

Predictions for the Economy 2022

Stephen Marchant 29/12/21

Health Warning: These are only my personal assumptions and as with all predictions cannot be relied upon but they are based on my experience in politics and an understanding of the global debt crisis.

The 'Great Stagflation' has arrived and whether it morphs into hyperinflation depends upon each government's response to the collapse of trust in the dollar benchmark. If we are to lessen the political and social destruction there will have to be a managed 'Great Reset' (<http://www.money-liberty.com/gallery/GreatReset.pdf>); this will lead to massive currency revaluations as nations fight for hard assets and resources. Nations will in future have to settle trade imbalances with gold or other hard assets as we continue to de-globalize into more regional and national blocs.

Govts may use the pandemic to continue massive fiscal spending in an attempt to maintain order. In order to do this there will need to be an introduction of **capital controls** and with that a de-facto rationing of imports or other scarcer resources.

There will be a further fall in median incomes as evermore get dragged down to the lower common denominator. This will be exacerbated by fiscal policy to support those reliant on Govt benefit payments. Those remaining in the squeezed middle will see their aspirations dashed and social unrest amongst those groups will rise. Groups with bargaining power will force wage increases to compensate for inflation and others will drop out of the official employment figures.

Conflict between power blocks is highly likely to deflect from internal strife but clearly this would have to be limited to proxy war, cyber attacks, propaganda and other forms such as financial or trade embargoes. Western Govts will attempt to become more authoritarian for the 'common good' but without the cover of a pandemic will meet huge resistance. None of us can know how fast the system will unwind but there will be chaos and a move to localisation as communities abandoned by bankrupted Govts are forced to create their own support and security networks. This may be a gradual unwinding but could be chaotic and happen next year or certainly over this decade.

Like many other people those with savings will try and escape the fiat collapse and drive up nominal prices of real assets. Property is not necessarily a safe haven unless it has a utility value or a tenant that is willing and able to pay the rent. The best way to minimize total loss is to have a portfolio of investments including a home, productive land, gold, silver and useful non-perishables. Bitcoin could be a medium-term haven but there are too many issues for the longer term and I certainly would not put very much of my savings into it. In the short term as the dollar peripheral currencies collapse it could be a useful medium of escape but for the longer term it is physical assets that will matter most. If you are able to take out fixed rate loans in fiat currency to buy a home or useful productive assets you will benefit as inflation erodes the value of the debt.

Above all else one needs to live in a cohesive and sustainable community and that is where I see evermore migration from cities to smaller towns and rural areas. As Govts become increasingly bankrupt due to currency debasement it is these smaller towns and communities that will become more attractive and viable with local trades of goods and services.

Whilst there will continue to be social and political disruption it is a time for people to prepare themselves and families to ride out the storm that we face as we transition to a more sustainable future with sound money that fairly rewards true entrepreneurs, honest work and thrift.