

The Appalachian Messenger



VOL. 01, NO. 6

WWW.APPALACHIANMESSENGER.INFO

April 17, 2015

TIMING THE AVALANCHE - CRISIS REPORT #4

By ROBERT GORE, *Financial Editor*



Today's debt is tomorrow's claim on future production, the unbreakable nexus between debt and production. If debt is incurred for a productive purpose and the return is higher than the interest rate charged, it adds to economic growth. If debt funds present consumption or uneconomic investment, then in the future that debt will necessarily mean that economic growth is less than it would have been in the absence of that debt, regardless of whether it or not it is repaid or refinanced. Repayment reduces the debtor's future consumption or investment. Default reduces the creditor's future consumption or investment. Either the debtor or the creditor has fewer funds with which to fund future investment, the basis of future production. Refinancing—replacing old debt with new—merely postpones the eventual outcome.

The world now has about \$200 trillion in debt, or almost three times the world's annual production of about \$70 trillion (see "A World Overflowing With Debt," SLL, 2/5/15). Most of that debt has been for consumption, transfer payments, or politically driven "investments," which, unlike productive private-sector investments, will not generate economic returns sufficient to pay the debt. Mounting debt service costs, despite generational-low interest rates, are retarding or reversing economic growth in virtually all developed-country economies. Global debt continues to grow, which means repayment of interest, not principle, is imposing this burden on current production. While we all await the fateful snowflake that triggers the avalanche, those who want to know down which slope it will roll are advised to look to the link between debt and production.

If production shrinks at all, some debt will not be repaid. The oil market is first illustration of that point: its precipitous price decline made some production uneconomic, reducing producers' ability to service debt. There have already been defaults and there will be more, in turn reducing consumption, investment, and eventually production, in ever-widening waves that are rippling and will continue to rippled out beyond the oil sector. Oil is in fact the snowflake, as SLL said back in December ("Oil Ushers in the Depression," SLL, 12/1/14), just as housing was in 2007.

Europe is frantically trying to postpone its rendezvous with welfare-state destiny in Greece, but the debt has already been incurred and somebody will bear the burden of either its repayment or repudiation. For purposes of this analysis the eventual outcome matters not at all, only that it will inevitably arrive and will entail reductions in consumption, investment, and production, leading to economic contraction. Markets are anticipating all this, steadily marking down the prices of Greek debt and equities.

One facet of the current market adjustment process bears close attention: adjustments are sudden, large, and have far-reaching consequences. European governmental institutions and their financial adjuncts have lost control of the value of Greek debt. In less than five months, from last September to late January, the rate on Greece's 10-year bond doubled, much as the price of oil more than halved over a period of a few months. When the Swiss central bank decided to unpeg the Swiss franc from the euro, the franc appreciated against the euro over 40 percent in a few hours. There was no bid for euros until the market established a much lower exchange rate (less francs per euro). *(Continued on "Avalanche, page 2).*

Analysis of the Unconscious: Information Versus Intelligence

By SAM CULPER, *Intelligence Editor*



University of Virginia psychology professor Tim Wilson estimates that the human brain is capable of receiving 11 million bits of information per second, which puts our brain's abilities on the level of NSA, at least as far as collection is concerned. Where our brain falls laughably short is our conscious awareness. His research shows that of those estimated 11 million bits per second, our brain can only process about 40 of them.

For Intelligence purposes, what our brain lacks is an ability to index and store these 11 million bits each second. Can you imagine if you had the ability to retrieve, compile and analyze even one percent of this information over the course of your life?

Our work in Intelligence analysis runs into the same problem: we can't analyze information to which we don't have access. It would do the Intelligence Community no good if we were collecting thousands of terabytes worth of information, and yet allowed this information to slip through our fingers for lack of storage.

One of the greatest tools the Intelligence Analyst has in his arsenal is the ability to query databases and look at previously collected information. We have an incredible ability (and luxury) to have all this knowledge literally at our fingertips. Yet it still does us no good if we have Intelligence information in our databases, but can't find it because we're not proficient at querying what we're looking for.

Now this brings up an important point for us. We can only process and analyze information in our conscious awareness. One thing that makes our job as Intelligence analysts so difficult is the necessity to make conclusions often involving future events or trends based on incomplete information. This is akin to the algebra problems of yore, where we had to *solve for x*, but we now have an equation littered with unknown variables. As my section chief used to say, *predicting what the enemy is going to do is a hell of a way to make a living.*

So applied to the Patriot-Prepper Intelligence Analyst, collection and storage of intelligence information becomes immensely important! Consider for a moment that you didn't have the internet, nor access to any other forms of collection. It's unfeasible that you'd be able to do your job of producing threat Intelligence and early warning to your family and prepared peers, yet that's exactly what you *must* do. A top priority for each of us is to ensure that we have an ability *now* to collect, catalogue, and store Intelligence information. This is one of the things we talk about in the courses I teach.

The second point I need to make is the relationship between information and Intelligence. "Intelligence gathering" is really a misnomer. We don't gather Intelligence, we gather Intelligence information. The simplest way to explain this concept is that information is compiled to create Intelligence, but is not Intelligence by itself.

When we task Human Intelligence (HUMINT) collectors to go get information from their sources, or when we hop on Tor to search out something that fills an Intelligence gap, we're just getting information. The Intelligence Analyst is the *only* person in an organization who can produce Intelligence, period.

Your mission, if you want to protect your family and community from post-SHTF threats, is to begin compiling information to analyze. From this information, we want to be consciously aware of as much as possible in order to produce timely, relevant, accurate, specific, and predictive/actionable threat Intelligence. You aren't able to analyze information you don't know. You cannot analyze the unconscious. Without access to information, there is no Intelligence. Go collect what you need now.

MEDICAL KITS – SUBVERTING THE DOMINANT PARADIGM

By ED GROUCH, MD, *Medical Editor*



Medical Gear Philosophy

A new private out of AIT wants to know: what's the aid bag load plan? He gets great comfort in having a bag packed just like he was told to do. Much of the bag's contents are high-tech gadgets that were placed in the bag not because they were needed, but to get funding. In order to hasten the procurement process for new med kit load-outs, individuals bow to lobbyists pushing for a few extra tidbits in order to get influential senators to back the bag. Hence we have the ubiquitous single purpose Benchmade hook knife in addition to scissors in every Combat 'Lifetaker' Bag (CLS), or the Asherman chest seal, never proven to have any benefit as a chest seal with a valve. How about the absolutely worthless Sawyer extractor? Millions sold, no value to the patient outcome.

Later our private becomes a SGT. Instead of tossing out gear, he gets more training and adds more high tech gadgets. His bag gets huge. He can't do a push up with it, he can't fire and maneuver, but by gosh he has separate solutions for IV, irrigation, and eyewash. Three pen lights, a flashlight with 2 colors of lightsaber attachments, and a headlamp. No one ever taught him about medicine, so he has lots of OTC meds like hydrocortisone, where the base petroleum jelly has more treatment value than the impotent steroid. He gets hot packs; comfortable, but will not change your core temp any more than it will change the temp of a 5 gal pail of water if you drop it in. He gets uncovered surgical tools 'cause they looked cool on Blackhawk Down, are as clean as the open sewer swamp he just set the bag down in, and sticks them in a nylon bag that he just contaminated with his first patients' blood when he puts them back.

As he gets on in his training he learns to only carry items he needs. They must be multifunctional items. He learns to make an eye shield from stuff he already has, not a pre fab whiz bang one, etc. He learns how to make do with what he has as he discovers all the training on the CAT-T that every soldier carries (so he only needs 2) won't help him when faced with 50 blast injured Iraqi policemen or Boston Marathon runners that don't have them. He learns to improvise. He knows to cut the end off a SAM splint instead of carrying finger splints. A SAM splint becomes his extraction collar. You get the idea. Make the most with that you have. *(Continued on "Med Kits", pg 2).*

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Robert Gore – Financial Editor
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Thought for the week: Blessed is he that can laugh at himself; he will never cease to be amused.

Avalanche, continued..... The oil, Greek debt, and Swiss franc markets, and their associated derivative markets, have one thing in common with virtually every other financial market around the world: they are heavily leveraged. If speculators are 20 times leveraged (not at all unusual), a 5 percent contra move in the underlying asset wipes them out, so they sell first and ask questions later. Bids and market liquidity evaporate, usually only reestablished at dramatically lower levels later on. The gap in price inflicts huge and often solvency-threatening losses, with substantial secondary effects. Yesterday, a capital hole of up to \$8.51 billion in an Austrian bank set up to resolve bad loans was reported, in large part because of deteriorating eastern European Swiss franc mortgages. The mortgagees were essentially short the Swiss franc (see “Spectacular Developments’ in Austria: Bail-In Arrives after €7.6 Bad Bank Capital Hole ‘Discovered,’” from Zero Hedge, SLL, 3/2/15).

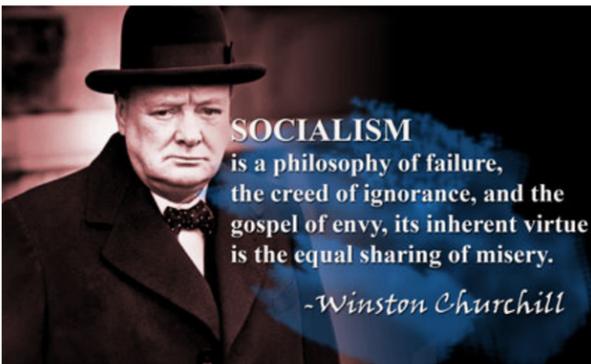
The world’s central banks have staked their all on monetizing debt to promote rising equity markets. There is much blather about new equity “wealth” promoting economic growth and rising incomes, but even governments’ statistics, manipulated and biased as they are, give the lie to that one. However, unless the link between equity markets and economic growth has been completely severed, two variables the central banks have sought to control are now in direct conflict. Debt monetization and interest rate suppression promote debt expansion as well as rising equity markets, but debt has become economically counterproductive (David Stockman calls it “peak debt”). It now demonstrably retards rather than promotes growth, eventually leading to contraction and—barring that complete severance between equity markets and economics—falling equity markets.

Faltering, on-the-verge-of-contracting economies decrease the debt-servicing capabilities of those economies, and debt levels are rising. SLL has long hypothesized that there will come a day when over-indebted governments face the rising interest rates the government of Greece has already faced. That may be happening now, at least in the US and Japan, where rates have been rising, under the radar (it’s the last thing to which Washington, Wall Street, or Tokyo want to draw attention).

It may be just a blip, and as a trading vehicle only the most intrepid should jump aboard, but it bears close attention. Interest rates are a crucial variable that governments and central banks must control. Keep in mind that governments (including their central banking arms) have historically been “dumb money.” (Who can forget the British Treasury’s sale of gold from 1999 to 2002, at the bottom of the gold market?) A general rise in interest rates, and concomitant fall in bond prices, after years in which central banks have been buying huge amounts of bonds, would fit the “dumb money” historical pattern perfectly, and would inflict grievous losses on the central banks.

Remember the phrase from above concerning market adjustments: they are “sudden, large, and have far-reaching consequences.” Equity markets are just as leveraged as most other markets. Central banks are attempting to manipulate them upwards while at the same time promoting economic growth and suppressing interest rates. The Command and Control Futility Principle (*governments and central banks can control one or more, but not all variables in a multi-variable system*) and its corollary (*due to the impossibility of controlling all variables, they will usually lose control of even the variable or variables they have attempted to control*) imply that when they lose control of one of these variables, they will lose control of all them. There is virtually no chance that this loss of control will lead to anything but a gargantuan crash that wipes out a significant, by which is meant 50 to 75 percent, chunk of nominal equity wealth in a hurry. There is no chance that such a crash will not lead to a depression.

There are two classes of participants in today’s equity markets: those who know the game is rigged but think they can get out, perhaps even profit, when the music stops, and those who haven’t a clue. There were corresponding classes who were short the Swiss franc—everybody knew the Swiss central bank “had their backs.” Both classes were scorched when it stopped suppressing the franc’s price against the euro. The only investors who won’t get scorched when equity markets collapse are those who aren’t in them, or those who are fortunate enough to short them at the top. SLL recommends its readers join the former, with the latter being reserved for those with substantial trading experience using a fraction of their risk capital. It’s tough trying to time an avalanche.



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Homemade Weed Killer

1 Gallon White Vinegar
 1 Cup Table Salt
 1 Tablespoon of Dawn Dishsoap

 Mix and put in spray bottle.
 **Be careful because this solution can be harmful to grass as well.
 Useful for unwanted weeds in sidewalk cracks, landscape borders, and other areas where grass, flowers, and other plants won’t be affected. Works faster in areas of bright sunlight.

Natural Slug Deterrent

According to *Nature* magazine slugs and snails hate caffeine. So save your coffee grounds and sprinkle around your acid-friendly plants to keep the slugs away.

CALENDAR OF EVENTS

April 18—NRA Women on Target Instructional Shooting Clinic, Murphy, NC. Contact Carrie Brekke, 706-896-6075 (please no calls after 7pm).

April 18—Practical Preparedness Medical Training, \$25. Murphy NC. E-mail lucy@appalachianmessenger.info for further information.

April 21—Mountain Country Rod & Gun Club. Meeting 7-8:30 pm at Penland Senior Center, 69 Alpine St., Murphy, NC.

April 22-26—Earth Day celebration, Andrews NC. Native plant information, natural medicines, Trail of Tears information, nature hikes, fishing tournaments and gospel music. See andrewsnc.com for info.

May 16-17—2nd Annual Mountain Prepper Expo, Sevierville Convention Center, 202 Gists Creek Road, Sevierville, TN. See mountainprepperexpos.com/ for further information.

May 29-31—Heritage Life Skills, Waynesville NC. Two days of workshops & speakers including Survivor Jane & Rick Austin. Call Jan at 828-456-5310 or visit the website carolinareadiness.com to sign up.

Med Kits, continued

The intellectually lazy want a set kit someone with great credentials “the Army” “SF” or “The Marines” put together for them.

Arguing about exact contents is a futile endeavor as it’s all based on a study of “what if?”

As environments and missions change so should your kit. The kit you take to war won’t be ideal for a camp trip by the river with your family.

As with any kit it starts with a medical assessment. In no particular order:

1. How many are in the group and what level of training do they have?
2. Budget and weight (if you don’t have SOCOM’s Budget and supply chain, your priorities may be different)
3. What are the top medical threats? Weather, terrain, wildlife, 2 legged varmints? For travel to new areas do your research. Use local docs, trauma pattern studies based on your activity, missionaries, news reports, CDC, expats, etc...
4. Which of those threats are time sensitive and fixable with what you can carry in an individual kit? If it does not fit that criteria it belongs in a main aid bag or somewhere else. Basically, how can you mitigate risk within your available resources?
5. What are the intrinsic medical problems within the group or individual the kit is for? ie. allergic to bees, heart problems, diabetes, etc...
6. What are the distances/obstacles, time, and availability of the next layer of care? Main aid bag or hospital or aid station?

As an example, I will load my pockets with items when providing coverage for a large group, for example, narcotic pain meds and antibiotics when working a community in the developing world. When moving with a Battalion on planes I will pack motion sickness, and sleepers and anxiety meds to manage inflight issues when separated from the main pharmacy bag. As the doc it’s your job to anticipate issues and worst case scenarios and plan ahead.

(For more information see griddown-med.com/2015/03/27/medical-kits-subverting-the-dominant-paradigm/).

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CAROLINA READINESS SUPPLY

“By failing to prepare, you are preparing to fail.”
Benjamin Franklin