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# AM FX

Tactical Global Macro

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## Debasement Worries

Intersubjective entities depend on communication among many humans rather than on the beliefs and feelings of individual humans. Many of the most important agents in history are intersubjective. Money, for example, has no objective value. You cannot eat, drink or wear a dollar bill. Yet as long as billions of people believe in its value, you can use it to buy food, beverages and clothing. If the baker suddenly loses his faith in the dollar bill and refuses to give me a loaf of bread for this green piece of paper, it doesn't matter much. I can just go down a few blocks to the nearby supermarket. However, if the supermarket cashiers also refuse to accept this piece of paper, along with the hawkers in the market and the salespeople in the mall, then the dollar will lose its value. The green pieces of paper will go on existing, of course, but they will be worthless.

Yuval Hariri, *Homo Deus* (2015)

The U.S. government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many U.S. dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the U.S. government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services.

Former Fed Chairman Ben Bernanke (2002)

<https://www.federalreserve.gov/boarddocs/speeches/2002/20021121/>

Currency debasement has been a concern for Americans since before the dollar was born in 1792 and has been a concern for users of fiat money throughout history. [Residents of Ancient Rome](#), the [subjects of Henry VIII](#) and citizens of France in the late 1700s all had concerns similar to the current worries that have gradually driven bitcoin and crypto moonward since 2009<sup>1</sup>. Ray Dalio and others have written extensively in recent years about the decline of the dollar and the end of US hegemony. Dalio's [Chapter 5](#) of *The Changing World Order*, for example, is a great read.

The falling dollar and the uncertain sustainability of US government finances has been front-page news off on at various points in the 1970s, 80s, 90s and 2000s. I remember (for example) when the [National Debt Clock](#) was installed in Times Square in 1989 and I recall universal agreement that the dollar was dead as a reserve currency in the first half of the 2000s. Everyone mostly always agrees the dollar is dead... The only question is whether it will be replaced by the euro, or maybe global money (SDR?) or CNY, or some new monetary system backed by gold or... Bitcoin?

I think deep down, we are all variously uneasy and suspicious about this shared illusion we call "money". Fiat money is just paper and computer database entries! This Onion parody article captures it:

[U.S. Economy Grinds to Halt as Nation Realizes Money Just a Symbolic, Mutually Shared Illusion](#)

<sup>1</sup> [Fiat Money in France](#) is an amazing read and there are many parallels to the current day.

"Officially, we are required to contact, welcome, and log in any and all sentient races or multibeings in the quadrant, without prejudice, fear, or favor. Unofficially, I advise that we erase the records and forget the whole thing."

### Current Views

**Bearish AUD, but awaiting a catalyst**

↑EURCHF @ 1.0950

Stop 1.0868

Take profit 1.1094

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While the details of the current monetary moment are unprecedented, the overarching concern of fiat money debasement is nothing new. These concerns come and go throughout history.

That does not mean the concerns are not justified. They are justified!

MMT and *fiscal without limits* are becoming orthodoxy. Recovery programs no longer require payment strategies, even as they substantially exceed the hole they are meant to fill. Joint Fed/Treasury macroeconomic policy simultaneously targets not just inflation and employment but also climate change, systemic racism, equity prices, credit spreads, infrastructure, the labor vs. capital pie split and so on... One would be nuts not to worry about a decline in trust in this shared illusion we call money.

Still, it's worth maintaining a bit of perspective. Fiat debasement is a slow process that has been happening over many years, decades and centuries. While the structural fiat debasement reality is a massive force, there will probably be many more countertrend cyclical moves.

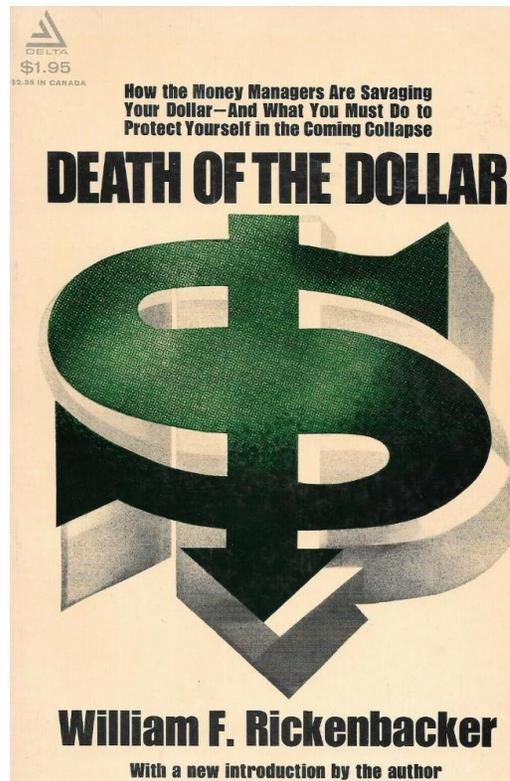
Then again, the more alarming alternate hypothesis might be: the classic Hemingway quote about non-linear acceleration of insolvency now applies to the US government...

"How did you go bankrupt?" Bill asked.  
"Two ways," Mike said. "Gradually, then suddenly."

Ernest Hemingway, *The Sun Also Rises*<sup>2</sup>

Anyway... History is fun. Here we go.

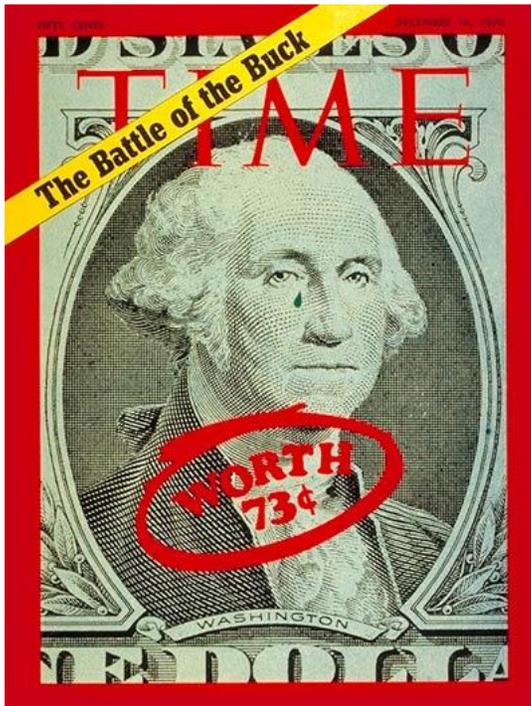
**1968**



<sup>2</sup> Best final lines of any book, ever.

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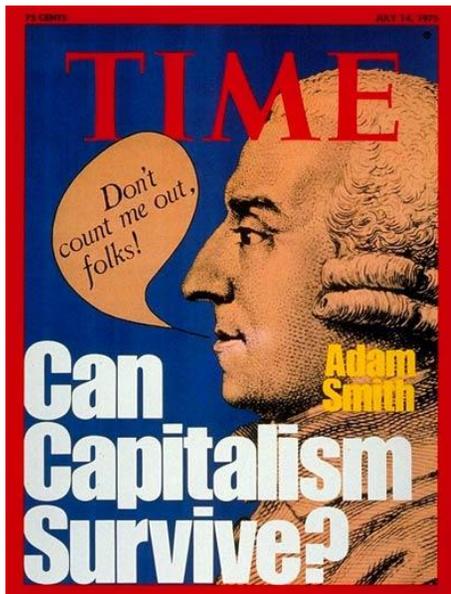
1970



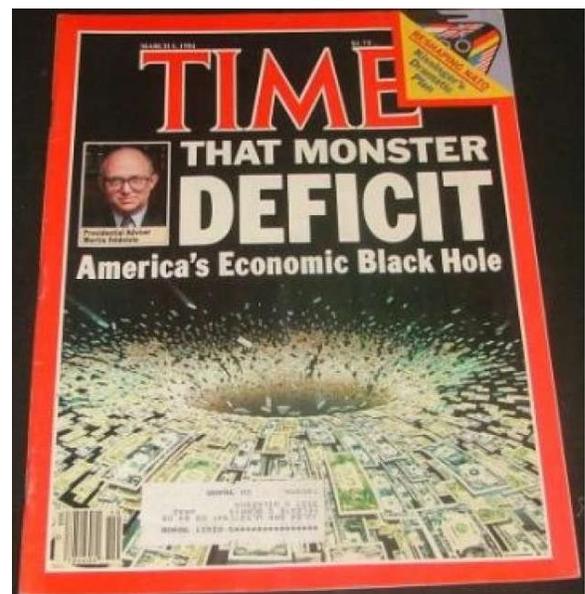
1972



1975

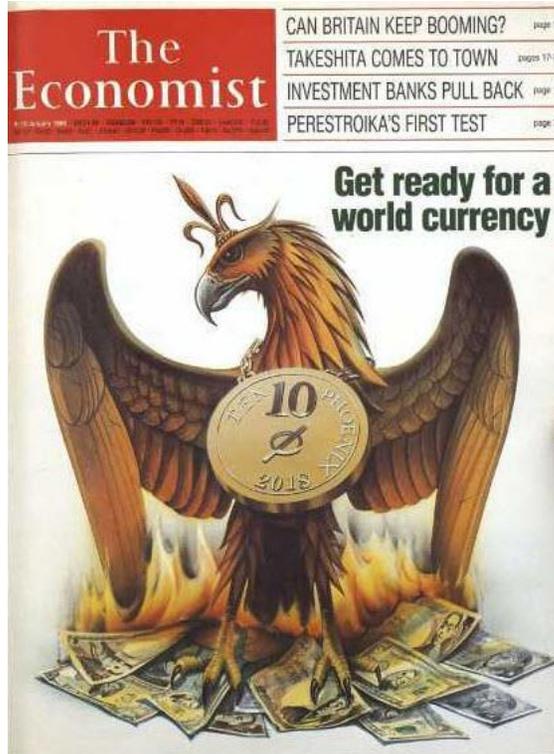


1984



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## 1988



*They kind of nailed it!? 2018 forecast of BTC (see inscription on coin)*

## 1989: National Debt Clock installed in NYC



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## US debt clock since 1989... Tick... Tick... Tick... Tick... Tick...

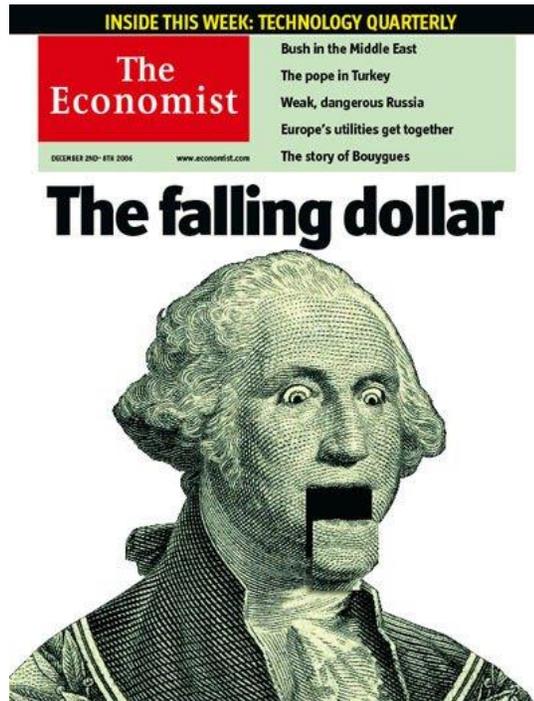


1995



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## December 2004



## February 2005

Grant M. Nülle

<https://mises.org/library/death-dollar>

When interviewed by the Financial Times, published Nov. 22, Li Ruogu, deputy governor of the People's Bank of China, admonished Washington not to blame outsiders for its disorderly accounts, but instead put its own house in order. "The problem is that they spend too much and save too little," he says.

Similarly, Fed Chairman Alan Greenspan publicly acknowledged in Berlin that, "Given the size of the current account deficit, a diminished appetite for adding to dollar balances must occur at some point."

**Market trends do seem to indicate that the fiat dollar era has arrived at an endgame.**

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2007



2008



The US economy is sick and don't expect it to recover anytime soon

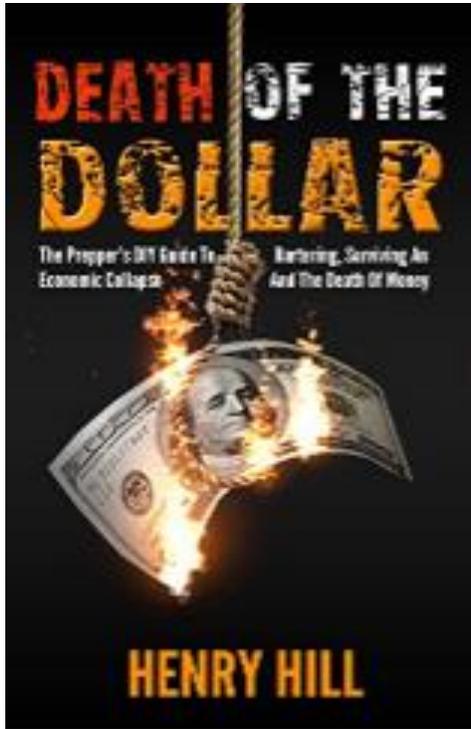
2011



Why the debt crisis has hurt growth and the nation's position in the world

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2014



2016



2018



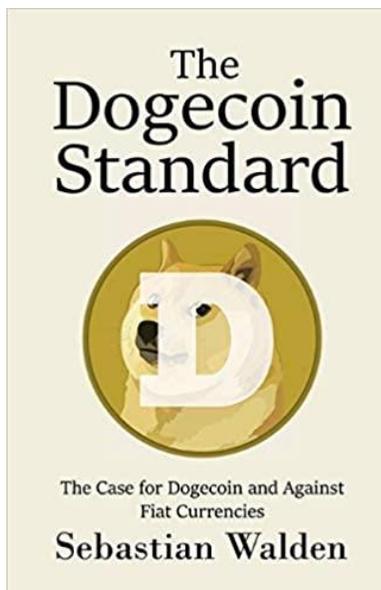
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## 2021



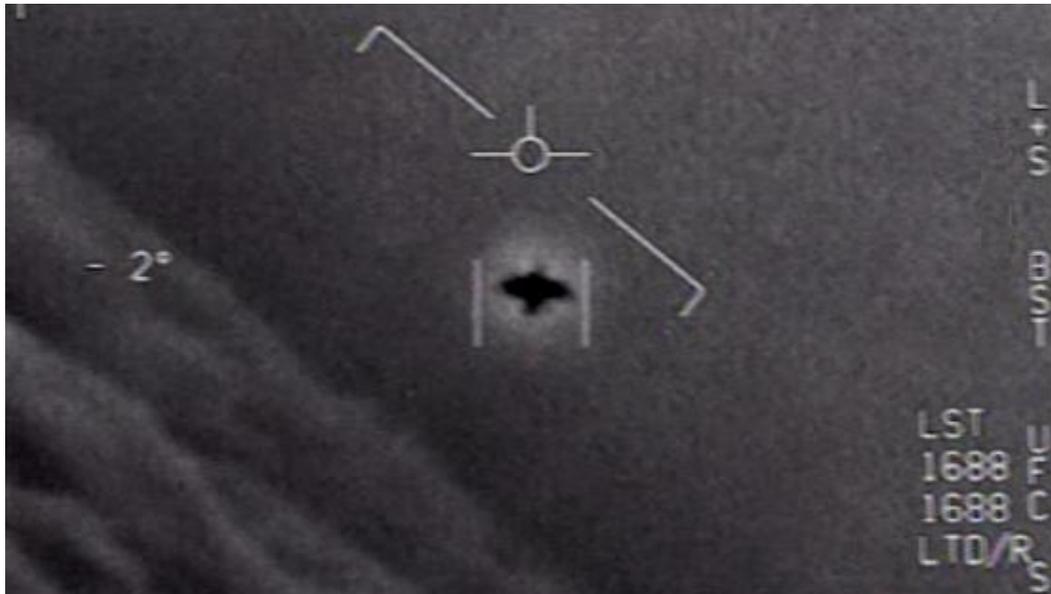
## U.S. Dollar Will Crash in 2021, Senior Yale Economist Warns

Yale economist Stephen Roach has predicted a U.S. dollar crash by the end of 2021, joining a growing number of other analysts.



Good Luck ⇕ Be Nimble

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*Image courtesy of US Department of Defense*

**A classic, very short (and rather strange) sci-fi story written in 1991:**

<https://www.mit.edu/people/dpolicar/writing/prose/text/thinkingMeat.html>

*HT Gitt*

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