

Resilience in an Era of Systemic Uncertainty

A Framework for Navigating Financial, Political, and Geopolitical Risk

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Executive Summary

This report examines the interconnected risks facing individuals and families in developed economies over the next three decades, with particular focus on the period 2026-2036. It is written from the perspective of January 2026, a moment when several previously theoretical risks have materialized in ways that demand serious consideration.

The United States has conducted a military operation to abduct a sitting foreign head of state, killing over 80 people in the process.¹ The administration has openly threatened military action against Greenland, a territory of NATO ally Denmark.² Domestic military deployments for immigration enforcement have been ruled unconstitutional by federal courts, yet continue in modified forms.³ A federal agent has fatally shot an American citizen during enforcement operations, sparking nationwide protests and threats to invoke the Insurrection Act.⁴

These are not speculative scenarios. They are current events. The question for individuals is not whether to take them seriously, but how to respond practically without either overreacting to immediate volatility or underweighting genuine structural change.

This report provides a framework for thinking about resilience across multiple domains: financial, geographic, professional, and personal. It draws extensively on historical precedents to contextualize current conditions and identify patterns that may inform expectations. It examines potential black swan events and underexplored risks that could materially affect outcomes. And it offers practical guidance that does not require prediction to implement—strategies designed to be reasonable across a range of possible futures.

The analysis incorporates recent developments that have substantially altered the risk landscape since initial drafting: the direct assault on Federal Reserve independence through criminal investigation of its chair, accelerating evidence of AI-driven labor market disruption, the approaching 2026 midterm

¹Al Jazeera, “How the US attack on Venezuela, abduction of Maduro unfolded,” January 4, 2026.

²Wikipedia, “Greenland crisis,” accessed January 20, 2026; ABC News, “GOP Rep. McCaul says a US invasion of Greenland would mean ‘war with NATO itself,’” January 19, 2026.

³Wikipedia, “2025-2026 domestic military deployments in the United States,” accessed January 20, 2026.

⁴Wikipedia, “List of immigration raids and arrests in the second Trump presidency,” accessed January 20, 2026; Al Jazeera, “US judge orders curbs on ICE agents’ actions against Minnesota protesters,” January 17, 2026.

elections and their implications for political stability, and the emerging contours of a post-hegemonic international order. These developments reinforce rather than overturn the core recommendations, while adding urgency to their implementation.

Part I: Current Conditions in Historical Context

The Post-War Order Under Stress

The international order established after World War II rested on several pillars: American military hegemony, the NATO alliance system, rules-based international trade, and the dollar as global reserve currency. For seventy years, this order was stressed but never fundamentally challenged by American policy itself. That changed in January 2026.

The military operation against Venezuela, codenamed Operation Absolute Resolve, involved 150 jets taking off from 20 airbases, strikes on military targets across northern Venezuela, and the forcible abduction of President Nicolás Maduro from his compound in Caracas.⁵ Whatever one's view of the Maduro government, the operation established a precedent that the United States will use military force extraterritorially to achieve objectives it frames as law enforcement, regardless of international law or sovereignty.

The simultaneous threats against Greenland suggest this was not an isolated action. President Trump stated that he does not “need international law” and framed the choice as between seizing Greenland or preserving NATO.⁶ Danish forces are under legal orders to “immediately take up the fight without waiting for, or seeking orders” in the event of an attack on Danish territory.⁷

Chatham House, the British foreign policy think tank, assessed that this may be “the moment when Western Europe realizes that the US has abandoned the core values that united them for the past century.”⁸ The EU defense commissioner has stated that a US invasion of Greenland would end NATO and trigger EU mutual defense obligations.⁹

Historical Parallels: Alliance Fractures

History offers several examples of alliance systems fracturing, with varying consequences.

The Concert of Europe (1815-1914): The post-Napoleonic order maintained relative peace among great powers for nearly a century through a combination of shared interests, regular diplomacy, and mutual restraint. It eroded gradually as nationalist movements, colonial competition, and shifting power balances created tensions the system could not contain.¹⁰ The erosion was not linear—there were crises that were resolved and crises that were not. The lesson: alliance systems can absorb significant stress for extended periods before failing catastrophically, making the timing of failure difficult to predict.

The Sino-Soviet Split (1956-1966): The Communist bloc appeared monolithic to Western observers until ideological and national interest divergences became undeniable. The split was

⁵Wikipedia, “2026 United States intervention in Venezuela,” accessed January 20, 2026.

⁶Wikipedia, “Greenland crisis,” accessed January 20, 2026.

⁷The Intercept, “Danish Forces Are Mandated to Fire Back if U.S. Attacks Greenland,” January 14, 2026.

⁸Chatham House, “The US capture of President Nicolás Maduro and attacks on Venezuela have no justification in international law,” January 2026.

⁹Wikipedia, “Greenland crisis,” accessed January 20, 2026.

¹⁰Michael Bordo and Harold James, “The Great Depression Analogy,” *Financial History Review*, 2010.

gradual—beginning with Khrushchev’s de-Stalinization, accelerating through disputes over leadership of the Communist movement, and culminating in border clashes and complete estrangement. The lesson: ideological alliances are not immune to nationalist pressures, and fractures can proceed faster than observers expect once critical thresholds are crossed.

Weimar Germany (1930-1933): The German republic’s collapse is frequently invoked as a warning about democratic fragility. A democratic system with formal checks and balances was hollowed out through a combination of emergency powers (Article 48), parliamentary dysfunction, elite collaboration, and popular support for authoritarian solutions. The lesson: institutional forms can persist while institutional substance erodes, making the moment of irreversibility difficult to identify in real time.

Domestic Governance: Comparative Context

The domestic dimension of current events also benefits from historical perspective. A Pentagon-unveiled National Defense Strategy has “in a dramatic shift from prior plans, prioritized domestic and regional missions rather than combating Russia and China.”¹¹ The President described America as waging “a war from within” and stated that domestic deployments should be “training grounds for our military.”

The Japanese American Internment (1942-1946): Over 120,000 people, most of them American citizens, were forcibly relocated and incarcerated based on ethnicity during wartime. The Supreme Court upheld the policy in *Korematsu v. United States*.¹² The program was eventually acknowledged as a grave injustice, with reparations paid in 1988, but at the time it was implemented through normal legal channels with judicial approval. The lesson: constitutional protections can fail precisely when they are most needed, and courts do not reliably constrain executive overreach during perceived emergencies.

The current environment differs from these precedents in important ways. A federal judge has already ruled that certain domestic military deployments “violated the Posse Comitatus Act” and that “the rationale for deployment was contrived.”¹³ Some institutional resistance exists. But the administration has demonstrated willingness to act first and litigate later—and in Venezuela, acted without clear congressional authorization.

Part II: Federal Reserve Independence Under Direct Assault

The treatment of Fed independence as a background institutional concern requires substantial revision in light of developments since January 2025. What was previously a matter of rhetorical pressure has escalated into an institutional confrontation without modern precedent.

The Criminal Investigation of Jerome Powell

On January 12, 2026, Federal Reserve Chair Jerome Powell disclosed that the Department of Justice had served the Federal Reserve with grand jury subpoenas and threatened criminal indictment based on his prior Senate testimony about the central bank’s \$2.5 billion headquarters renovation.¹⁴

¹¹Wikipedia, “2025-2026 domestic military deployments in the United States,” accessed January 20, 2026.

¹²*Korematsu v. United States*, 323 U.S. 214 (1944); Civil Liberties Act of 1988.

¹³Wikipedia, “2025-2026 domestic military deployments in the United States,” accessed January 20, 2026.

¹⁴PBS NewsHour, “Why the Federal Reserve’s independence from the White House matters,” January 12, 2026.

Powell's statement was remarkable for its directness: "The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the President."¹⁵

The ostensible grounds for investigation—cost overruns on a building project—are transparently pretextual. The renovation matter had been discussed in congressional testimony without controversy for years. The timing, following months of presidential attacks on Powell as a "numbskull" and "major loser" and demands for rate cuts, makes the political motivation evident to observers across the ideological spectrum.

The institutional response has been revealing. JPMorgan Chase CEO Jamie Dimon stated that anything undermining Fed independence "is probably not a great idea," while Senator John Kennedy, a reliable Trump supporter, warned that a "pissing contest" between the Fed and the executive branch would guarantee higher interest rates.¹⁶ Treasury Secretary Scott Bessent reportedly expressed concerns to Trump that the DOJ probe could complicate confirmation of the next Fed chair when Powell's term expires in May.

The administration had already fired Fed Governor Lisa Cook over alleged mortgage fraud—charges still being litigated, with the Supreme Court set to hear the case this month.¹⁷ The Fed attempted to insulate itself in December by signing off on the reappointment of 11 of 12 regional bank presidents, closing an opening the administration could have exploited. University of Michigan economics Professor Justin Wolfers observed: "If I'm reading this properly, they just Trump-proofed the Fed."¹⁸

Historical Context and Global Implications

The stakes extend well beyond domestic monetary policy. Former ECB President Jean-Claude Trichet told CNBC that the administration is "trying to change the game" by upending the long-held consensus of central bank independence that has held in developed economies for almost 50 years.¹⁹ He warned that an "obedient" Federal Reserve under White House control risks global financial stability. Bank of Finland Governor Olli Rehn similarly warned of a "structural rise in global inflation if the Fed's credibility is undermined."²⁰

The 1970s precedent looms large in this discussion, and appropriately so: Nixon's pressure on Arthur Burns contributed directly to the inflation that defined that decade. But the current situation differs in important ways. Burns was philosophically aligned with Nixon's expansionary preferences; Powell has demonstrated commitment to the Fed's mandate. The institutional defenses, while imperfect, are more developed. And the market reaction to any removal attempt would likely be swift and severe—an effort to fire Powell would almost certainly cause stock prices to fall and bond yields to spike higher, pushing up interest rates on government debt and raising borrowing costs for mortgages, auto loans, and credit card debt.²¹

¹⁵CNBC, "Trump attacks Powell again amid Fed independence fears," January 13, 2026.

¹⁶CNBC, "Trump attacks Powell again amid Fed independence fears," January 13, 2026.

¹⁷Yahoo Finance, "Divisions at the Fed that defined 2025 are expected to carry into 2026," December 2025.

¹⁸Inman Real Estate News, "Why The Federal Reserve Won't Bend To 'THE TRUMP RULE' In 2026," December 2025.

¹⁹CNBC, "Trump's war on Fed poses threat to financial stability: Trichet," January 14, 2026.

²⁰CNBC, "Trump's war on Fed poses threat to financial stability: Trichet," January 14, 2026.

²¹PBS NewsHour, "Why the Federal Reserve's independence from the White House matters," January 12, 2026.

The Paradox of Political Pressure

Wall Street analysts increasingly expect that aggressive political pressure may backfire. Any Trump nominee will need to emphasize independence to gain Senate confirmation and establish credibility. As UBS economist Paul Donovan noted, “Any nominee from U.S. President Trump is likely to have to place additional emphasis on their independence to try and prove they are above politics. This might impact future policy decisions.”²² The irony is that aggressive pressure may produce a more hawkish Fed, not the accommodative one Trump desires.

The Fed has also announced “THE TRUMP RULE” would not govern its decisions. Despite the president’s declaration that interest rates should fall regardless of economic conditions, Fed policymakers signaled only one additional rate cut in 2026, maintaining their data-driven approach.²³

Implications for Resilience Planning

For individual resilience planning, the Fed independence issue matters primarily through two channels:

First, sustained political interference could produce higher inflation than would otherwise occur, either through direct pressure for lower rates or through erosion of the Fed’s credibility that raises inflation expectations. The Center for American Progress analysis notes that “politically expedient lowering of interest rates can lead to a weaker dollar and misallocation of money in the economy to unproductive firms.”²⁴

Second, the very uncertainty created by the conflict introduces risk premiums into asset prices and borrowing costs that harm economic activity regardless of the ultimate outcome.

Both channels argue for the inflation-hedging positions recommended elsewhere in this report: Treasury Inflation-Protected Securities (TIPS), real assets, and equity in businesses with pricing power. The developments also reinforce the value of currency diversification and foreign-held assets as hedges against dollar weakness that could result from compromised Fed credibility.

Part III: Financial and Economic Risk Assessment

The Dollar’s Reserve Status: Scenarios

The US dollar’s role as global reserve currency provides enormous advantages: the ability to borrow in one’s own currency, reduced transaction costs for trade, and the option to fund deficits that would be unsustainable for other nations.²⁵ This “exorbitant privilege” has survived previous challenges but now faces a combination of pressures.

The tariff regime implemented over the past year has raised the average effective US tariff rate to approximately 15-16%, the highest since before World War II.²⁶ Federal Reserve research indicates

²²Fortune, “Wall Street is expecting Trump’s Fed plot to ‘backfire’ spectacularly,” January 13, 2026.

²³Inman Real Estate News, “Why The Federal Reserve Won’t Bend To ‘THE TRUMP RULE’ In 2026,” December 2025.

²⁴Center for American Progress, “The Trump Administration’s Interference With Federal Reserve Independence Carries Significant Risks,” September 2025.

²⁵Barry Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar* (Oxford University Press, 2011).

²⁶J.P. Morgan Global Research, “US Tariffs: What’s the Impact?” accessed January 2026.

that historical tariff shocks of similar magnitude led to higher unemployment and reduced economic activity.²⁷

Three scenarios merit consideration:

Scenario A: Gradual Erosion (Most Likely). The dollar remains dominant but slowly loses share to alternatives over decades. Central banks continue diversifying reserves. Trade settlement gradually shifts toward bilateral arrangements. The US retains most privileges of reserve currency status but faces higher borrowing costs over time.

Scenario B: Accelerated Transition (Moderate Probability). A specific trigger—a trade war with the EU, weaponization of dollar clearing against allies, or a debt crisis that forces monetization—accelerates the timeline. The dollar remains important but no longer dominant, similar to sterling’s position in the mid-20th century.²⁸

Scenario C: Crisis-Driven Repricing (Low Probability, High Impact). A sovereign debt crisis or loss of confidence triggers rapid flight from dollar assets. This would resemble the sterling crises of the 1960s-70s but at much larger scale.²⁹

De-Dollarization: Rhetoric Versus Reality

Despite extensive rhetoric about de-dollarization, the evidence suggests more continuity than change. The dollar still accounts for approximately 59% of global foreign exchange reserves as of 2024.³⁰ Indian Foreign Minister S. Jaishankar recently stated India “has never been for de-dollarization” and “right now, there is no proposal to have a BRICS currency.”³¹ Following Trump’s threat of 100% tariffs on BRICS members pursuing alternative currencies, Indonesia’s Foreign Ministry stated it is “not interested in the issue of de-dollarization.”³²

The real de-dollarization activity is occurring at the margins and in specific bilateral relationships. China and Russia now conduct most of their bilateral trade in yuan and rubles, bypassing the dollar entirely.³³ China’s Cross-Border Interbank Payment System (CIPS) has expanded to 1,467 indirect participants across 119 countries, linking 4,800 banks in 185 countries.³⁴ Gold’s share of global foreign reserves has risen from around 13% in 2017 to roughly 30% as of late 2025, with prices forecast to climb toward \$4,000/oz by mid-2026.³⁵

The key insight is that de-dollarization and the erosion of American hegemony are related but distinct phenomena. The dollar can remain dominant for transactions while American geopolitical influence wanes. The reserve currency role depends on depth, liquidity, rule of law, and absence of capital controls—characteristics that remain strong but are not immutable. The share of foreign ownership in the Treasury market has fallen to 30% from a peak above 50% during the Global Financial Crisis.³⁶ This reflects not abandonment but reduced growth in demand relative to supply.

²⁷Federal Reserve Bank of San Francisco, “What Can History Tell Us About Tariff Shocks?” January 2026.

²⁸Barry Eichengreen, *Exorbitant Privilege*.

²⁹Carmen Reinhart and Kenneth Rogoff, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton University Press, 2009).

³⁰IMF, Currency Composition of Official Foreign Exchange Reserves, 2024; Chicago Policy Review, “BRICS and the Shift Away from Dollar Dependence,” November 2025.

³¹U.S. News, “De-Dollarization: What Would Happen if the Dollar Lost Reserve Currency Status?” January 2026.

³²Lowy Institute, “A reality check for BRICS and the lofty dedollarisation agenda,” 2025.

³³Chicago Policy Review, “BRICS and the Shift Away from Dollar Dependence,” November 2025.

³⁴Chicago Policy Review, “BRICS and the Shift Away from Dollar Dependence,” November 2025.

³⁵J.P. Morgan Global Research, “De-dollarization: The end of dollar dominance?” 2025.

³⁶J.P. Morgan Global Research, “De-dollarization: The end of dollar dominance?” 2025.

Tariff Impacts: The Data

The tariff policies implemented in 2025 have begun to affect economic outcomes in measurable ways. According to the St. Louis Federal Reserve, tariffs account for roughly 0.5 percentage points of headline PCE annualized inflation and around 0.4 percentage points of core inflation over the June-August 2025 period.³⁷

The Congressional Budget Office estimates that the increases in tariffs will increase the average annual rate of inflation by roughly 0.4 percentage points over 2025 and 2026, resulting in the price level being 0.9 percent higher by 2026.³⁸ The Yale Budget Lab calculates that all 2025 US tariffs plus foreign retaliation lower real GDP growth by about 0.5 percentage points in 2025 and 0.4 percentage points in 2026, while the unemployment rate ends 2026 0.6 percentage points higher.³⁹

Businesses initially absorbed much of the tariff cost. Goldman Sachs economists estimated that tariffs caused inflation to increase by half a percentage point in 2025, roughly in line with Federal Reserve Chair Powell's statement that tariffs were responsible for the entirety of inflation's rise above the 2% target.⁴⁰ However, businesses are now beginning to pass costs to consumers—JPMorgan estimates that the share of tariff costs passed through could shift from 20% to 80% in 2026.⁴¹

The distributional effects are regressive. The Yale Budget Lab finds that tariffs are equivalent to a tax that falls most heavily on lower-income households because they spend a larger fraction of their income on consumption. Apparel prices have risen 17% from all US tariff actions; food prices have risen 2.8%, with fresh produce up 4.0%.⁴²

Historical Currency Crises: Lessons

British Sterling (1949-1976): Sterling's decline as reserve currency proceeded in stages punctuated by crises. The 1949 devaluation (30%), 1967 devaluation (14%), and 1976 IMF bailout each marked steps in a long decline. Britons who held only domestic assets saw purchasing power erode; those with international diversification fared better. In 1948, the pound accounted for twice the global reserve share of the dollar, but by 1969, the dollar had overtaken it tenfold.⁴³

Argentine Peso (1991-2002): Argentina's currency board maintained dollar parity until economic pressures made it unsustainable. The 2001-2002 crisis included bank freezes, forced conversion of dollar deposits to devalued pesos, and severe economic contraction. Those who had assets outside the banking system or in other jurisdictions preserved wealth; those dependent on domestic banks lost substantially.⁴⁴

Russian Ruble (1998): Russia's default and devaluation wiped out ruble savings. The government also defaulted on ruble-denominated domestic debt, demonstrating that even government bonds are not safe in crisis conditions.

³⁷Federal Reserve Bank of St. Louis, "How Tariffs Are Affecting Prices in 2025," October 2025.

³⁸Congressional Budget Office, "Budgetary and Economic Effects of Increases in Tariffs Implemented Between January 6 and May 13, 2025," June 2025.

³⁹Yale Budget Lab, "State of U.S. Tariffs: November 17, 2025," November 2025.

⁴⁰CNN Business, "Tariffs could really sting in 2026," January 3, 2026.

⁴¹CNN Business, "Tariffs could really sting in 2026," January 3, 2026.

⁴²Yale Budget Lab, "Where We Stand: The Fiscal, Economic, and Distributional Effects of All U.S. Tariffs Enacted in 2025 Through April 2," April 2025.

⁴³Chicago Policy Review, "BRICS and the Shift Away from Dollar Dependence," November 2025.

⁴⁴IMF Working Papers on capital control episodes; historical documentation on Argentina, Cyprus, Greece, Iceland crises.

The common thread: currency crises tend to occur faster than anticipated, governments take actions to preserve systemic stability that harm individual savers, and diversification across currencies and jurisdictions provides meaningful protection.

Market Valuation and Concentration Risk

US equity markets trade at historically elevated valuations. The cyclically adjusted price-to-earnings ratio (CAPE) reached approximately 39 in late 2025, a level exceeded only during the dot-com bubble.⁴⁵ This does not predict imminent decline—markets can remain elevated for extended periods—but it does suggest lower expected returns and higher vulnerability to negative catalysts.

Market concentration has also reached extreme levels. The largest companies by market capitalization account for an unusually high share of total market value. The top 10 stocks now represent approximately 35% of S&P 500 market capitalization, an unprecedented concentration that makes “diversified” index funds less diversified than their historical norm.⁴⁶

Historical parallels: The Nifty Fifty era of the early 1970s saw similar concentration in perceived high-quality growth stocks. Many of these companies remained excellent businesses but delivered poor returns for decades as valuations normalized.⁴⁷ The Japanese market in 1989 reached extreme valuations and has still not recovered nominal highs 36 years later.⁴⁸

Part IV: The AI Transition—From Speculation to Data

The Employment Picture Emerges

According to Challenger, Gray & Christmas, approximately 55,000 job cuts in 2025 were directly attributed to AI, out of total layoffs of 1.17 million—the highest level since the 2020 pandemic.⁴⁹ JPMorgan’s managers have been told to avoid hiring as the firm deploys AI across businesses. Goldman Sachs CEO David Solomon stated the bank is “taking a front-to-back view of how we organize our people, make decisions, and think about productivity and efficiency.”⁵⁰

The sector-specific patterns are striking. Certain tech industries, including cloud, web search, and computer systems design, stopped growing at the end of 2022, just after the release of ChatGPT.⁵¹ The unemployment rate among college graduates has ticked up and is trending above the aggregate rate. J.P. Morgan economists found “a mildly negative correlation between employment trends and AI usage, suggesting that AI may be depressing job growth,” though they caution that outside selected tech industries, AI has not yet been a major driver of employment composition changes.⁵²

⁴⁵The Motley Fool, “The Stock Market Sounds an Alarm as Investors Get Bad News About President Trump’s Tariffs,” January 2, 2026.

⁴⁶FactSet Earnings Insight; S&P Global Market Intelligence, Q4 2025.

⁴⁷Jeremy Siegel, “The Nifty Fifty Revisited,” *Journal of Portfolio Management*, 1998.

⁴⁸Bank of Japan statistics; Nikkei 225 historical data.

⁴⁹CNBC, “AI is already taking white-collar jobs. Economists warn there’s ‘much more in the tank’,” October 2025.

⁵⁰CNBC, “AI is already taking white-collar jobs. Economists warn there’s ‘much more in the tank’,” October 2025.

⁵¹J.P. Morgan Global Research, “AI’s Impact on Job Growth,” 2025.

⁵²J.P. Morgan Global Research, “AI’s Impact on Job Growth,” 2025.

Executive Rhetoric and Market Signals

The rhetoric from business leaders has shifted notably. Anthropic CEO Dario Amodei warned of a potential “white-collar bloodbath” and estimated that nearly half of entry-level white-collar jobs in tech, finance, law, and consulting could be eliminated by AI.⁵³ Ford CEO Jim Farley warned that AI will “replace literally half of all white-collar workers.” Salesforce’s Marc Benioff claimed AI is already doing up to 50% of the company’s workload. Walmart CEO Doug McMillon told The Wall Street Journal that AI “is going to change literally every job.”⁵⁴

Microsoft’s 2025 analysis of AI job exposure depicts a concerning situation: management analysts, customer service representatives, and sales engineers—approximately 5 million white-collar jobs that form the bedrock of the American tax base—face significant displacement risk.⁵⁵

Interpreting the Apparent Contradiction

However, the aggregate employment data has not yet shown massive displacement. This apparent contradiction admits several interpretations:

The lag hypothesis suggests that AI adoption takes time to translate into employment changes. Business Trends and Outlook Survey data shows that as of mid-2025, less than 10% of firms in the overall economy indicate they are using AI regularly, with the figure rising to just over 20% in professional, scientific, and technical industries.⁵⁶ Employment effects may simply be delayed.

The augmentation hypothesis suggests that AI is genuinely enhancing rather than replacing workers in most contexts, at least for now. Harvard Business School professor Christopher Stanton estimates that AI overlaps with about 35% of tasks in white-collar work, but “the optimistic case is that if you think a machine can do some tasks but not all, the tasks the machine can automate or do will free up people to concentrate on different aspects of a job.”⁵⁷

The hiring freeze hypothesis—arguably the most concerning for young workers—suggests that displacement is occurring primarily through attrition and hiring reductions rather than layoffs. The Bureau of Labor Statistics reported the lowest rate of job openings in professional services since 2013—a 20% year-over-year drop. Vanguard found that hiring for positions paying over \$96,000 annually reached a decade-low level.⁵⁸ Companies may be achieving AI-driven productivity gains by simply not replacing departing workers.

The Economic Logic of AI Disruption

McKinsey Global Institute estimates that generative AI could add \$2.6 to \$4.4 trillion annually to the global economy, representing a productivity increase comparable to the industrial revolution in compressed timeframes.⁵⁹ Goldman Sachs projects that AI could raise annual global GDP growth by 7% over a 10-year period.⁶⁰

⁵³Axios, “AI jobs danger: Sleepwalking into a white-collar bloodbath,” May 2025.

⁵⁴CNBC, “AI is already taking white-collar jobs. Economists warn there’s ‘much more in the tank,’” October 2025.

⁵⁵InvestorPlace, “AI Job Loss: Why 5 Million White-Collar Jobs Face Extinction,” January 2026.

⁵⁶J.P. Morgan Global Research, “AI’s Impact on Job Growth,” 2025.

⁵⁷Harvard Gazette, “Business executives sound alarm over looming workforce displacement due to AI,” August 2025.

⁵⁸SalesforceDevops.net, “The White-Collar Recession of 2025,” February 2025.

⁵⁹McKinsey Global Institute, “The economic potential of generative AI,” June 2023.

⁶⁰Goldman Sachs, “The Potentially Large Effects of Artificial Intelligence on Economic Growth,” March 2023.

The critical question is not whether AI will increase productivity—it almost certainly will—but how the gains from that productivity will be distributed. Historically, labor has captured a meaningful share of productivity gains through tight labor markets, unionization, and the difficulty of substituting capital for labor in most tasks.⁶¹ If AI can substitute for labor across a wide range of cognitive work, that calculus fundamentally changes.

Economists Daron Acemoglu and Pascual Restrepo have documented a pattern they call the “displacement effect” versus the “reinstatement effect.”⁶² Automation displaces workers from existing tasks, while simultaneously creating new tasks where labor has comparative advantage. Previous technological transitions (agricultural mechanization, manufacturing automation) saw the reinstatement effect eventually dominate, but with significant transitional disruption.

The concern with AI is that its generality—the ability to perform well across diverse cognitive domains—may limit the reinstatement effect. David Autor of MIT notes that AI differs from previous automation in targeting precisely the cognitive tasks that were supposed to be automation-resistant.⁶³

Market Implications: Winners and Concentration

The wealth effects of the AI transition are already visible in equity markets. Nvidia’s market capitalization increased from approximately \$360 billion at the start of 2023 to over \$3 trillion by late 2025—a nearly 10x increase driven by demand for AI training hardware.⁶⁴ Microsoft, Google, Meta, and Amazon have each invested tens of billions in AI infrastructure, with corresponding gains in market value for successful deployments.

This concentration creates a feedback loop: the largest technology companies have the capital to invest in AI development, which generates returns that further increase their capital advantage.

Historical Precedent: The Agricultural Transition

The agricultural transformation in developed countries reduced farm employment from over 50% of the workforce to under 3% over roughly a century.⁶⁵ This was ultimately absorbed through expansion of manufacturing and services, but the transition was wrenching for those directly affected. Key observations:

The transition took multiple generations to complete. Those born into agricultural communities often did not live to see stable new equilibria emerge. Personal resilience required either relocating to where new opportunities existed or accepting lower economic status.

Capital ownership during the transition determined outcomes. Those who owned agricultural land and successfully transitioned to mechanized farming retained wealth. Those who sold labor on increasingly automated farms did not.

New opportunities often required geographic relocation. The growth of industrial cities absorbed displaced agricultural workers, but only for those willing and able to move.

⁶¹Thomas Piketty, *Capital in the Twenty-First Century* (Harvard University Press, 2014).

⁶²Daron Acemoglu and Pascual Restrepo, “Automation and New Tasks: How Technology Displaces and Reinstates Labor,” *Journal of Economic Perspectives*, 2019.

⁶³David Autor, “Why Are There Still So Many Jobs? The History and Future of Workplace Automation,” *Journal of Economic Perspectives*, 2015.

⁶⁴Nvidia quarterly earnings reports 2023-2025; market capitalization data.

⁶⁵Bureau of Labor Statistics Historical Statistics on Agricultural Employment; USDA Economic Research Service.

If the AI transition proceeds at a faster pace than the agricultural transition—as seems likely given the speed of technological deployment in modern economies—the period of transitional disruption may be more compressed and intense.

Implications for Labor Income and Resilience

For individuals whose income derives primarily from labor, the AI transition has several implications:

Wage compression risk. As AI raises the baseline of what can be accomplished without specialized human input, the premium for being slightly above that baseline falls. This affects median workers in knowledge fields more than exceptional performers, but the threshold for “exceptional” continuously rises.

Skill half-life acceleration. The specific skills that provide labor market advantage change more rapidly when AI capabilities expand. Education and credentials that previously guaranteed decades of employment may provide shorter windows of advantage.

Capital ownership becomes more important. If returns to capital outpace returns to labor, the relative importance of accumulated capital increases. Those who own equity in productive businesses—especially those deploying AI to enhance productivity—capture gains that labor does not.⁶⁶ This argues for aggressive saving and investment, particularly in early career, and for ensuring that investment portfolios include exposure to companies deploying AI productively.

Sector exposure matters. Within any field, some tasks are more automatable than others. Professionals whose work involves genuine judgment in novel situations, relationship building, and physical presence retain more defensible positions than those whose work consists primarily of information synthesis and routine analysis.

Part V: US Market Investment—A Balanced Assessment

Given elevated valuations, political uncertainty, and structural economic changes, investors face a fundamental question: should they continue allocating to broad US equity markets, or should they reduce exposure? This section examines the arguments on both sides.

The Case for Continued US Market Investment

Innovation Leadership The United States dominates global innovation in precisely the technologies likely to drive economic growth over the coming decades. Of the top 10 AI companies by revenue and market capitalization, seven are American.⁶⁷ The venture capital ecosystem, research university network, and entrepreneurial culture that produce breakthrough companies remain concentrated in the US.

This innovation premium has historically justified higher valuations for US markets. The question is whether current valuations have already captured future innovation returns or whether they underestimate the transformative potential of AI and related technologies.

⁶⁶Thomas Piketty, *Capital in the Twenty-First Century*.

⁶⁷Nvidia, Microsoft, Alphabet, Meta, Amazon financial reports; market analysis.

Market Depth and Liquidity US equity markets are the deepest, most liquid, and most transparent in the world. This provides several advantages: tighter bid-ask spreads, easier execution of large trades, better price discovery, and stronger regulatory oversight (notwithstanding recent political pressures on regulatory independence).

Liquidity has option value—the ability to exit positions quickly if circumstances change. Less liquid international markets may offer better valuations but at the cost of reduced flexibility.

Currency and Reserve Status Despite long-term pressures, the dollar remains the global reserve currency. This status provides a structural bid for dollar-denominated assets during crises—the “flight to safety” effect. US Treasury securities remain the ultimate risk-free asset for global finance, and US equities benefit from this structural position.

Corporate Adaptability US corporations have historically demonstrated superior adaptability to changed conditions. They restructure more aggressively, allocate capital more efficiently, and respond to market signals more quickly than many international counterparts. This adaptability may prove valuable if economic conditions deteriorate.

Time in Market vs. Timing the Market Extended research demonstrates that time in the market outperforms attempts to time the market for most investors.⁶⁸ Missing even a small number of the best trading days dramatically reduces long-term returns. Reducing US exposure based on valuation concerns or political risks requires being right about both the direction of the market and the timing—a doubly difficult task.

The Case for Reduced US Market Exposure

Valuation Headwinds The relationship between starting valuations and subsequent returns is well-documented. Vanguard’s Capital Markets Model projects significantly lower expected returns for US equities over the next decade compared to historical averages, precisely because of elevated starting valuations.⁶⁹ Research Affiliates similarly projects 10-year real returns for US large cap equities well below historical norms.⁷⁰

A CAPE ratio of 39 has historically been associated with poor subsequent 10-year returns. This does not mean markets cannot go higher in the short term—they can and have—but it suggests the mathematical relationship between current prices and future cash flows is stretched.⁷¹

Concentration Risk The top 10 stocks representing 35% of S&P 500 market capitalization means that “diversified” US index exposure is heavily dependent on a small number of companies.⁷² Many of these companies face common risks: regulatory pressure (antitrust, data privacy), geopolitical exposure (China relations), and the possibility that AI investments may not generate returns commensurate with current valuations.

⁶⁸John Bogle, *Common Sense on Mutual Funds*, 10th Anniversary Edition (Wiley, 2009).

⁶⁹Vanguard Capital Markets Model, “Global equity expectations,” 2025.

⁷⁰Research Affiliates, “Forecasting Expected Returns,” accessed January 2026.

⁷¹Robert Shiller, *Irrational Exuberance*, 3rd ed. (Princeton University Press, 2015); Yale CAPE Ratio data.

⁷²FactSet Earnings Insight; S&P Global Market Intelligence.

Political and Institutional Risk The political developments documented in this report create a risk environment that historical valuation models do not capture. Selective application of law against specific industries or companies, potential capital controls in crisis conditions, and institutional erosion all represent tail risks that could affect US equity returns in ways not reflected in current prices.

Markets are generally efficient at pricing known risks. They are less efficient at pricing risks that have not occurred in recent memory and that many participants do not take seriously.

International Valuation Gap International developed markets (Europe, Japan, Australia) trade at substantial discounts to US markets. The CAPE ratio for European equities is approximately 17—less than half the US level.⁷³ Japanese equities trade at similar discounts. Some of this gap reflects genuine differences in growth expectations and corporate quality, but the magnitude suggests that international equities may offer better risk-adjusted returns even accounting for lower growth.

Tariff and Trade Policy Exposure Current tariff policy creates specific headwinds for US corporate earnings. Goldman Sachs estimates that tariffs have already reduced corporate earnings growth and will continue to do so.⁷⁴ Retaliation from trading partners affects US exporters. Supply chain disruption affects companies dependent on global sourcing. The uncertainty itself depresses capital investment.⁷⁵

A Framework for Allocation

Rather than an all-or-nothing decision, the appropriate response is calibrated allocation that balances these considerations:

Maintain meaningful US exposure. The US remains the world's largest economy, the center of global innovation, and the home of the deepest capital markets. Abandoning US exposure entirely would mean missing significant upside if current concerns prove overwrought.

Increase international diversification. A typical US investor holds 70-90% domestic equity. Shifting toward 60-65% domestic and 35-40% international captures US dynamism while reducing vulnerability to US-specific risks and taking advantage of international valuation discounts.

Consider factor exposures within US allocation. Value stocks trade at discounts to growth stocks. Small caps trade at discounts to large caps. Equal-weighted indices reduce concentration in mega-caps. These tilts can provide US exposure while partially addressing concentration concerns.

Maintain rebalancing discipline. Regular rebalancing enforces buying assets that have underperformed and selling those that have outperformed. This mechanically implements contrarian positioning without requiring market timing.

⁷³Vanguard Capital Markets Model; MSCI valuation data.

⁷⁴CNN Business, "Tariffs could really sting in 2026," January 3, 2026.

⁷⁵TIME, "Why Trump's Tariffs Are Like Termites," January 2026.

Part VI: The 2026 Midterms and Political Instability Scenarios

Historical Patterns and Current Indicators

The analysis of political instability requires examining the electoral dynamics that will shape the next several years. Historical patterns strongly favor Democratic gains in the 2026 midterms.

Since 1946, there have been 20 midterm elections. In 18 of them, the president's party lost seats in the House of Representatives.⁷⁶ When the sitting president is "underwater" in job approval polls, the likelihood of losing seats becomes a near-certainty. All the presidents since Harry S. Truman whose job approval was below 50% in the month before a midterm election lost seats in the House—all of them.⁷⁷

Trump's approval currently sits at 38% overall and 36% on the economy in recent polling, with 63% saying the country is headed in the wrong direction.⁷⁸ A majority of people think the country is already in a recession, even though technically it isn't. Two-thirds in the latest NPR poll said tariffs were a concern as it related to their budgets, and a November Yahoo/YouGov poll found that people felt, by a 2-to-1 margin, Trump had done more to raise prices than lower them.⁷⁹

Winning off-year special elections is a good barometer of which party will do well in the following year's midterm elections, and Democrats have been winning them. In the 2025 off-year elections, Democrats overperformed public polling across the board—in Virginia, New Jersey, and local races—in a way that they have never done in the Trump era.⁸⁰

Structural Dynamics

The structural dynamics are notable. A record number of House members and senators—56 out of 535, more than 10%—have announced they are not running for reelection. In the House alone, 44 incumbents are not seeking reelection, including 25 Republicans and 19 Democrats.⁸¹ When members of the party in power flee in such numbers, it typically signals an incoming wave.

Republicans currently hold a 219-213 majority in the House, with two seats now vacant.⁸² A net loss of just a handful of seats would give control of the House to Democrats, requiring their buy-in for spending and giving them power to investigate the administration. The Constitution requires that a new Congress be sworn in on January 3, 2027.⁸³

Complicating Factors

However, several factors complicate straightforward predictions:

Mid-decade redistricting in multiple states has scrambled the electoral map. Virginia may redraw to favor Democrats; Florida may redraw to favor Republicans. A pending Supreme Court

⁷⁶The Conversation, "For 80 years, the president's party has almost always lost House seats in midterm elections," January 2026.

⁷⁷The Conversation, "For 80 years, the president's party has almost always lost House seats in midterm elections," January 2026.

⁷⁸NPR, "Politics in 2026: Questions for Trump, Democrats and the GOP," January 2026.

⁷⁹NPR, "Politics in 2026: Questions for Trump, Democrats and the GOP," January 2026.

⁸⁰Slate, "2026 election: Midterm voting could bring a blue wave for Democrats," January 2026.

⁸¹NPR, "Politics in 2026: Questions for Trump, Democrats and the GOP," January 2026.

⁸²CNN, "No, Trump can't cancel the midterms. He's doing this instead," January 2026.

⁸³CNN, "No, Trump can't cancel the midterms. He's doing this instead," January 2026.

decision could require Louisiana and other states to redraw maps in a race-blind manner, with a ruling expected by the end of June 2026.⁸⁴

The president's comments about elections have prompted serious scenario planning. Arizona Secretary of State Adrian Fontes stated: "We've got a whole bunch of scenarios that we're playing through to make sure that we're prepared for the types of processes that might be necessary to preserve our democracy so that if somebody tries to cancel something... we can go to the courts, get the orders, and hopefully have the backup of law enforcement."⁸⁵ He declined to elaborate on specific scenarios, noting, "I don't want to give the bad guys any ideas."

Election Day is set in law, so it is theoretically feasible for Congress to move it, but not to cancel the election. The administration cannot unilaterally prevent elections, but it can—and reportedly is—attempting to influence them through executive action on election rules (blocked by courts), deployment of federal resources in targeted areas, and DOJ Civil Rights Division activities related to voter rolls.⁸⁶

Likely Scenarios and Their Implications

The most likely outcome, based on current data, is a Democratic takeover of the House with Republicans retaining the Senate. This would mirror 2018, when "much of the Democrats' Blue Wave hit a Republican Red Wall"—significant House gains but limited Senate progress due to an unfavorable map.⁸⁷

Political scientist David Faris notes that Democrats were able to flip 13 seats in the Virginia House of Delegates by winning double-digit Trump districts—places where the president won by 10 points or more. If Democrats could be competitive in such districts nationally, the potential gains extend well beyond the five seats needed for a majority.⁸⁸

The scenarios that matter for resilience planning are the tails:

A **contested election** producing prolonged uncertainty would create the kind of crisis conditions that make early preparation valuable. Markets would likely sell off; capital might seek safer jurisdictions; legal and property rights could face uncertainty. The 2000 Florida recount, which involved a genuinely close election, produced significant market volatility; a more extended crisis with less clear-cut legal resolution would be worse. As one analyst noted, "Close results could be followed by raucous recounts and court controversies... Prominent public challenges to voting tallies and procedures... would make matters worse."⁸⁹

A **Democratic House gaining investigative and subpoena power** would fundamentally change the information environment. Investigations into executive branch activities, including potentially the Fed interference, would proceed. This might actually reduce some types of uncertainty by establishing clearer boundaries—or might escalate confrontation further.

A **Republican retention of both chambers**, while less likely based on current polling, cannot be excluded. The 250th anniversary celebrations, during which the administration will seek to conflate

⁸⁴ABC News, "6 political stories to watch in 2026, from midterms to maps," January 2026.

⁸⁵CNN, "No, Trump can't cancel the midterms. He's doing this instead," January 2026.

⁸⁶CNN, "No, Trump can't cancel the midterms. He's doing this instead," January 2026.

⁸⁷LSE US Centre, "The 2026 Midterms: The most likely midterm scenario may be an electoral draw," October 2025.

⁸⁸Slate, "2026 election: Midterm voting could bring a blue wave for Democrats," January 2026.

⁸⁹The Conversation, "For 80 years, the president's party has almost always lost House seats in midterm elections," January 2026.

patriotism with conservative values, could provide a boost.⁹⁰ The administration would interpret retention as a mandate for acceleration. The remaining two years would likely see more aggressive action on all fronts currently underway.

For individual planning, the key insight is that political outcomes affect different assets and strategies differently. Real assets and foreign holdings are more resilient to domestic political volatility than paper assets held at domestic institutions. Professional flexibility becomes more valuable when policy direction is uncertain. Community ties provide resilience regardless of which scenario materializes.

Part VII: Multipolarity, Bipolarity, or the Emerging Order

Conceptual Confusion

The academic debate centers on whether the current order is genuinely multipolar or essentially bipolar. A recent Foreign Affairs analysis argues “arguing about whether China is catching up to the United States misses the point. Great powers have often been far weaker than the leading state but nevertheless engaged in dangerous security competitions. . . . China today is already more powerful than the Soviet Union was during the Cold War.”⁹¹

The increasing influence of middle powers—Brazil, India, Mexico, Saudi Arabia, South Africa, Turkey—should not be confused with true multipolarity. In 1990, middle powers produced about 15% of global GDP; by 2022, they produced about 30%. Militarily, they grew from about 7% of global spending to about 15%. But none exceeds the great-power threshold for economic and military power.⁹²

The Munich Security Conference Assessment

The Munich Security Conference 2025 made “multipolarization” its central theme, with even the pre-summit report reaffirming this paradigm shift.⁹³ However, the conference report also noted something more concerning: “Today’s great powers are less likely to form a distinct group, and their ability to settle order questions among themselves and formalize relations of dominance over the rest of the system is less now than in 1815, 1918, and 1948.”⁹⁴

This suggests the emerging order may be “nonpolar” rather than multipolar—power more widely distributed, coming in various forms, and not easily translated from one domain to another. As the report notes, “a multipolar world may undermine universal rules and norms. The presence of more great powers may mean even more actors claiming special rights for themselves.”⁹⁵

⁹⁰Oxford Analytica, “Prospects for the United States in 2026,” November 2025.

⁹¹Foreign Affairs, “The Multipolar Mirage: Why America and China Are the World’s Only Great Powers,” December 2025.

⁹²Foreign Affairs, “The Multipolar Mirage: Why America and China Are the World’s Only Great Powers,” December 2025.

⁹³China Daily, “Advancing a multipolar world order,” February 2025.

⁹⁴Munich Security Conference, “MSR 2025, Chapter 1 – Introduction: Multipolarization,” February 2025.

⁹⁵Munich Security Conference, “MSR 2025, Chapter 1 – Introduction: Multipolarization,” February 2025.

Multipolarity as Instability

Amundi Research frames the situation clearly: “Multipolarity is one of the most unstable political systems because it assumes a high degree of uncertainty about the intentions of other states, increasing miscalculations, competition, and leading to frequently shifting alliances. It also accelerates military build-ups... the US is no longer the hegemon, limiting what it can do.”⁹⁶

Since Trump took power, it has become evident that raw power (control over minerals, energy, food) and military strength are what counts. The US is using tariffs to achieve foreign policy goals and to increase US power, while military protection serves as leverage over allies to force them to give in to US demands.

BRICS and Alternative Architectures

The BRICS bloc, now expanded to include additional members, has articulated an objective of reducing reliance on the US dollar in its lending practices, setting a target of conducting 30% of its lending in local currencies of member nations by 2026.⁹⁷ The bloc’s New Development Bank provides an alternative to the IMF, supporting financial sovereignty by adhering to each country’s regulatory frameworks rather than imposing policy conditions.

However, internal contradictions limit BRICS effectiveness. Unlike the geographically cohesive European Union, BRICS nations are dispersed and have divergent geopolitical interests, particularly India and China. While China seeks to reduce Western influence, India is wary of a common currency dominated by Beijing.⁹⁸

The 2025 BRICS Summit Joint Declaration noted “serious concerns about the rise of unilateral tariff and non-tariff measures” without mentioning Trump or the US dollar specifically—reflecting the delicate balance members must maintain between asserting independence and avoiding direct confrontation.⁹⁹

Implications for Resilience Planning

The emerging order—whatever we call it—suggests:

Geographic diversification across multiple power blocs becomes more valuable. Assets concentrated entirely in the US or entirely in China-aligned countries face concentration risk. Europe, though facing its own challenges, may benefit from being caught between poles.

Currency diversification hedges against the possibility of more dramatic dollar weakness than the gradual erosion scenario suggests. Gold’s role as a stateless store of value becomes more relevant in a world of competing currency blocs.

Supply chain and trade exposure matters for both investments and employment. Industries heavily dependent on US-China trade face more disruption risk than those serving domestic markets or diversified trade relationships.

The period of transition itself creates risk independent of the ultimate destination. J.P. Morgan’s “World Rewired” analysis emphasizes that “the U.S.–China dynamic” will be “a key

⁹⁶Amundi Research Center, “Multipolar World In Action 2025,” September 2025.

⁹⁷Wiley Online Library, “De-Dollarization Is a Plausible Outcome of the New Washington Consensus,” October 2025.

⁹⁸Diplomatist, “The growing trend of De-dollarisation: Not restricted to BRICS member states,” May 2025.

⁹⁹U.S. News, “De-Dollarization: What Would Happen if the Dollar Lost Reserve Currency Status?” January 2026.

variable,” with the question of how these powers choose to involve themselves in international forums creating uncertainty regardless of where the system eventually settles.¹⁰⁰

Part VIII: The Polycrisis Framework—Useful Tool or Rhetorical Trap?

The Concept’s Core Insight

The polycrisis framework has genuine analytical value but also significant limitations worth examining.

The concept’s core insight is valid: crises in multiple systems can become causally entangled in ways that amplify harm beyond simple addition. A global polycrisis involves crises that are causally inter-related through common stresses, domino effects, and inter-systemic feedbacks.¹⁰¹ This is distinct from merely observing that multiple bad things are happening simultaneously.

Current conditions exhibit polycrisis characteristics. Tariffs create inflationary pressure that constrains Fed policy options precisely when political pressure is already limiting Fed independence. AI displacement may accelerate under tariff pressure as companies seek cost savings. Political instability makes rational long-term economic planning more difficult, potentially worsening the response to other challenges. Climate-driven insurance market failures affect property values, which affect consumer wealth, which affects spending and economic growth.

Legitimate Critiques

However, several critiques deserve attention:

Historian Niall Ferguson dismissed the term at Davos as “a useless concept, noting that ‘it’s just history happening.’”¹⁰² This reflects the valid observation that complex, overlapping challenges have always existed. The 1930s-1940s saw depression, fascism, world war, and genocide simultaneously. The 1970s combined oil shocks, stagflation, Cold War tensions, and social upheaval. Claiming the present moment is uniquely characterized by interconnected crises requires demonstrating that interconnection is qualitatively different, not merely present.

Critics argue that the abstract language of systems thinking “obscures the operations of power that are really at the heart of contemporary crises. It occludes the agency and interests at play.”¹⁰³ Describing tariffs as part of a polycrisis is less illuminating than identifying them as deliberate policy choices by specific actors serving specific interests. The systems framing can depoliticize what are fundamentally political phenomena.

The concept also reflects a Eurocentric view that “overlooks how countries in the global South have long faced overlapping crises shaped by colonial histories and global inequalities.”¹⁰⁴ For much of the world’s population, crisis has been the normal condition; what’s new is that wealthy countries are experiencing it. As one analyst observed, “For an Afghan, Yemeni or Haitian child aged 10 or so, the world has always been a continuum of so-called polycrisis.”¹⁰⁵

¹⁰⁰J.P. Morgan, “World Rewired: Navigating a Multi-Speed, Multipolar Order,” 2025.

¹⁰¹Cascade Institute, “Global polycrisis: the causal mechanisms of crisis entanglement,” *Global Sustainability*, January 2024.

¹⁰²TIME, “Why ‘Polycrisis’ Was the Buzzword of Day 1 in Davos,” January 2023.

¹⁰³Polycrisis.org, “Why are some criticizing the concept of polycrisis?” September 2023.

¹⁰⁴Polycrisis.org, “Why are some criticizing the concept of polycrisis?” September 2023.

¹⁰⁵Developing Economics, “Whose Polycrisis?” January 2023.

Finally, the framework risks “pushing us towards the realm of emergency politics, of necessity, of games in which the stakes are too high.”¹⁰⁶ Emergency framing can justify exceptional measures that undermine the very institutions needed for resilience.

The Concept’s Proper Use

The concept’s value lies in specific applications:

Identifying feedback loops that make interventions counterproductive. Expanded food production worsening fossil fuel emissions. Rate cuts to stimulate growth worsening inflation. These connections are real and worth tracking.

Recognizing that responses to one crisis can create vulnerabilities elsewhere. The massive fiscal response to COVID created debt levels that now constrain responses to other challenges. Sanctions against Russia accelerated alternative payment system development.

Preparing for cascade effects rather than isolated events. This report’s emphasis on diversification across multiple dimensions reflects polycrisis thinking—not because disaster is certain, but because interconnection means that concentrated exposure to any single domain creates correlated risk.

The appropriate stance is neither embracing polycrisis as a totalizing frame nor dismissing it as meaningless. Specific interconnections between specific challenges deserve analysis on their merits. The concept is a tool for thinking, not a substitute for thinking.

Part IX: Black Swans and Underexplored Risks

The following section examines low-probability, high-impact scenarios that could materially affect personal financial security. These are not predictions but possibilities worth considering when designing resilient strategies.

Political and Institutional Risks

Constitutional Crisis Over Election Results The 2026 midterm elections will occur in an environment where the administration has already attempted to change election rules by executive order (blocked by courts), where military and federal law enforcement have been deployed in Democratic-controlled areas, and where the president has explicitly stated concern about losing congressional control.¹⁰⁷

A scenario where election results are contested, certification is disrupted, or outcomes are not accepted would create unprecedented uncertainty. The 1876 Hayes-Tilden dispute resulted in a negotiated compromise, and the 2000 Bush-Gore dispute was resolved through Supreme Court intervention—but both occurred in contexts of greater institutional respect than currently prevails.

Potential consequences: Market volatility, capital flight, potential for civil unrest, uncertainty about legal and property rights, difficulty making long-term plans or investments.

Mitigation: Maintaining liquidity through potential crisis periods, geographic diversification of assets, established optionality for relocation, strong local community ties.

¹⁰⁶Polycrisis.org, “Why are some criticizing the concept of polycrisis?” September 2023.

¹⁰⁷WHYY/NPR, “Democrats concerned Trump will interfere with 2026 midterm elections,” January 2026.

Capital Controls In crisis conditions, governments sometimes restrict the movement of capital to prevent flight. This has occurred in numerous countries during financial crises, including Greece (2015), Cyprus (2013), Iceland (2008), Argentina (2001), and Malaysia (1998).¹⁰⁸ The US has not implemented capital controls in modern times but has the legal authority to do so under the International Emergency Economic Powers Act—the same statute used for current tariff policy.

Capital controls typically come with little warning and are announced over weekends or holidays to prevent preemptive movement. By the time they are implemented, the window for protecting assets has closed.

Potential consequences: Inability to move assets internationally, forced conversion of foreign currency holdings, restrictions on foreign transactions, limits on cash withdrawals.

Mitigation: Establishing foreign accounts and relationships before they are needed, maintaining some assets in other jurisdictions, holding physical assets (real estate, precious metals) that cannot be easily controlled.

NATO Fracture and European Security Crisis A US withdrawal from NATO or effective abandonment of Article 5 commitments would fundamentally reshape European security. The collapse of the European security order in the late 1930s proceeded in stages: German rearmament, remilitarization of the Rhineland, Anschluss, Munich, and finally invasion of Poland. At each stage, observers debated whether the system could absorb the stress.¹⁰⁹

Potential consequences: Increased European defense spending (inflationary), potential conflict on European territory, refugee flows, disruption to European economies, uncertainty about EU cohesion.

Mitigation: For those with EU exposure, considering which regions are most defensible and stable. Western and Northern Europe differ significantly from Eastern Europe in proximity to potential conflict.

Economic and Financial Risks

Inflation and Financial Repression Financial repression—moderate inflation combined with interest rates held below inflation—is a historically common method for governments to reduce debt burdens.¹¹⁰ It transfers wealth from savers to debtors (including the government) without explicit taxation. The US employed financial repression following World War II.

Current conditions—elevated government debt, political inability to cut spending or raise taxes, central bank potentially subject to political pressure—create conditions favorable to financial repression. Tariffs add inflationary pressure while potentially reducing economic growth, creating a stagflationary dynamic.¹¹¹

Potential consequences: Erosion of purchasing power for savers, negative real returns on bonds and cash, potential for wage-price spirals if expectations become unanchored.

Mitigation: Holding real assets (real estate, commodities, equity in productive businesses), maintaining inflation-protected securities (TIPS) as part of bond allocation, avoiding excessive cash

¹⁰⁸IMF Working Papers on capital control episodes; historical documentation.

¹⁰⁹Michael Bordo and Harold James, “The Great Depression Analogy.”

¹¹⁰Carmen Reinhart and Kenneth Rogoff, *This Time Is Different*.

¹¹¹KPMG Economics, “The two faces of the economy,” January 2026.

positions for long-term savings.

AI Transition Misallocation The current AI investment boom may prove to be either transformative or a bubble—or potentially both, as was the case with internet investment in the late 1990s. The transformative potential of AI is real, but so is the possibility that current valuations have already priced in returns that will not materialize, or that the benefits will accrue to different companies than those currently receiving investment.

AQR Capital Management has noted that the relationship between corporate investment in new technologies and subsequent stock returns is historically weak.¹¹² Companies that invested heavily in railroads, electricity, automobiles, and the internet often did not generate returns commensurate with their investments; the benefits flowed to users and to later entrants.

Environmental and Infrastructure Risks

Climate-Driven Insurance Market Failure Climate change creates physical risks (fire, flood, heat, storm) that are increasingly reflected in insurance markets. In California, major insurers have stopped writing new policies in fire-prone areas. In Florida, insurers are exiting or dramatically increasing premiums.¹¹³ When private insurance becomes unavailable or unaffordable, property values must eventually reflect the uninsured risk.

Historical parallel: The US mortgage crisis of 2008 demonstrated how quickly property values can collapse when financing markets fail. Properties that seemed safely valued lost 50% or more when buyers could not obtain mortgages. Climate-driven insurance failure could create similar dynamics in affected regions.

Mitigation: Careful assessment of climate risk when purchasing property, avoiding areas with deteriorating insurance availability, investing in resilience improvements for owned property, maintaining geographic diversification of real estate holdings.

Water Scarcity and Regional Viability Water availability is already a binding constraint in portions of the American Southwest. The Colorado River system, which supplies water to 40 million people across seven states, has been in deficit for decades.¹¹⁴ The Dust Bowl of the 1930s forced mass migration from the southern Plains states—a historical precedent for how quickly regions can become unviable when environmental conditions change.¹¹⁵

Mitigation: Avoiding long-term real estate commitments in water-stressed regions, understanding water rights and security when evaluating locations, considering climate-resilient regions for relocation or property acquisition.

Underexplored Tail Risks

Cyberattack on Financial Infrastructure Modern financial systems depend on digital infrastructure that is vulnerable to cyberattack. A successful attack on major financial institutions, payment systems, or market infrastructure could freeze transactions, make accounts inaccessible,

¹¹²AQR Capital Management, “The Long Run Is Lying to You,” 2023.

¹¹³California Department of Insurance; Florida Office of Insurance Regulation; reporting from New York Times, Wall Street Journal on insurer withdrawals.

¹¹⁴U.S. Bureau of Reclamation, Colorado River Basin Water Supply and Demand Study.

¹¹⁵Donald Worster, *Dust Bowl: The Southern Plains in the 1930s* (Oxford University Press, 1979).

and potentially corrupt or destroy records. The probability is difficult to assess; the consequences would be severe.

Mitigation: Maintaining some assets in non-digital form (physical precious metals, real estate), holding accounts at multiple unaffiliated institutions, keeping records of holdings in secure offline storage, maintaining cash reserves sufficient to cover immediate needs.

Great Power Conflict Direct military conflict between the US and China or Russia, while not imminent, cannot be excluded over a 30-year horizon. The period from 1870 to 1914 was characterized by increasing economic integration and great-power tension that observers often dismissed as manageable. The period from 1918 to 1939 saw similar dynamics. In both cases, intelligent observers failed to anticipate catastrophic conflict.¹¹⁶

Mitigation: Geographic diversification across regions, particularly including locations that might remain neutral in a conflict. Maintaining financial assets in multiple jurisdictions. Skills and relationships that would have value in disrupted conditions.

Part X: Resilience Framework

The preceding analysis identifies a range of risks across political, economic, and environmental domains. No strategy can provide complete protection against all scenarios, but a framework can be designed that provides resilience across the range of plausible outcomes without requiring prediction about which will materialize.

Core Principles

Diversification Across Multiple Dimensions **Asset class diversification:** Equities, bonds, real estate, commodities, precious metals, cash. Each responds differently to economic conditions. Equities provide growth but are volatile; bonds provide stability but are vulnerable to inflation; real estate provides both use value and inflation protection but is illiquid; commodities and precious metals hedge against currency debasement and financial system stress.

Geographic diversification: Domestic versus international assets, exposure to different economic and political systems. This applies to both financial assets (international equities, foreign-currency denominated holdings) and real assets (property in different jurisdictions).

Institutional diversification: Assets held at multiple financial institutions, in different account types, under different regulatory frameworks. If one institution fails or becomes inaccessible, others remain available.

Currency diversification: Holdings denominated in different currencies, whether through international assets, foreign bank accounts, or physical holdings. Provides protection against currency-specific risks.

Income diversification: Multiple income streams from different sources, not all dependent on a single employer, industry, or economic condition. Reduces vulnerability to any single disruption.

¹¹⁶Michael Bordo and Harold James, “The Great Depression Analogy.”

Optionality Rather Than Prediction The value of optionality increases with uncertainty. In stable, predictable environments, optimal strategies can be identified and committed to. In uncertain environments, the ability to respond to conditions as they develop becomes more valuable than any specific prediction.

Building optionality means creating capabilities and positions that can be exercised if needed but do not require exercise:

Legal optionality: Valid passports and potential pathways to residency or citizenship in other countries. These provide the right to be elsewhere if circumstances change but do not require relocation.

Financial optionality: Established accounts and relationships in other jurisdictions, liquid assets that can be redeployed, absence of encumbrances (excessive debt, illiquid commitments) that constrain action.

Professional optionality: Skills and credentials that transfer across employers, industries, and geographies. Professional network that extends beyond current position.

Physical optionality: Housing arrangement that permits relocation if desired, whether through renting rather than owning or through ownership in locations with liquid markets and low transaction costs.

Action Before Clarity The conditions that make action feel necessary are almost always the conditions that make action more difficult and expensive. By the time situations are clear, options have narrowed and costs have risen. Historical examples are instructive:

German Jews who emigrated in 1933-1935 could take substantial assets and establish themselves abroad. Those who waited until 1938-1941 faced confiscation, closed borders, and eventually much worse. The early emigrants were criticized at the time for overreacting.¹¹⁷

Hong Kong residents who established foreign residency or citizenship before 2019 had full flexibility. Those who attempted to do so after the National Security Law faced much higher costs and limited options.¹¹⁸

Ukrainians who maintained foreign accounts and established exit routes before February 2022 could preserve assets and relocate. Those who acted only after invasion faced frozen banks, closed borders, and limited options.

The pattern is consistent: early action, when the situation appears less urgent, preserves options and reduces costs. Waiting for clarity eliminates options and increases costs.

Asset Allocation Framework

The following framework provides a starting point for thinking about asset allocation in the current environment. Actual allocations should be adjusted based on individual circumstances, risk tolerance, time horizon, and income stability.

¹¹⁷Saul Friedländer, *Nazi Germany and the Jews, Vol. 1: The Years of Persecution, 1933-1939* (HarperCollins, 1997).

¹¹⁸Reuters, Associated Press reporting on Hong Kong emigration 2019-2023.

Equities (50-70% of Financial Assets) Equities remain the primary engine for long-term wealth building. Despite elevated valuations and political risks, productive businesses generally retain value across political transitions and adapt to changed conditions better than fixed-income assets.

Domestic (55-65% of equities): Broad market index exposure captures overall market returns without requiring company selection. Consider equal-weighted or value-tilted approaches to reduce concentration risk. Total market indices provide better diversification than large-cap-only indices at current concentration levels.

International developed (25-35% of equities): European, Japanese, Australian, and other developed market exposure provides geographic diversification and exposure to different economic cycles. Current valuations are substantially lower than US markets.¹¹⁹

Emerging markets (5-15% of equities): Higher volatility but lower correlation with developed markets. Provides exposure to faster-growing economies but carries additional political and currency risk.

Fixed Income (15-30% of Financial Assets) Bonds provide stability and dry powder for rebalancing during equity drawdowns. In the current environment, short-to-intermediate duration is preferable to long duration given interest rate uncertainty and inflation risk.

Government bonds: Treasury securities provide the highest safety for US investors. Intermediate-term Treasuries (3-10 year) balance yield against interest rate sensitivity.

Inflation-protected securities: Treasury Inflation-Protected Securities (TIPS) provide explicit inflation protection. Valuable as insurance against financial repression scenarios—particularly relevant given current pressures on Fed independence.

Short-term/cash equivalents: Treasury bills, money market funds, and high-yield savings accounts provide liquidity with minimal interest rate risk. Current yields make the opportunity cost of liquidity relatively low.

Real Assets (10-25% of Total Assets) Real assets provide inflation protection and, in some cases, use value that persists regardless of financial system performance.

Real estate: Property in climate-resilient, economically diverse locations provides both use value and long-term inflation protection. Geographic diversification (property in multiple jurisdictions) adds optionality. Focus on locations with strong fundamentals: water availability, economic diversity, functional governance, low natural disaster risk.

Precious metals (3-8% of total assets): Gold provides insurance against currency crisis, financial system stress, and extreme scenarios. It has no counterparty risk and has maintained value across centuries of political and economic upheaval. Physical gold or allocated storage is preferable to paper gold for the insurance function.

Commodities (2-5% of total assets): Broad commodity exposure provides inflation protection and portfolio diversification. Best accessed through diversified commodity indices rather than individual commodity positions.

¹¹⁹Vanguard Capital Markets Model; Charles Schwab Market Perspective, December 2025.

Speculative Positions (0-5% of Total Assets) Speculative positions provide asymmetric upside potential but should be sized at levels where total loss is acceptable. Examples include cryptocurrency, venture-stage investments, or other high-risk/high-reward positions. These should be treated as lottery tickets rather than core holdings.

Institutional Diversification

Beyond asset allocation, the institutions through which assets are held merit attention.

Multiple domestic institutions: Holding assets at 2-3 different brokerages and banks provides redundancy against operational failures, cyber incidents, or institution-specific problems. Each major institution has different ownership structures and regulatory relationships.

International institutions: Holding some assets through institutions in other jurisdictions (EU-regulated brokerages, foreign banks) provides protection against US-specific regulatory or legal risks. This is not about tax avoidance—US persons remain obligated to report and pay tax on worldwide income—but about access and optionality.

Insurance limits awareness: Understanding FDIC limits (\$250K per depositor per bank) and SIPC limits (\$500K in securities, \$250K in cash) ensures that exposure above these limits is intentional and appropriately distributed.

Geographic and Jurisdictional Diversification

For individuals with the means and circumstances to implement it, geographic diversification provides protection against jurisdiction-specific risks.

EU residency/citizenship rights: For those with ancestry claims (several EU countries offer citizenship through descent) or professional qualifications that enable work permits, establishing EU ties provides optionality. The EU offers freedom of movement across 27 countries, different political and legal systems, and access to healthcare and social services.

Foreign real estate: Property in a stable foreign jurisdiction provides both optionality (somewhere to go if needed) and asset diversification (real asset in different currency, outside domestic legal reach). The property should be in a location where you could actually imagine living, with functional rule of law and stable governance.

Foreign banking relationships: Established accounts in foreign banks provide a tested channel for moving money and accessing funds in another jurisdiction. These should be opened before they are needed—establishing new foreign banking relationships becomes more difficult during crises.

Part XI: Implementation Priorities

The following prioritization provides a sequenced approach to implementing resilience measures. Earlier priorities should generally be addressed before later ones, though individual circumstances may dictate different sequencing.

Immediate Actions (Next 30 Days)

- Verify passport validity for all family members. Renew any passports expiring within three years. Processing times can extend during periods of high demand.

- Review institutional concentration. If all financial assets are at a single institution, begin establishing accounts at a second institution.
- Ensure emergency cash reserves are adequate (3-6 months expenses) and distributed across multiple banks.
- Review insurance coverage, particularly for property. Understand the stability of coverage in your area and any exclusions or limitations.
- Document all financial accounts and holdings in secure offline storage. In a cyber incident or infrastructure failure, records may be essential.

Near-Term Actions (Next 6 Months)

- Research and pursue any ancestry-based citizenship claims. These processes typically take years; starting now ensures completion before potential need.
- Establish foreign banking relationship if not already present. A simple savings account in a stable jurisdiction establishes the relationship and tests the channel.
- Review asset allocation against framework. Implement changes gradually to avoid forced sales or poor timing.
- Evaluate current location against resilience criteria: climate risk, economic diversity, governance quality, insurance availability. Determine whether current location is a considered choice or historical accident.
- Establish relationships with professionals who understand cross-border issues: tax advisor, attorney with international experience.

Medium-Term Actions (Next 1-2 Years)

- Consider foreign real estate acquisition if means and circumstances permit. Property should be in a location with personal connection, functional rule of law, and genuine optionality value.
- Develop income diversification. Create additional income streams through side business, freelance work, rental income, or other sources not dependent on primary employment. This becomes more important as AI displacement accelerates.
- Invest in skill development for professional portability. Ensure credentials and capabilities translate across employers and geographies. Focus on capabilities that complement rather than compete with AI.
- Build deeper community connections locally. Strong social networks provide resilience across nearly all scenarios and cannot be built quickly.
- Implement any location changes determined to be advisable. Moving is easier when not under pressure.

Ongoing Practices

- Maintain situational awareness without doom-scrolling. Understand developments without being captured by news cycles.

- Regular rebalancing of portfolio to maintain target allocation. This enforces buying low and selling high without requiring prediction.
 - Annual review of resilience posture. Circumstances change; strategies should be reviewed and updated accordingly.
 - Invest in health. Physical and mental resilience enable all other forms of resilience. This is not a luxury but a core component of preparedness.
 - Maintain relationships and community. The research on crisis resilience consistently shows that social capital is among the strongest predictors of successful navigation.
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Part XII: Psychological Considerations

The psychological dimension of resilience is as important as the practical one. Decisions made under stress are rarely optimal. Maintaining psychological equilibrium through uncertainty enables better decision-making and reduces the risk of panic-driven mistakes.

Managing Uncertainty Without Paralysis

Uncertainty is inherently uncomfortable. The human mind seeks resolution and closure. In the face of unresolved uncertainty, people often respond in one of two unhelpful ways: denial (refusing to engage with the possibility of negative outcomes) or catastrophizing (assuming the worst outcomes are certain).

A healthier response is to acknowledge uncertainty, prepare for a range of outcomes, and then proceed with life. Preparing for bad outcomes does not require believing they are certain. It is possible to take sensible precautions while remaining engaged with work, relationships, and activities that provide meaning and satisfaction.

The strategies in this report are designed to be implementable and then largely forgettable. Once diversification, optionality, and institutional redundancy are in place, they do not require constant attention. They provide a foundation of resilience that permits focusing on other things.

Information Hygiene

The current information environment rewards engagement through alarm. News feeds, social media algorithms, and media business models all create incentives for presenting information in ways that maximize attention, which often means maximizing anxiety.

Maintaining informed awareness without being captured by anxiety requires intentional information hygiene:

- Limit news consumption to specific times rather than continuous monitoring. Checking developments twice daily is sufficient for almost all purposes.
- Favor long-form analysis over breaking news. The immediate facts of developing situations are often wrong; analysis written with some distance is more reliable.
- Seek out sources that challenge your priors. Confirmation bias is powerful; deliberately exposing yourself to well-argued opposing views improves judgment.

- Recognize that feeling informed is not the same as being informed. The sense of being caught up on events provides psychological satisfaction but may not improve decision-making.

Preparing for Regret

Whatever choices you make, some will prove to have been suboptimal in retrospect. If nothing bad happens, preparatory measures may feel like wasted effort. If bad things happen, you may wish you had done more. This is unavoidable.

The appropriate standard is not whether decisions were optimal given how things turned out, but whether they were reasonable given what was knowable at the time. Decisions that are robust across a range of scenarios are reasonable even if a specific scenario would have warranted different choices.

Accepting this in advance reduces the psychological burden of preparation and the temptation to constantly second-guess decisions as situations evolve.

Conclusion

The period ahead is characterized by elevated uncertainty across multiple dimensions. Political institutions are under stress, with the Federal Reserve facing direct assault on its independence and the 2026 midterms presenting scenarios ranging from normal democratic accountability to potential crisis. The international order that has provided stability for decades is being actively challenged, with the emerging system—whether bipolar, multipolar, or nonpolar—likely to be less stable than what preceded it. Economic conditions are complicated by tariff policies already measurably affecting inflation and growth, and potential structural changes from artificial intelligence that are beginning to appear in employment data. Environmental changes create physical and financial risks in specific regions.

None of this means catastrophe is certain or even probable. Historical experience suggests that most wobbles stabilize, most crises are navigated, and most pessimistic predictions prove overwrought. But historical experience also shows that catastrophes do occur, that they are often not anticipated, and that those who prepare in advance fare better than those who do not.

The framework presented here does not require prediction to be useful. It is designed to be reasonable whether the next decade is stable or chaotic. The costs of implementation—some complexity, modest drag on returns, time and effort to establish positions—are manageable. The potential benefits in adverse scenarios are substantial.

The developments documented in this report—the Fed investigation, the AI employment effects, the electoral dynamics, the geopolitical fragmentation—reinforce rather than overturn the core recommendations. They add urgency to implementation and specificity to certain risk categories, but the fundamental logic remains: diversification across multiple dimensions, optionality rather than prediction, and action before clarity.

Ultimately, resilience is not just about financial positioning but about the full range of resources that enable successful navigation of difficult conditions: financial reserves, yes, but also health, relationships, skills, community, and psychological equilibrium. Investment in all of these dimensions provides the foundation for weathering whatever the coming decades may bring.

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