



# FINANCIAL PREPAREDNESS

*"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen*

Issue #63  
April 22, 2022

## The Colder War

I've been having a hard time figuring out what's going on in Ukraine. Why would Putin launch such a flagrant and barbaric invasion of a former Soviet republic and an essentially European country? Why has there been massive and sympathetic coverage of the war by the legacy media, which often includes highly emotional anecdotal stories that resemble a morality play? (I don't recall seeing such coverage about past Russian incursions into Crimea, Georgia, Chechnya, etc.) Why has there been universally strong support for Ukraine among the Powers That Be?

I wanted to find out more, so I watched some news stories about Ukraine on CNN. Ha-ha, just kidding! No, I just finished reading [The Colder War: How the Global Energy Trade Slipped From America's Grasp](#) by Marin Katusa, which was published by Casey Research in 2015 (I met Doug Casey in 1999). It is well written and illuminating; I learned a lot.

In order to understand the war in Ukraine, you have to understand history and Putin. Just like the rest of Europe and much of the rest of the world, the people who lived in what is today Russia and Ukraine have been fighting each other for a very long time for a variety of reasons. Over such a large geographical area, there are a number of different ethnicities, languages, religions, cultures, etc. Borders have shifted many times as principalities, states and empires have come and gone. There have been plenty of

atrocities to go around. Just in the first half of the 20<sup>th</sup> Century alone, the Holodomor (which killed as many as 7 to 10 million Ukrainians) was followed by widespread Ukrainian collaboration with the Nazis. There are lots of grudges and bad blood.

Today, at least two provinces in eastern Ukraine (which is heavily populated and industrialized) are populated primarily by ethnic Russians, with sizable minorities in a number of other provinces. So the story isn't as simple as "Russia vs. Ukraine." Apparently many if not most Russians in Ukraine would like to be a part of Russia, and Putin is eager to protect them. A civil war has been raging in eastern Ukraine for a decade or more.

The Ukrainian government has been trying to join NATO and the EU for years, but Russia doesn't want a large NATO state on its border. Ukraine is one of the more corrupt countries in the world, with [a rank of 122 out of 180 countries](#) (which explains why Biden's son Hunter was able to find a lucrative job there). Putin's talk about "de-Nazifying Ukraine" is a bit over the top, but it turns out that there is a significant neo-Nazi movement in Ukraine. And Ukraine has a history of either not paying for some of the natural gas that Russia sends it, or outright stealing gas intended for Russia's other European customers. In short, Ukraine had become a major burr under Putin's saddle, for which he does not have a lot of patience.

Putin's grandfather was a chef for Stalin and other top Soviet officials. He taught Putin how to be strategic, pragmatic and survive politically. Putin was a KGB officer in East Germany when the Soviet Union collapsed. He burned a lot of files and then managed to slip away unharmed. The years of dislocation, unemployment, poverty, crime and uncertainty that followed the collapse was a humiliating reality check, which Putin and perhaps most of the Russian people vowed should never be allowed to happen again.

Putin's political rise was meteoric. He surrounded himself with supporters from his hometown (the "St. Petersburg boys"), who have remained extremely loyal to him. He put them in key positions (such as CEO of his pet energy companies), and they have benefited immensely as a result, becoming oligarchs on the down low. Putin was also in the right place at the right time.

He doesn't really demand that people support him, but his outspoken critics usually end up dead (like the anti-communist Polish president and his senior military officials who died in a mysterious plane crash in Russia), in prison or in exile.



He's accomplished at judo, and I suspect that some of the principles of the sport have also served him well in the political world. He was Russia's Trump and was trying to “make Russia great again” before Trump tried to do the same with the U.S. I think that's why he and Trump seemed to respect each other. He's well aware that after the collapse of the Soviet Union and the ineffective and corrupt Russian leaders who were in power then, the Russian people want a tough, decisive, no-nonsense leader. His role model has long been Peter the Great. He wants a vast new Russian empire, and he thinks Ukraine should be part of that.

Putin oversaw Russia's military response during the second Chechen war, which was much shorter, brutal and decisive than the first. Reading about how hundreds of Chechen cities and villages were leveled by artillery barrages in a scorched earth strategy sounded a lot like what Russia is doing in Ukraine now. Apparently, the FSB (the successor to the KGB) orchestrated (presumably at Putin's direction, or at least with his knowledge) at least several false flag terrorist attacks that killed hundreds of Russians, which Putin blamed on Chechen terrorists or even his own political opponents. He's not afraid to use violence and murder, but he seems to carefully weigh the risks and rewards of military force, and then once he commits, he believes in using overwhelming force.

Putin's PhD dissertation was about how to use Russia's vast natural resources—especially energy—to return Russia to superpower status. A decade or more ago, a strategy board game called Settlers of Catan became popular. In order to advance in the game, you need to collect resource cards, and the only way to do that (other than by trading for them) is to control land that produces ore, brick, wood, wheat or sheep. With those resources, you can build roads, villages and cities (which then allows you to control more land and resources), and trade them for other things you want. The real world is very much like this game. In fact, “The Great Game” between the United Kingdom (since replaced by the U.S.) and Russia began in the early 20<sup>th</sup> Century.

Russia controls much of the world's resources but often needs Western capital, technology and expertise to do so efficiently. Today modern civilization is impossible without abundant, affordable energy, especially oil. It's the difference between wealth and poverty, and between winning wars and losing them. Countries figured this out at least a century ago. For example, did you know that the U.S., Britain and the Soviet Union occupied Iran (to secure a supply of oil) from the beginning of WWII?

Putin's strategy is to get other countries (especially Europe) hooked on Russian energy (oil, natural gas, uranium) so that they won't give him much grief when he does things like invade Ukraine. Russia has spent many tens of billions of dollars developing mines, railways, pipelines, refineries, storage facilities, ports and other infrastructure to bring its energy products to foreign customers. Putin and his cronies have used dirty tricks to expand their favorite companies at the expense of competitors, and to enrich themselves.

Dominating the global energy trade is also about dethroning the U.S. petrodollar as the world's reserve currency. In 1973, Henry Kissinger got Saudi Arabia to agree to a deal with the U.S. that involved pricing oil only in U.S. dollars, and reinvesting its excess oil profits (about \$700 billion when the book was published) in U.S. Treasuries. The author mentions

that the U.S. killed both Saddam Hussein and Muammar Qaddafi after they proposed or started selling oil for other currencies.

Here's an interesting paragraph from the section about what might happen when the petrodollar dies and the U.S. dollar loses its reserve currency status: "It is more likely [than an explicit default] that the U.S. government will raid individual retirement accounts (IRAs) and 401(k)s by requiring them to hold a minimum percentage in Treasuries—for the account owner's supposed protection, of course." I believe this is coming--if not outright confiscation—which is one reason I am not a fan of these types of accounts.

### What You Should Be Doing Now

1. Interest rates on 30-year fixed-rate mortgages are now the highest since December 2009. I hope you like where you live now, because you are probably not going anywhere for a long time. With interest rates spiking, bonds, banks, insurance companies, pension funds, the federal government, and people with adjustable-rate mortgages or a lot of credit card debt are going to get hit hard.



2. One night after you've been doomscrolling, check out [this nuclear bomb simulator](#) to see what the effect of a nuclear blast in your area might be. Are you prepared?

### Question For You

What do you think is really going on in Ukraine? Is there some ulterior motive at work?  
[Let me know!](#)

I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please [email me](#).

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, [let me know](#) and I will provide an answer in a future issue.

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