Global Headwinds Look Like Mother of All Storms

Headwinds that are starting to assail deep structural flaws in the US and global economies form the basis for my 2017 economic forecast, which looks like an all-out economic crisis building throughout the world. Some of these headwinds are global; some more locally focused within the United States, but that which brings down the US economy wounds the world anyway. Ultimately, global concerns threaten the US, and US concerns threaten the globe. We're all in this together, even as we seem to be flying apart in political whirlwinds everywhere and fracturing national alliances all over the world.

Even in the US where the Trump Triumph has ignited consumer and business hopes and inflamed the stock market, time is not on Trump's side. Trump's own key advisors — like Steve Bannon and Larry Kudlow — have stated unequivocally that Trump's plans must happen quickly if they are going to save the US economy. Trump, himself, campaigned on the endless refrain that the US economy was rapidly approaching catastrophe. If we take the architects of these hope-inspiring plans at their word, 2017 is a make-or-break year for the US, and the clock is ticking against their success.

Seven headwinds in my 2017 Economic Forecast that will batter the global economy

(In no particular order of severity.)

1. 2017 starts with near-recession-level rates of growth in the US.

2016 US GDP fell to a lower barometric pressure than economists were expecting, skinning their noses for them at an annualized 1.9% rate of growth, and crashing hopes that the third quarter's sprint to an annualized 3.5% proved the Fed's economic recovery was solid. (The average expectation for the fourth quarter had been about 2.5%.) The fourth-quarter plunge brought the annual rate of GDP growth down to the lowest it's been since the official end of the Great Recession. (Though, as far as I believe, the Great Recession is still a screaming vortex that lies underneath the entire global economy. Its ills have never been healed, only masked.) **The services industries** took a fall in February that was sharper than its January rise. That appears to mark the end of upward growth that began last September.

2. Trumphoria in the US stock market could run out of hot air

The euphoric rise of the US stock market has formed almost entirely from speculation about Trump's tax cuts and infrastructure spending, so it is likely to lose steam now that postponement of those plans shows sentiment outpaced reality. The level of irrational exuberance in the market (which typically precedes a big crash) has trumped numerous records for its rate of rise, the duration of its rise, the overall height of its rise, and the number of days of uninterrupted record-breaking. (See "Will Trump's Talk Turn the Trump Rally into Lasting Gold or End in the Trump Dump?")

In spite of the fact that the market's uplift is built on warm thoughts alone, the US stock market could get a second boost if the Eurozone crumbles and euro capital runs for cover. (Already part of the rise in US stocks.) Ultimately, the collapse of Europe will be bad for trade, so non-European companies that do a lot of exporting into Europe will still suffer. In the event of a euro collapse, any boost will go toward companies that don't have much European trade. Money fleeing to the US from Europe and China could be the United State's salvation, but it all depends on who starts to blow apart first — who is seen is the safest harbor in the storm.

Trump may even succeed in getting all of his plans through, though the schedule seems to be shifting toward postponement now that, as Trump revealed, it turns out no one could have foreseen that fixing Obamacare would be this difficult. (Well, except almost all of us. Makes one wonder how much other changes will prove to be more difficult than Trump thought, once actually put before the nation's most divided congress ever.)

3. China is ready to worsen the economic forecast of the entire world in 2017

We saw it happen a couple of summers ago. A low-pressure zone opened in China that was so big it sucked all the stock markets of the world into it. The yuan crashed, and China seized national control of its stock market to avert total collapse.

While China appears to have stabilized compared to that event, China's economy today is worse than China says. Smart money has been fleeing China ever since that big scare, going to places like Vancouver, Canada, where it has created a huge housing bubble. About a week ago, we discovered one regional government in China has overstated its GDP by almost 20%. They had reported a drop in GDP of -2.5%, but the real drop was -23%. Since China's businesses routinely cook their books, keeping one set for the government and one for the proprietor to know what he is really making, real business statistics are almost impossible to know. (See "Data Fraud At Chinese Province Suggests Local GDP Numbers As Much As 20%

'Overcooked'".) In truth, we never know when China is going to blow because even China doesn't know, and what it does know, it doesn't tell. Corruption will be its undoing, as corruption always is.

China has been blowing through its vast reserves at a rate of $80 billion a month to support the yuan, which it does by mostly dumping US treasuries in order to diminish the value of the competing dollar by increasing the supply of dollar-denominated assets. Some estimate China really only has about $800 billion in US treasuries left that it can actually use for such support, as it must maintain a certain level of holdings for other reasons, such as trade.

If China can no longer dump dollar-denominated bonds, the yuan may crash again in value, causing more capital flight from China. If it keeps dumping US treasuries (as the once largest financier of US national debt), China makes funding the US debt more problematic.

On the one hand, devaluation of the yuan would be good for Chinese exports, but it raises other troubles for China besides capital flight. One such trouble is that Trump (along with other world leaders) will likely accuse China of currency manipulation, saying they are trying to make their exported products more competitive. That would be bad for Chinese exports, as it would lead to a tariff-based trade war.

Federal Reserve interest-rate increases (see below) raise the value of the US dollar compared to other currencies, which also presses China to do more to support the yuan to maintain its credibility as a stable foreign-exchange reserve currency now that the yuan (also called the renminbi) has gained coveted status as one of five currencies used by the IMF for its special drawing rights. Keeping the yuan in that basket is vital to China's hopes of reducing US hegemony in the world.

With three or more Fed rate increases anticipated for this year, China may have a lot of supporting to do and less than a year before it runs out of US dollars to provide that support. The last time China's currency faced that kind of crash, the US stock market went into free fall, as did the rest of the world's stock markets. Because there is no assurance that the flight of capital from China helps the US, China factors into my 2017 economic forecast as a great unknown, but one that has caused a lot of problems in the recent past while not clearly resolving any of its own problems.

4. The Eurozone is blowing up a massive economic storm for 2017

The anti-establishment success that burst onto the European scene with **Brexit** and that was reinforced by Trump's anti-globalist victory is emboldening other nations to consider exiting the Eurozone. The UK was not part of the Eurozone, so its departure from the European Union has not created a euro crisis so far, but the breakaway of a single nation within the Eurozone could utterly doom the euro. That would certainly be a disaster for those Eurozone banks that are already teetering on collapse, and some

of those banks are so big the euro crisis could develop into a hurricane big enough to envelop the world. The increasing probability of a euro exit by so many nations in the Eurozone has to factor into anyone's 2017 economic forecast, now that Brexit and Trump-it have proven how real the possibility is and given how they have inspired the hopes of others to follow a similar path.

Frexit is disturbing markets more in the run-up to French elections than Brexit did because investors have learned from Brexit and Trump-it that the possibility of a national exit is far more likely than they thought — even when one is certain the odds are against it. National Front's Marine Le Pen will likely win the first round in French elections. Le Pen has promised to remove France from the Eurozone if she wins.

Le Pen's party has said it will redenominate its national debt from euros to francs on a one-to-one basis and then devalue the franc by issuing "helicopter money" in order to reduce its debt burden. If France goes that way, Standard & Poors and Moody have already said they will rate the nation as being in default on its national debt. An independent France has a second temptation toward devaluing its currency, which would be to make itself more competitive in the European world of exports that is dominated by Germany. The currency changes would take longer than 2017 to begin, but they could start a currency war within the Eurozone if they do happen.

France is big enough with so much interbank linkage throughout the Eurozone that the economic chaos of sorting out the divorce — and rising prospect of currency wars — could mean the end of the entire European banking system as depositors run for cover.

Experts say Le Pen won't win the second round of votes. Experts also said Trump-it and Brexit didn't stand a chance either.

Nexit is next. The Netherlands' parliament is blustering with debate about exiting the Eurozone. The long-winded discussion focuses on whether it is possible for the Netherlands to withdraw and how withdrawal might be done. Concerns that the European Central Bank's low interest rates are hurting Dutch savers, have raised questions over whether the ECB's bond buying (done to drive interest rates down) is even legal under Eurozone laws. Nexit challenges the ECB's ability to stimulate the euro economy through quantitative easing.

Italexit advanced from the far horizon last weekend when the leader of Italy's ruling party, Matteo Renzi, formally did an exit of his own from the prime minister's office (Rexit) due to his failure to stem the advance of Italy's anti-establishment parties during the last referendum. This leaves Italy under a caretaker administration, which means elections will happen this year, not in 2018. (Europe has more *exits* opening up than the United States has gates — watergate, travelgate, emailgate, *ad nauseum*)

In January, Mario Draghi, head of the European Central Bank, along with other EU chiefs, threatened *any* nation that exits the Eurozone with economic armageddon, saying any nations that make such a move will have to immediately pay back all euro-denominated debt if they do exit. (You know things are falling rapidly apart when the central bank has to threaten its own nations to get them to stay in the club. Sort of like

a host threatening those who are attending his party with the warning that he'll pop their tires if they try to leave. Must be a great party!) Italy may just say, "Make me!" In that case, Draghi will find that being Italian makes it hard for him to carry out this threat when it turns against *mia familia*. If his courage fails there, he'll find it harder to carry out that threat with any other nation as well. To do so would be discriminatory. Besides, what is he going to do? Raise an army to force repayment?

Germany's Merkel would like to help him with that. Italy's second leading political party, *Forza Italia*, says Germany should be the only nation to leave the Eurozone. Now, THAT'S creative destruction. That'd take us from Grexit to Gerexit.

Speaking of gurrs, **Grexit** is growling again as it slinks along Germany's rear flank. The Germans continue to battle with the Greeks over additional debt restructuring. Everything Germany has done to resolve the Greek crisis has made Greece's debt payments more untenable by driving the country deeper into recession, assuring that Greece will remain Germany's indentured servant for the next fifty years. Even the IMF agrees that Greece's debt situation "is highly unsustainable" and presses Germany for more debt forgiveness.

Germany holds the line on debt relief because most of it would come at a cost to Germans who believe themselves to have a far better work ethic than Greeks, so they have little sympathy for Greece. More importantly, though, Germans fear other struggling nations in the Eurozone would clamor for debt relief if Greece is given any more, heaping still more burden on those hard-working Germans. (Which is all one reason the euro was an ill-fated currency from the start.)

Back in 2012, I said that Greece was a gift that would keep on giving — that Europe had far from solved the problem it claimed, at that time, to have secured a handle on. So, it all fits my long-range forecast back in 2012 to see Europe now continuing to unravel as the EU keeps kicking the Greek grenade down the road, pin removed. Once again, farmers, unions, and others worn ragged by German austerity are storming the exits. Once again, billions of euros are being sucked out of exhausted banks by panic-stricken depositors while Europe endlessly pretends it can fix a mess that is created by a currency doomed from conception. (Decades ago, I asked, "What Irish farmer is going to let Brussels tell him what he can sell his hops for?" Or, for that matter, his brussels sprouts?)

You likely recall that Greece's ruling liberal party, Syriza, came into ascendancy because it promised to tear up the bailout deal being pushed by Germany. Syriza overplayed its hand and wound up getting stuffed like a turkey with a far more toxic deal, which it has been tasked by Europe with enforcing for the past two years. How do you say "*heil*" in Greek? (Add sound of boot heals clicking as all Greeks march to German drums. Sooner or later, the Greeks will break ranks — guaranteed. I've been saying all along that it is just a matter of time because it is a problem that is not going away by any other path than default. So far, so true.)

A Eurozone breakup and euro crash could drive money on gale-force winds into US stocks and bonds, which is where the money leaving Eurozone banks is already fleeing. That could buy the US an economic extension, or it could just cause banks

everywhere to cascade into failure, collapsing financial stocks everywhere. US banks, however, have had years to reduce their exposure to the euro

Ironically, the threat of problems in the "Club Med" nations that are struggling economically is causing some of the fleeing capital to escape into German bonds as a safe haven, resulting in German bonds hitting a low interest rate of -0.92 percent. Southern Europeans, in other words, are paying to store their money in German bonds as a place of refuge. That means it pays for Germany to hold a hard line with Greece and other nations because it gets other nations to pay for the opportunity to finance German debt — like paying tribute to the empire. *Sieg Heil!*

Here is how this plays out so that Eurozone tax holder ultimately takes the loss: Private investors who purchased sovereign bonds from hurting nations like Italy and Greece, sell their bonds to the European Central Bank. They make a profit and reinvest that for safe keeping in German bonds. The Germans win round one. The Italian and Greek banks that issued the first round of bonds now owe repayment to the ECB, so when the Italian and Greek banks default on the debt, they take the ECB down with them. The rest of the Eurozone loses as taxpayers bail out the central bank. And that is why Germany is not likely to flex.

Thus, you can see Mario Draghi's threats of economic armageddon mean a losing war for the Eurozone. "What it basically shows is that monetary union is slowly disintegrating despite the best efforts of Mario Draghi," said a former ECB governor. All of that leaves German tax payers well hedged because everyone in the failing Eurozone nations is paying Germany to hold their proceeds. Nice. And *Sieg Heil!*

5. Rebellion on the streets plagues the 2017 economic forecast for all nations

I think all of us can easily forecast for 2017 that the US counter-revolution, which developed around Trump's inauguration, will get rougher as Trump actually carries out some of the things the Left most hates and fears. Obama has already created an organization to encourage, focus and empower those who protest the Trump movement. George Soros sees Trump as the greatest threat to globalization on the face of the earth. These organizations will assure endless protests, and they bring the advantage of vast mainstream governmental and media connections to the backing of the protests they choose to empower.

Trump's executive orders and deregulation moves are certain to naturally galvanize protestors. ***With such potent ex-POTUS backing, protests could spin out of control to something that looks more like insurrection.*** Increasing violence and bouts of anarchy will have a negative impact on local commerce and sometimes on national commerce. Unpredictable times make for unsteady stock markets, too.

About a week ago, for example, major riots in Paris spread to other parts of France. The riots created signification economic impact, causing millions of dollars of damage

in Paris alone. Parts of the nation have been officially declared "no-go zones," further impinging on commerce, as have parts of other European nations recently. Some of the revolts are due to immigration tensions. Some are created by immigrants. Some are due to outrage over apparent social injustice. Some are mass hysteria over Trump, whom liberals equate with Hitler, though they thought it horrible when conservatives did the same thing with Hillary. Some are just excuses for anarchy.

The riots in France, similar to the kinds of riots seen in recent years in the US, broke out in response to allegations that police officers raped a young man. Police have been beaten, shot at and had Molotov cocktails thrown at them. One officer said the police are concerned this will turn into riots like France had in 2005 when a state of emergency was declared, 10,000 cars were burned, 300 buildings were destroyed and 6,000 people were arrested.

Marine Le Penn, as with Trump, is now basing part of her campaign in France on restoring the rule of law that France's liberal government seems unable to accomplish. So, the riots strengthen her bid to take the reins of power and steer France out of the Eurozone.

6. Rising inflation and rising interest appear to be merging into the perfect storm for 2017

Higher interest is clearly in the 2017 economic forecast for the United States. With US inflation skyrocketing at 0.6% in just the month of February from an already high 0.3% in January, the Fed may be forced to raise interest rates even more aggressively than it had forecast in December. If high month-on-month changes like that are an emerging trend and not an anomaly, annual inflation will be well over 5%. The current year-on-year change (which includes many months of inflation that were below January and February levels) is already 2.5%, which is higher than the Fed's stated target for raising interest rates.

Fed Chair, Janet Yellen, said last week that "waiting too long to remove accommodation would be unwise." Comments by two other Fed heads last week stoked bond yields: New York Fed President William Dudley, among the most influential U.S. central bankers, said on CNN that ***the case for tightening monetary policy "has become a lot more compelling."*** John Williams, President of the San Francisco Fed, said that, with the economy at full employment, inflation headed higher, and upside risks from potential tax cuts waiting in the wings, ***"I personally don't see any need to delay" on raising rates…. In my view, a rate increase is very much on the table for serious consideration at our March meeting."*** (*Newsmax*) Williams even said that raising rates in March would give the Fed room for ***more than the anticipated three increases this year.***

All this hawkish talk sounds like the Fed may be fearing that it is rapidly falling behind the curve. The Fed's words certainly telegraph that it will take its foot off the economic

accelerator under the Trump regime faster than it had originally forecast. As I pointed out last fall, interest rates are already rising on their own ahead of any moves by the Fed, forcing the Fed to play catch-up, lest its nominal rate increases look like a joke to everyone. And, with inflation going up, the Fed has no room to move in order to stimulate the economy if GDP keeps going down as it did last quarter.

We could see a virtual thermocline in interest rates that could create turbulence for the housing bubble, which depends on low interest. Rising interest is likely to turn into big trouble for the US government in less than a year, too, due to its continual need to refinance its now astronomical 20-trillion dollars of national debt. The rise in rates also comes just as total household debt in the US has returned (at $12.58 trillion) essentially to its Great Recession peak ($12.68 trillion), a fair part of which is financed with adjustable-rate mortgages. At the present rate of climb, we'll match that peak in maximum household debt by the next quarter.

How is the Fed going to have any power to keep a lid on any of those interest-based problems if January and especially February are true indicators of where inflation is going this year?

7. Wars and rumors of war all over the world

More than a desert storm is brewing now. It seems the further we go into the twenty-first century the more concurrent wars we have. Humanity is far, far far from learning to live at peace with one another. The world is embroiled in wars of all kinds — more than I've seen in my lifetime. Ukraine, Libya, Syria, Iraq, Yemen, Somalia are recent headline nations, and there are skirmishes in other places and several potential wars looking like they could erupt soon.

The Middle East, where global armageddon was predicted to take its center stage, looks every day more like it will fulfill that forecast. It's a hell-hole that grew hot under Bush, hotter under Obama, and Trump promises to turn up the heat even more in order to incinerate ISIS. Twenty-three percent of all global arms sales are made to Middle-East dictatorships. That results from an 86% jump during Obama's final term as president! (Obama, winner of the Nobel Peace Prize.)

Elsewhere, the borders between **Nato nations and Russia** are stocking up on arms on both sides, which Trump has also promised to increase, stating he wants to assure the US has the largest arsenal of nuclear weapons on earth. Russia is now frequently provoking Nato and the US military, by harassing ships with fly-bys and skirting US and Nato boundaries.

But elsewhere, still, **North Korea** continues to rattle its nuclear sabers against the West, begging for some action from Trump, by firing missiles vaguely toward Japan and Hawaii, flaunting the fact that it intends to ignore Trump's warnings, bating him to take action.

Nearby, **China** continues to aim for dominance and control in the South China sea, pushing the US to exert its right and the rights of others to travel those routes that have long been recognized by all other nations as international waters. Conflict with China over Taiwan has started to look a little more likely, too.

Coming full circle to the Middle East, **the Iranium Reaction**, as I've called it, is heating up again and could melt down faster than the China Syndrome: During his campaign Trump made it emphatically clear (as he makes most things) that he believes the Iranian nuclear deal is a horrible deal. Trump has stated clearly that he will terminate or renegotiate the nuclear deal with Iran.

One of his first acts after his inauguration was to "put Iran on notice" because it tested a missile that is allowed under the new deal. Whatever Trump's now re-retired General Flynn meant on behalf of Trump when he said that Iran was "on notice," Trump, in retweeting it, made the statement his own and drew another red line in the sand. Israel's PM, Benjamin Netanyahu, responded to the statement by saying, "Iranian aggression must not go unanswered."

The problem with drawing red lines is that they challenge weaker parties to prove their strength, and Iran does not back down. It's like picking a fight by drawing a line in the sand and saying you dare someone to cross it. Iran will try to show that it can wiggle its toe across the line. So, another fairly certain forecast for 2017 is that Iran will seek to prove its strength against Trump, and that, too, influences the economy in ways that cannot be easily predicted.

Secretary of Defense Gen. James Mattis has accused Iran of being the world's leading "state sponsor of terrorism," and Trump's new CIA chief, Mike Pompeo, advocates invading Iran. Trump's overtures to Benjamin Netanyahu have made it clear that Trump intends to prove himself to be a much stronger friend of Bibi than Obama was, and Netanyahu has repeatedly made it clear that he hates the nuclear agreement and would prefer to see Iran bombed in order to avoid getting the bomb. So, many vectors are pointing toward conflict with Iran.

The US and its NATO allies are beginning "Operation Unified Trident" in the Persian Gulf, a joint war game intended to simulate a military confrontation with Iran. Iran has also initiated its own wars games in mouth of the gulf (the Strait of Hormuz).

Riling the likelihood of more reaction from Trump, Iran placed an order for uranium with the body that oversees the nuclear deal between Iran and the West this month. Iran claims the nuclear pact said this shipment could happen in the first three years of deal, but with Trump wanting to renegotiate and Netanyahu preferring an attack on Iran's nuclear plants, will either leader be inclined to allow Iran to obtain *950 tons* of uranium?

Three-hundred tons of that is supposed to arrive in the form of yellowcake. You probably remember that the US considered yellowcake a short enough step from being bomb grade (in terms of the amount of time required for further enrichment) that it started a war with Iraq over it. While Iran has the right under "Joint Comprehensive

Plan of Action" to enrich uranium to 3.5% purity and to sell it to other nations, that's certainly a major part of the deal that neither Trump nor Netanyahu like.

In this superheated environment, House Joint Resolution 10 was introduced in January by a Democrat, so that it is one of the few bills likely to have some bipartisan support. I certainly cannot see how it will not be loved by neocon Republicans. It states, ***"This joint resolution authorizes the President to use the U.S. Armed Forces as necessary in order to prevent Iran from obtaining nuclear weapons."*** If it passes with its present wording, **it means Trump is *preauthorized* by congress to initiate *pre-emptive* war against Iran *at his sole discretion*.**

Leaders going into war often underestimate what powers the other side may bring to its aid. In the event of war with Iran, China and Russia have indicated they will stand with Iran.

Coinciding with all of that, we have the perpetual **Palestinian-Israeli conflict**, which looks likely to intensify under hardliners, particularly as Trump sides more solidly with Israel. Of course, arms races are good for the US economy, but wars can create panic in markets, too. If the US gets involved in more and more wars, up soars the national debt.

Miscellaneous breezes that could blow into a storm in the longterm 2017 economic forecast

Those are the main events I see contributing to my global 2017 economic forecast, but there are also many likely events that are lesser at the moment but that could have a modest impact or could grow to considerable impact:

Housing bubbles are starting to pop again. This is actually a big one, but I so I already gave it a full article. (See "2017 Economic Headwinds: Housing Bubbles Popping up and Just Plain Popping Everywhere.") I merely note it here as a reminder of how many force are now looking likely to start to batter the economy.

More retail closures are in the works. JC Penny announced last week that it will close another 130-140 stores, citing week demand and online competition. Macy's recently announced it will be closing 100 stores, too. Macy's said *profit* fell another 13%, and it expects a 3% decline in sales in 2017. Kohl's and Nordstrom are keeping things in line by reducing inventory and cutting back on promotions.

In all, things don't look good for major retailers. It's not all due to online competition either. Some of the overall slowdown in growth of consumer spending is attributed to inflation. Adjusted for inflation, *overall* consumer spending fell in January, taking its largest drop in three years.

Health insurance in the US is a rampantly spreading its own economic epidemic. Having lost a lot of money in 2016, a few major insurance companies dropped out the Affordable Care Act, and others raised their premiums an average of 25% for 2017. A third of all the counties in the US now have only one insurance carrier, and more carriers are likely to drop out in 2018, raising insurance prices even more through the loss of competition. Rising healthcare benefit costs could freeze wages, which have only just begun to trickle upward. Now that the ACA is in place, 28.5 million Americans remain without health insurance because they feel insurance is too expensive already or because they can't qualify.

The raging debate over Obamacare is delaying economic stimulus. Trump has stated publicly that it is impossible statutorily and infeasible to do tax reduction until the Affordable Care Act is sorted out because the administration has to know what the replacement plan will cost before it can enact tax reductions. The major stimulus those reductions would provide were really a dying economy's lifeline that was needed immediately. Now they will not happen until August at the earliest.

If any ISIS or al Qaeda terrorists have entered the US by claiming to be refugees, as President Trump suggests, they are now pressed to act sooner than later because Trump is going to start to export illegal immigrants. While expulsion is intended to reduce the size of such risks and the possibility of their being carried out because sleeper cells won't have time to build up their numbers and finish their plans, it does increase likelihood of a black-swan event moving into the 2017 economic forecast if any event is in the planning stages. For terrorist organization, border tightening looks more like now or never. (Not saying Trump shouldn't do this, just saying it is a fact that it tightens schedules for terrorists from their perspective.)

We know the Republicans ran an entirely **obstructionist government** on their end for eight years (more so than anything I've seen in my lifetime); so we can be reasonably certain in forecasting that it is now payback time from the Democrats. Expect as much gridlock as Democrats can muster because they have never hated a president as much as the hate Trump.

A BRICS breakdown. The US dollar as reserve currency is eroding the new wealth of rising nations because loans have to be paid back in US dollars while local currencies are declining in value against the dollar. That leaves debtor nations scrambling for cash to repay these loans. I forecast, as do many others, that we'll start to see nations, as well as individuals and corporations in developing economies, face bankruptcy problems in 2017 because of debts they owe in dollars while they make their revenue in falling currencies.

US auto debt is at a record high of $1.16 trillion, according to the Federal Reserve Bank of New York. That's a situation we saw going into the Great Recession, and we know how badly it turned out then. The high number of sales back

then was made possible by lowering credit standards and increasing the payment period to seven years and by calling leases, sales. That is also similar to tactics leading into the Great Recession when automakers found themselves teetering on bankruptcy. Delinquencies on auto loans are rising but are not as bad as student-loan delinquency.

And then there are major trends of great significance that are slowly going to get worse every year, which are just breezes in 2017, but they foretell what is coming like the gentle gust you feel before a sudden downpour of rain:

Hi-tech is eliminating jobs. This won't be too much of a headwind for this year, but it will become increasingly a problem in years ahead. The threat to jobs will move from being off-shored to being robooted out the door. As one of this blog's readers (QEternity) has pointed out in his comment to another article, "today's Uber drivers will be eliminated, along with McD's burger flippers, and a host of other jobs." Amazon is already hugely robotic, and we may move toward "near worker-free grocery stores" and fast-food restaurants.

Rising costs of oil production as oil gets harder to access. The entire global economy depends on oil, and so far recent innovations in fracking have kept the economy afloat in cheap oil, which had its detrimental side when it got low enough to drive oil companies and their support industries out of business and imperil banks that went in too deep in financing the industry.

Fracking plays, however, play out quickly compared to the kind of reservoirs we used to be able to tap. There is lots of oil left in the world, but it becomes increasingly costly and dangerous to extract. Witness the Deep Sea Horizon to see how dangerous deep-sea oil drilling and pumping can be. Witness the massive increase in Oklahoma earthquakes and flaming well water and the USGS's statement that the earthquakes are definitely caused by fracking waste wells to see how dangerous on-land fracking can be. (See "The OPEC Epoch is Over" to see how much the oil industry is changing.) No doubt, new technologies will draw this out some, but many of those technologies are more expensive, and our consumption-based economy demands fairly inexpensive oil to heat it up.

Baby boomers (also covered under housing) are retiring, and retirement funds are wrinkling up like dry leaves in the wind. The New York Teamsters just cut its promised benefits in half. Several other Teamster retirement plans are shriveling back to probably half of what they promised. This is symptomatic of the drying up of retirement benefits and social security and medicaid benefits as more people enter the beneficiary side and fewer productive people contribute.

This will be happening all over the nation from this point forward because retirement plans were grossly mismanaged just as the federal government grossly mismanaged Social Security by borrowing endlessly from it and never repaying what was borrowed. Everyone has *knowingly* ignored the reality they don't want to deal with — the fact that demographics would turn against the cash flows of all these plans.

2017 is the year when we are starting to see this growing demographic kick in, and the cost of our delinquency will be felt for the next twenty years as more and more companies and governments seek to extricate themselves from the retirement benefits they promised (hence “entitlements” in that the main reason many people did this work was for the promised retirement, now suddenly pulled out from under their feet. But that is what happens when you spend the future’s money today. Someday, you are part of that robbed future.)

Municipal and state plans are also disintegrating. Previous stock market crashes and deregulation are largely blamed by those who oversee the funds. One more stock market crash would finish off a whole slough of them since it would be hitting just as numerous plans are in trouble. What you are actually owed or what you need is irrelevant. Math has no mercy.

Oh well. It’s better for Trump if the economy crashes sooner than later because it will give him a chance to try to put the blame where it belongs — on eight years of failed economic recovery plans that followed eight years of profligate war and trickle-down economics that created enormous debt and an ever-widening gulf between the rich and the rest.

As you question my 2017 economic forecast, ask yourself which of the above things seems unlikely to happen or improbable … and tell me about it below.