

Collapse of the US dollar: Global systemic crisis. The phase of global geopolitical dislocation

By [GEAB](#)

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Back in February 2006, LEAP/E2020 estimated that the global systemic crisis would unfold in 4 main structural phases: trigger, acceleration, impact and decanting phases. This process enabled us to properly anticipate events until now. However our team has now come to the conclusion that, due to the global leaders' incapacity to fully realise the scope of the ongoing crisis (made obvious by their determination to cure the consequences rather than the causes of this crisis), the global systemic crisis will enter a fifth phase in the fourth quarter of 2009, a phase of global geopolitical dislocation.

According to LEAP/E2020, this new stage of the crisis will be shaped by two major processes happening in two parallel sequences:

A. Two major processes:

1. Disappearance of the financial base (Dollar & Debt) all over the world
2. Fragmentation of the interests of the global system's big players and blocks

B. Two parallel sequences:

1. Quick disintegration of the current international system altogether
2. Strategic dislocation of big global players.

We had hoped that the decanting phase would give the world's leaders the opportunity to draw the proper conclusions from the collapse of the global system prevailing since WWII. Alas, at this stage, it is no longer possible to be optimistic in this regard (1). In the United States, as in Europe, China and Japan, leaders persist in reacting as if the global system has only fallen victim to some temporary breakdown, merely requiring loads of fuel (liquidities) and other ingredients (rate drops, repurchase of toxic assets, bailouts of semi-bankrupt industries,...) to reboot it. In fact (and this is what LEAP/E2020 means ever since February 2006 using the expression « global systemic crisis”), the global system is simply out of order; a new one needs to be built instead of striving to save what can no longer be saved.



Orders in the manufacturing sector, Quarter 4 2008 (Japan, Eurozone, United Kingdom, China, India) - Sources : MarketOracle / JPMorgan

History is not known to be patient, therefore the fifth phase of the crisis will ignite this

required process of reconstruction, but in a harsh manner: by means of a complete dislocation of the present system, with particularly tragic consequences in the case of several big global players, as described in this 32nd issue of the GEAB (see the two parallel sequences).

According to LEAP/E2020, there is only one very small launch window left to prevent this scenario from shaping up: the next four months, before summer 2009. Practically speaking, the April 2009 G20 Summit is probably the last chance to put on the right tracks the forces at play, i.e. before the sequence of UK and then US defaults begin (2). Failing which, they will lose their capacity to control events (3), including those in their own countries for many of them; and the world will enter this phase of geopolitical dislocation like a “drunken boat”. At the end of this phase of geopolitical dislocation, the world will look more like Europe in 1913 rather than our world in 2007.

Because they persisted in bearing the ever-increasing weight of the ongoing crisis, most states, including the most powerful ones, failed to realise that they were planning their own trampling under the weight of History, forgetting that they were merely man-made organisations, only surviving because they matched the interest of a large majority. In this 32nd edition of the GEAB, LEAP/E2020 has chosen to anticipate the fallout of this phase of geopolitical dislocation so far as it affects the United-States, EU, China and Russia.



US Monetary base - (12/2002 - 12/2008) - Source US Federal Reserve / DollarDaze

It is high time for the general population and socio-political players to get ready to face very hard times during which whole segments of our societies will be modified (4), temporarily disappear or even permanently vanish. For instance, the breakdown of the global monetary system we anticipated for summer 2009 will indeed entail the collapse of the US dollar (and all USD-denominated assets), but it will also induce, out of psychological contagion, a general loss of confidence in paper money altogether (these consequences give rise to a number of recommendations in this issue of the GEAB).

Last but not least, our team now estimates that the most monolithic, the most « imperialistic » political entities (5) will suffer the most from this fifth phase of the crisis. Some states will indeed experience a strategic dislocation undermining their territorial integrity and their influence worldwide. As a consequence, other states will suddenly lose their protected situations and be thrust into regional chaos.

Notes:

(1) Barack Obama, like Nicolas Sarkozy or Gordon Brown, spend their time chanting about the historic dimension of the crisis, but they are just hiding the fact that they fully misunderstand its nature in an attempt to clear their names from the future failure of their policies. As to the others, they prefer to persuade themselves that the problem will be solved like any normal technical problem, albeit a little more serious than usual. Meanwhile everyone continues to play by decades old rules, unaware of the fact that the game is vanishing from under their noses.

(2) See previous GEABs.

(3) In fact it is probable that the G20 will find it more and more difficult to simply meet, as the growing trend is one of « every man for himself ».

(4) Source : [New York Times](#), 102/14/2009

(5) Idem companies.

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