=related](http://www.youtube.com/watch?v=cziN3gt-hic&feature=related)

Ron Paul

US Stock Markets Decline : THE DOLLAR HOLOCAUST

[www.youtube.com/](http://www.youtube.com/watch?v=Xb0jJYYXjpQ&feature=related)

[watch?v=Xb0jJYYXjpQ&feature=related](http://www.youtube.com/watch?v=Xb0jJYYXjpQ&feature=related)

Related articles by Michael Pilarski

at www.friendsofthetrees.net

1) Peak Food. This article details the current status of world food production and the problems it is facing.

2) Feeding the People in Hard Times: What does Permaculture Have to Offer. This article details many current models of how to increase local food security.