The Global Economy is Running out of its Most Valuable Resource

The current state of the financial markets and the global economy depends on one single resource that nobody, even such renowned economists as Paul Krugman or Robert J. Shiller and dissenters like Max Keiser and Jim Rickards, dares to talk about. In private discussions central bank managers told us that they were aware that none of the existing economic theories and models fit this new situation. Yet, they do not broach it in their public speeches and lectures, preferring to deal with such topics as balance sheets and business cycles. All of which reminds one of a family visiting a terminally sick relative: everybody knows that he will never recover, and nobody whispers as much as a word about it.

All productive nations whether in East Asia or the West, have reached the peak of their 250-year-long development. Even the most devastating wars could not prevent their populations from growing in the long run. It is only now, during the many decades of peace and affluence, that the numbers of the inhabitants of the developed countries have been decreasing and the trend continues. The phenomenon has not been brought about by any famine or natural disaster but by the sheer fact that people do not want to have children.

Japan is an economic bellwether. The country refrained from mass migration and during the 2006-2016 period its population shrank by 0.5%, oil consumption dropped by 22%, car sales by 7% and GDP by 4%.

Japan is the first country to cope with the new reality and investors need to change their mindset to understand what this new reality stands for. In the past, every business cycle, recession or recovery, ended with a higher GDP and larger economy than before. In the future we will see the opposite: every business cycle will conclude with a lower GDP and a smaller economy than the previous one. A shrinking population entails economic consequences. Oil consumption will decline, car sales will go down, and national GDP will be lower and lower. The paradox of it all is that the total economy may be shrinking, and yet people in the US, Europe and Japan will be doing better than before. Why? Because a less crowded country means less dependence on (foreign) oil, lower pollution and CO_2 emissions, fewer traffic jams, more space and food abundance. It is the financial sector that will be afflicted by the new reality, not the people. Without the support of central banks the Western financial industry will not survive a continued depopulation, a situation in which people save and spend less and less money. A buoyant economy invests in win-win deals, a stable economy is a zero-sum game, and in a depressed economy all investors lose. That is why central bankers are considering the imposition of negative interest rates. These are flashing warning signals.

Confronted with this reality, the American and European leaderships have opted for re-population. If the pace of this process remains the same, before this century is over, 50% of the Western states will be replaced with people from the Third World.

The Washington establishment began with the acceptance of unprecedented numbers of migrants from Latin America while the enlargement of the European Union made up for the lack of people, at least for the time being. As under the banner of the free movement of labour, Germany, the UK and the Netherlands got a fair share of migrants from Central Europe, this part of the continent has been deprived of its youth. For example the Polish generation in the age bracket 15-20 is 30% smaller. Now it is Ukraine's turn to hand over its youth to Western Europe. After the 2014 revolt in Kiev the European Union was in a desperate hurry to grant Ukrainian *"patriots"* the right of visa-free travel, so that they could leave their allegedly beloved home country.

Demographics is quite precise, and those in power saw the coming *"disaster"* in advance. Peter Sutherland, a former Goldman Sachs banker, became an advocate of mass migration. In 2008 he said: *"Rich countries should not try to restrict migration from poor countries, even during the economic slowdown."* Alas, migration is not about helping the poor – there are just too many of them – migration is about re-populating Europe. Migration is also about economics and finance.

All theories, all models that we know about the economy, finance and markets were developed when the European populations grew. The global economy is dependent on the industrialized world. Without Europe, the Sheikhs of Dubai would relapse into the life in tents, Africa's population would be about 90 million instead of 1.2 billion, and today's US would be a sparsely populated country with very few nomad tribes.

Prestigious consultancy firms have told their corporate clients that all societies are in essence the same and well on the way to becoming like Western economies. The Africans only need to change the law, and they will be as productive, diligent and efficient as people in Europe. Those pundits believe that if car sales stall in Europe, China will be the next market; if the Chinese market is flooded, we have still India, and then – probably around 2040 – the Africans will be the new customers.

We believe that the world's economy is concentrated in East Asia and in the West, with all other economies being but satellites, and it is not going to change, at least in the foreseeable future. If the West together with Eastern Asia collapse, the rest of the world will follow suit. If the West and Eastern Asia stop being interested in African resources, the Black Continent will crumble. We remind the reader that all African countries are dependent on food imports which they finance with the exports of commodities. Africa cannot sustain its current population let alone the doubling of it within 25 years. 50% of the African population is younger than 25. The consultancies of Ernst and Young call these youngsters *"demographic dividend"*, a treasure trove for the global companies to reap. If they cannot capitalize on them in Africa, they have to bring them to Europe, as we see happening now. The current migration process which goes by the name of crisis is engineered and promoted by an influential lobby.

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