

## **Panic-buying our way to oblivion**

The shelves in the Soviet Union's biggest state 'department store' - Gum - were mostly bare back in 1977 when I worked at Moscow's nearby exhibition center in Sokolniki Park. The same was true in East Berlin when I crossed over from prosperous West Germany in 1986 three years before the fall of the Berlin Wall. The reasons were simple: import restrictions and hard currency exchange problems, mostly, but also an avowed government preference for domestic-made products that shunned the 'evil capitalist manufacturers' in the West. That said, enterprising comrades knew how to finagle their way through the black market system and get what they needed.

The enterprising Communists of the Cold War era (especially the younger ones) were resourceful people who knew the intricacies of the barter and black market system. Many had grown up in the repressive central-planned economic system of post-war Communism and learned early on how to navigate it and not run afoul of the regime. Those most adept were said to have 'blat.' Blat (Russian: *блат*) which can be translated as 'informed influence' and is a form of corruption which is the system of informal agreements, exchanges of services, connections, Party contacts, or black market deals to achieve results or get ahead. If you were one of those practitioners, you were careful not to brag about it as no one wanted to be hung out to dry by the authorities and be made an example of. So, you played it cool and developed 'situational awareness' of who you were talking to and how you expressed yourself. Survival was all important.

Americans, on the other hand, have not really had to deal with such problems except for shortages that occurred during the 30s and 40s when the Great Depression and WWII reared their ugly heads. Apart from those times, we've lived the 'life of Riley' and haven't given much thought to the logistical aspect of supplying our favorite products to our markets or the products' origins (domestically-made or foreign-made). There were exceptions, however, when transport strikes intervened or bad harvests affected the volume and price of some consumables. For the most part, we have had the luxury of living in a 'just in time' (JIT: a manufacturing system in which materials or components are delivered immediately before they are required in order to minimize inventory costs) existence. We shopped at our convenience and expected the shelves to be packed with our favorite brands.

We reveled in a lifestyle of convenience. And after Sunday closing laws were abolished and store hours were expanded to allow for 24-hour shopping, convenience became second nature to us. We shopped at all hours of the day or night until the onset of the Coronavirus pandemic disrupted our supply chain and turned us into panic-buyers. Nothing was too mundane or exotic to stock up on. We gobbled up ground beef and chicken and grabbed dozens of rolls of toilet paper and hand cleaner and even sacks of flour to bake our bread at home. Some of us were coming round to the realization that all those 'survivalists' who had been stockpiling foodstuffs and other essentials knew something we didn't. The shortage shock had set its hook in us. To compound the problem, some states' governors clamped down on store opening times and instituted limits on how many shoppers were allowed in a given store at any one time.

Americans got scared, and then gas prices jumped 42% and inflation grew at 5% per month and then the supply chain broke down. Dozens of ships loaded with goods from China (our principal foreign exporter country) couldn't dock at California ports. Truckers couldn't truck and supermarkets' shelves suddenly went empty. The President said he'd call out the National Guard to help with the logistical logjam only to be corrected the next day by his own press secretary who admitted that it's the states that call up the Guard. The Transportation Secretary decided to go on a three-month maternity leave during the crisis and later said that the solution was to "lower our expectations" and that the shortages Americans were experiencing were actually proof that the President's policies were working! Meanwhile back in the 'real' America, people started hoarding (again) because their faith in their government's ability to actually solve the economic problems was gone. Initially, we were told that inflation was just a transitory thing, a blip, an anomaly, something temporary that we shouldn't be concerned about.

Then, recently, we were told by the Feds and most economists that we can expect inflation to continue throughout the coming year. If we needed another push to panic-buy, the timing of those remarks is perfect except for the fact that the supply-chain/transportation problem is still with us and Christmas is approaching. Americans are quickly reaching the breaking point. Rising prices, mask mandates, forced firings of healthcare workers/police/EMTs, airline regulation overreach (and exorbitant ticket prices), impending multi-trillion dollar 'infrastructure' legislation (which if passed will devalue our currency and add fuel to inflation) and all the social issues we're facing are converging and will soon create even more chaos.

On November 18th it will be 65 years since then Soviet First Secretary Nikita Khrushchev said, "my vas pokhoronim!" ("we will bury you") at a reception in the Polish Embassy in Moscow. Other leaders of Communist movements have said much the same thing over the years, pointing to our insatiable appetite for material goods as that which will do us in.

Short-term loss long-term gain

Chinese President (now for life) Xi Jinping has been practicing what Khrushchev was preaching over the past decade or so...and succeeding. By luring American manufacturers to China with cheap labor to fulfill manufacturing contracts and dangling the bait of a huge domestic Chinese market in front of their faces, our companies have fallen into the trap set for them. Our dependence on China is nearly complete. If the U.S.' demand for Chinese-made goods increases the Chinese win. If U.S. demand declines due to inflation and the Chinese can increase their exports to other countries and increase domestic consumption of locally-produced goods to offset the U.S. market losses, China wins. China plays the long game of dedicated saving and strategic investment unlike the U.S. that has lived off its credit card for far too long.

The last shoe to drop?

At present, China holds \$1.1 trillion of U.S. securities. (That's 4% of all our combined \$28 trillion debt.) The worst case scenario is that China dumps these securities in retaliation for trade sanctions or the U.S.' continued support for Taiwan. Should this weaponization of its holdings occur it would send our interest rates soaring and hurting our economic recovery. The dumping of debt would seriously affect the value of our dollar and help China in its quest to make the Renminbi more attractive as a reserve currency. On a parallel track, the Chinese have been gradually using 'soft diplomacy' with African and Middle Eastern countries to strengthen their own supply of raw materials necessary to fuel their expanding economy while their military continues its aggressive march to intimidate the entire Pacific Rim alone and with Russian participation.

Americans had better wise up fast. We need to revitalize and re-boot our own manufacturing sector and support the creation of new companies that have our country's best interests at heart instead of focusing on their quarterly earnings reports. If we refuse to acknowledge the Chinese stranglehold on our economy now, later will be too late and we will go from supply chain problems with empty shelves to totally empty stores.

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