

## Tipping Point and the Titanic

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**Definition: Tipping point** - a time when a previously stable slowing changing system sudden shifts into a new state unexpectedly.



You have probably seen the movie " **Titanic** " were a great "unsinkable" ship hits an iceberg and for hours nothing appears to be wrong, people dress up for dinner, everything seems calm and normal. Then slowly the ship starts to list and becomes water logged. In the final minutes the ship suddenly breaks in two and there is a shift into a very fast sinking. At the beginning most people didn't even want to get into the lifeboats, by the end they were fighting each other like Black Friday shoppers at WalMart for the few seats remaining to safety when even money might not buy your way off the sinking ship and the ship government (officers) start shooting at

the passengers in an attempt to retain control. This is a good model of a Tipping Point: everything seems normal then there is a sudden change.

Today the US is in the middle of several Tipping Point processes. Everything seems normal and may continue for for a long time that way, but under the internal stressing and strain there will come tipping points with with sudden change. You only have to think back to the 2008 financial crisis to see a recent example.

Then companies collapsed overnight and prices change dramatically. Of the 2008 mortgage crisis some people talked about the issue in the years prior but all seemed normal and most people ignored the warning signs. Now in 2011 I see Tipping Point processes underway in these areas

- government debt growing larger than can be paid for
- military overextended
- food costs and quality
- health care sytem and costs
- degrading infrastructure
- reduction in civil liberties

The problem with ignoring or waiting and seeing for a major change is that when it comes it may be sudden like the Titanic sinking. At at that point people may panic, riot and the government respond with draconician martial law in a vain attempt to keep control. Then it will be too late to get into a liveboat easily. And your only options may be to attack your fellow passengers or to accept the catestrophic changes like Sir John Jacobs sitting in his dinner jacket as he drowned in the state room of the Titanic.

PS Beware thinking that because you have an Everbank foreign currency account or hold foreign stocks in your US IRA that you are safe. That would like letting the Captain of the Titanic hold a certificate for a place in a lifeboat and thinking that if the ship is sinking your are safe...