Economic Crisis Goes Mainstream – What Happens Next?

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elephant-in-the-room

This article was written by Brandon Smith and originally published at Alt-Market.com

Last year, when alternative economic analysts were warning that the commodities crush and oil crash just after the taper of QE3 were blaring signals for a downshift in all other financial indicators, the general response in the mainstream was that we were overreacting and paranoid and that the commodities jolt was temporary. Perhaps the fact needs repeating that it's not paranoia if they are really out to get you.

Only a short time later, it is truly amazing how the rhetoric from the mainstream economic yes-men is changing. The blind analysts who were cheerleading for the nonexistent global recovery are now being carefully relegated to the janitor's closet over at The New York Times, where Paul Krugman's office should be. Media outlets are begrudgingly admitting to global instabilities like, for instance, a U.S. interest rate hike leading to a return to recession. (Special note to the mainstream media: Take away the fruitless manipulation of indicators through Fed stimulus, and we never left the recession.) They also are now forced to acknowledge that China's market crash and yuan devaluation have far-reaching implications for global crisis, whereas a year ago the claim was that China's problems would stay in China. Even China's own media are now warning of the chain of fiscally interdependent economies and what the nation's downturn means for everyone.

The MSM are finally entertaining the obvious notion that the vast financial problems of the EU have little to do with the crisis in Greece and more to do with crushing debt obligations and employment problems in primary nations like France and Italy.

And suddenly, pundits are once again concerned with Japan's epidemic of mini-recessions and the truth of fiscal contraction that is not just a way of life, but an exponential dynamic that is getting worse fast, rather than staying static. This concern is, of course, always followed with suggestions that the light can be seen at the end of the tunnel and that growth will inevitably return. The mainstream media may be discussing points of reality, but that does not stop them at times from mixing in fairy tales.

This alteration in rhetoric from the mainstream may not necessarily be due to an awakening in the media. Rather, it may be due to the new narratives being put forth by core banking elite institutions like the International Monetary Fund and the Bank of International Settlements, institutions that have established a mission to appear competent in the wake of an economic crisis they KNOW is about to be triggered. The IMF is consistently making statements regarding potential disaster in global markets due to central banking stimulus measures (which it originally championed), as well as potential rate hikes, sending mixed messages to devout mainstream followers. The IMF's latest overviews of global markets have been far gloomier than mainstream media outlets until recently. Suddenly, it would seem, the media has been given direction to parrot internationalist talking points.

The BIS warns that the world is currently defenseless against the next market crisis. I would point out that the BIS has a record of predicting economic crashes, including back in 2007 just before the derivatives and credit crisis began. This ability to foresee fiscal disasters is far more likely due to the fact that the BIS is the dominant force in global central banking and is the *cause* of crisis, rather than merely a predictor of crisis. That is to say, it is easy to predict disasters you yourself are about to initiate.

It is no mistake that the warnings from the BIS and the IMF tend to come too little too late, or that they are beginning to compose cautionary press releases today that sound much like what alternative analysts were saying a few years ago. The goal of these globalist organizations is not to help people prepare, only to set themselves up as Johnny-come-lately prognosticators so that after a collapse they can claim they warned us all, which can then be used as a rationalization for why they are the best people to administrate the economies of the planet as a whole.

So now that the mainstream is willing to report on clear economic dangers, what happens next?

The change in the MSM narrative is a bad sign. The initial media coverage of the derivatives implosion in 2008 did not become negative until we were well within the shadow of the avalanche. If the same holds true today, then a market event is imminent. Here are some of the issues you may hear more about as the year goes forward.

China 'Contagion'

Forget about Greek contagion, we will be hearing far more about Chinese contagion over the next several months. The globalist run Carnegie Endowment for International Peace is already fielding the concept in their magazine 'Foreign Policy'. With the devaluation of the yuan, mainstream analysts are frantic over the possibility of currency wars, a concept they rarely ever entertained in the past. Yuan devaluation is not, though, necessarily a negative for China itself. In fact, the IMF in recent statements argues that China's economy is entering a "new normal" of slower but more "stable" growth. The IMF also has announced that the recent shock of the falling yuan to global markets actually makes the currency MORE viable for inclusion in the Special Drawing Rights global currency basket, a decision that is supposed to be finalized by November (though a year long extension has been recommended by the IMF before approval).

Expect that economic news will be focused nonstop on China for the rest of the year, perhaps leading to the perpetuation of the false East/West paradigm and the idea that Americans should blame China for the overall financial crisis rather than the global bankers who engineered the mess. In the meantime, top globalists will continue to remain "neutral", presenting themselves as peacemakers and problem solvers arguing that the crash is "no one's fault", that over-complexity is the danger, and that interconnected economies must be simplified down to a single global currency and single global authority.

U.S. Economy Feeling Effects

The Federal Reserve push for a rate hike will likely be determined before 2015 is over. Talk of a September increase in interest rates may be a ploy, and a last-minute decision to delay could be on the table. This tactic of edge-of-the-seat meetings and surprise delays was used during the QE taper scenario, which threw a lot of analysts off their guard and caused many to believe that a taper would never happen. Well, it did happen, just as a rate hike will happen, only slightly later than mainstream analysts expect.

If a delay occurs, it will be short-lived, triggering a dead cat bounce in stocks, with rates increasing before December as dismal retail sales become undeniable leading into the Christmas season. It is important to remember that the Fed's job is to DERAIL the U.S. economy, NOT protect it.

In the meantime, the IMF's SDR conference continues, with the inclusion of the yuan now widely considered a threat to the dollar's world-reserve status. The mainstream media are now preparing the American people (or at least those who are paying any attention) for the coming loss of world-reserve status. The propaganda aims to paint the dollar's reserve position as a bad thing. The MSM argue that loss of reserve status could actually help the U.S. economy get back on track and that a global harmonization of sovereign currencies will be a boost to our fiscal outlook. This is clearly an attempt to inoculate the public against any concern over the eventual crash of dollar value.

Oil Price Panic

Oil prices will continue to deflate, and the after-effects will be difficult to gauge. With John Kerry publicly warning that the failure of an Iran deal (including the lucrative oil export deals that would be included) could lead to the loss of the dollar's world-reserve status, I am not very optimistic about the future prospects of energy markets.

Kerry claims that a failed Iran agreement would put the U.S. at odds with allies who brokered the deal, but this is not the whole story. What is really taking place is an attempt by Kerry to distract the public away from the real reasons for the future fall of the dollar, including the rise of the SDR and the likelihood that Saudi Arabia will soon decouple from the dollar as the solitary purchasing mechanism for their oil (Saudi Arabia is surprisingly one of the main supporters of an Iran deal). It is perhaps possible that a collapse of the Iran agreement could be used as an excuse for a loss of dollar reserve status that was going to happen anyway.

Events Moving Faster

Economic news is moving extremely fast this year, and it will only become more frenetic as we close in on 2016. The general consensus among alternative economic investigators seems to be that 2015 will be the year for trigger events and dead fantasies. In my six part series entitled 'One Last Look At The Real Economy Before It Implodes' I essentially agree with this timetable. If 2014 was the new 2007 with all its immediate warning signs, then 2015 is the new 2008 with all the chaos and broken paradigms.

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