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It's Not About Ukraine—It's About The Debt

However you view what's going on in Ukraine, realize that tensions across the globe do not go away with a peace treaty. The ramping up of the war is one flare-up in an unstable world that is now multipolar (at least bipolar if you consider Russia/China as an entity), and for the US, as the global reserve currency, there will be ongoing debt crisis.

Before attempting to explain the math behind a US, self-inflicted trap, the 'efficient' cause for this period of economic crisis has to do with foreign nations that cannot afford to keep currency in US instruments with negative, real interest rates. Now they look for places to park those funds outside of the dollar. Russia was one of the first to abandon dollar instruments for its FX reserves—instead, it payed-down debt and bought gold.

So, what is the situation for the US dollar and the US economy? In keeping to a basic story overview without complex numbers, inflation is going down, but its inevitable trajectory is up. US debt, with the dollar as reserve currency, is impossible to pay down. With inflation as the Fed's only hope, they sought 2% inflation—and when they achieved that they wanted additional inflation for all those months that were under 2%.

Then came real inflation, caused by extraordinary currency creation—made worse by not-controllable oil prices along with supply-line issues/shocks. As all that unfolded, the metrics for actual inflationary cost of goods and services were messed-with to hold interest rates down. But those manipulations only work for the uninformed—meanwhile foreign central bank accountants understand that holding funds in US treasury instruments loses percentage points between what a bond pays and real interest rates.

As the reserve currency, the US has to insure ample 'dollar liquidity' to settle payments. Now, for the first time, there is not enough global 'balance sheet' from which to borrow to provide that liquidity. There are nations that will buy all the US bonds offered, but at what interest rate? Will US paper keep pace with 'cost of goods' and, can the US handle interest rates required to sell its paper without entering a dollar death spiral?

Now, raising rates into a global slowdown—going into a global down cycle with 120% debt to GDP (a level of debt not seen in 60 years), the US has never had deficits this size as compared to global growth and with US deficits @ 9% of GDP.

Appearances mask the math. Because of asset bubbles, US tax receipts are at all time highs, but, with falling asset prices, those numbers are a chimera. For April of 22 US tax receipts almost doubled to \$4.6T. But, with asset values tanking, and debt

pushing back up to 120% of tax receipts, economic reality outpaces appearances.

For 2023, the US faces \$3T in entitlement payments, \$1.5T in Treasury spending, and a \$900B defense budget—nearing \$5.5T. Meaning, outgoes minus tax receipts is the deficit added to fees for servicing the \$30+T owed by the US, which needs to be borrowed from constricted global balance sheets—from nations requiring 'risk interest'.

Anytime in the past that deficits reached 20% of global GDP, the Fed did QE. But, now, one more installment of QE could break the 'faith'. US borrowing needs rose 37% over 3 months. 1.3T to 2.6T over a year. In the 4th quarter of 2012 alone, 400 B to 550 B—double the Treasury estimate. Somebody at the Fed or in the Oval Office knows this is not sustainable. Likely, they are hoping to keep it afloat until the 2024 election.

Until that time, liquidity has to come from somewhere. Much of that will be 'self-financed' by the Fed—and that defines inflation. The window for how long we can keep oil prices and inflation down is now measured in months—not years—soon weeks

Axiomatic for the situation is global GDP functioning as the world's ability to finance needed dollar liquidity. This is a shared dollar globalism, and we are all in it together. The BRICS know this and behind the scenes they are scrambling to keep out of a 'debris deluge' when the US (and the West) collapses. BRICS backrooms are replete with plans for balance of payments outside of the dollar—and a gold-backed currency.

With the likelihood of unconditional (NATO) surrender as the resolution for the war in Ukraine, the great risk will be for a dollar backed by nothing more than the 'faithlessness and enormous credit/debt' of the US. And this could come about at the same time US tax receipts roll over in the first half of 2023. Will that be the beginning of the end?

For however long the US economy holds on, the Fed will paper-over problems using repo and paying banks, as operating loses. Fixes that only serve the short-term when 10/12% interest is needed for reserve currency dollar liquidity to head off an inflationary death of the dollar. The more I look, the more I see inevitable, massive hyper-inflation.

A question that occurs for me is whether or not Westerners will go along with the 'Klaus Cult' inspired, CBCD lockdown? And will they go along with it, with nothing but less 'faith and credit' backing it? Especially is there is a gold-backed alternative?

The irony is that they just might: if by now they are without questions about mRNA, the Fed, and US Foreign Policy, they go down with the ship, bewildered and shocked.

Some thoughts and a warning about my article on trashing the 14th Amendment. For some readers, articles on the Constitution are irrelevant—I might as well write fiction. Some, who know it is not fiction, see the situation as somewhat hopeless: "It serves no purpose to try to explain a loss of constitutional rights or abuses of the same when the focus of the majority considers all of that incomprehensibly abstract or too jargonistic to be relevant to them in their daily lives." So, what happens if we lose the Constitution?

The US Constitution is iconic—the best 'structure' for a body politic in human history. Without it, divisive, identity politics, at the behest of globalists runs rampant. There are no 'checks and balances' to slow that onset, no rights of citizen's, no states' rights, no curbs on federal government. Instead, 'the law of the land', made ignoble by unconstitutional laws—now subject to change by 'acts of Congress' and by US courts of law.

The warning: with nothing between citizens and shackled feudalism, we had better not go along with the 'maddening crowd' that see the Constitution as 'jargon' or abstract. If we let it go as 'archaic fiction', it's back to square 1, where 'Mad Max' awaits. While there is yet time, subscribe to my blog with a request: erik@neverhadaboss.com