Jeff Snider: The Mar-a-Lago Accord Seen Through A Eurodollar Lens

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Erik: Joining me now is Mr. Eurodollar himself and Eurodollar.University founder Jeff Snider. Jeff prepared a slide deck to accompany this week's interview. You'll find the download link linked in your Research Roundup email. If you don't have a Research Roundup email, just go to our homepage. Macrovoices.com, look for the red button above Jeff's picture that says, *looking for the downloads*.

Jeff, it's great to get you back on the show. What I want to focus on today is everybody, who's anybody is now talking about the Mar-a-Lago Accords, the basic idea being President Trump doesn't want to continue the United States not being compensated for providing security services to most of the Western world. What's on the table for discussion is the idea that maybe instead of paying interest on our national debt, we would instead, at least to sovereign holders of treasury bonds, we'd provide military protection in lieu of interest payments. That's a radical, just fundamental change in monetary policy. So before we even dive into the details, and I know you've got a fantastic slide deck prepared for us with lots of details, let's start at the highest level of, you know, normally, the whole market freaks out if you get a 50 basis point instead of a 25 basis point change to policy rates, we're not talking about a little change in policy rates. We're talking about a proposed change of the overall monetary framework of the entire Western world. When's the last time anybody changed anything of this magnitude? Is it a good idea? And what are they trying to accomplish?

Jeff: Oh, there's so much there, Erik. I mean, I think you're exactly right in characterizing it that way. This is, like you said, this is not a 25 basis point rate reduction or a rate hike by the Federal Reserve. And in many ways, just to start out, I think this is fine. This is a sign of progress, because people are finally talking about, hey, we need to do something radical. And let's be honest here, this is a radical proposal. A lot of caveats here. We don't know exactly what's been talked about. We don't even know how serious that anyone's taking it, but it does seem to be something that is on the table for discussion at hand, from the rumors and everything has been circulating. It seems like there has been some discussions about it. So, this is something that's radical and something that is sorely needed. We've needed to replace the monetary system for what, ever since August of 2007, so we're going on 18 years now, and up until recently, nobody's bothered even mentioning it. So, the fact that they're at least thinking about, and I think one of the big positives here is the fact that they're connecting some dots and finally starting to understand that something big needs to be done. Because it's not just like everything's going to magically heal itself, or if the Fed comes out with a seventh version of QE, that'll somehow be the correct amount of QE. At some point, what needs to be done is something radical. So, I think that is absolutely the right way to think about it. And so the question isn't really that so much as, is what they're proposing likely to succeed, and more importantly, can they pull it off? I think those are the bigger questions. And in that way, there's still a lot of ground left to be covered, let's put it that way, it's sort of an introduction. So, like you said, I have a slide deck here. Some of the positives are that, look, first of all, the Trump administration and those surrounding the president have finally realized that the dollar going up in exchange value is not a good thing. So, most of what's been proposed on the Mar-a-Lago accord, or that's what everybody's calling it. And I'm a little disappointed, because I'm right down the road from Mar-a-Lago. I'm just down south Lago, I'm just down southern Boulevard, and nobody called me and asked me to participate.

Erik: Jeffrey, we know you're in Palm Beach. Mar-a-Lago is not for people like you. We're building other golf courses, Jeffrey, in the Palm Beach area that are for you.

Jeff: Yeah, I'm on the wrong side of the intercoastal. That's right. So look, they've connected those dots. Remember how many years we heard that the dollar goes up in exchange value, that just means that everybody's happy the US is the cleanest dirty shirt or some nonsense like that. So finally, there's a recognition that when the dollar goes up in exchange value, that's not good for anybody. And so, the most logical thing to do in response to something like that is, okay, if the dollar goes up and bad things happen, let's get the dollar to go down and see the good things that happen. Go back to the middle of 2000s, things seem to work really well when the dollar was going down in exchange value. So, you can finally appreciate the fact that somebody's making those connections and putting two and two together. So, the real question isn't necessarily that it's okay if the dollar goes down, is making the dollar go down feasible? And is that the right way to get at what we really want, which is on a global economy that actually works? And so that's where we kind of get off into, oh, we got to shake our head, because a lot of what's come out about the Mar-a-Lago accord, and it goes back to that paper that was written in November by, was it Stephen Miran? Was an advisor to the president, or was an advisor to the president, or very close to the president, which basically provides a blueprint at what this Mar-a-Lago accord is supposed to look like. And there's a lot of misconceptions. As I said, there's a lot of ground left for the mainstream to recover. It's not just enough to connect the dots and say the dollar goes up in exchange value. That's bad, now let's do something about it. You have to understand why the dollar goes up in exchange value, what the ramifications are from that. And then once you get that, the next thing is, okay, dollar goes up, can we actually get the dollar to reverse? And is that something that we really want to do? And in many ways, it's getting the cart before the horse. It's, actually, everything is backwards, and there's a lot of reasons for it. And one of the reasons why this is so difficult to begin with, to start the slide deck here in the second slide, Milton Friedman said it best in one of the last interviews he gave before he passed away. He said, basically, the difficulty of having people understand monetary theory is simple. Everybody defers to the central bank because central bankers pay off all the economists, and everybody in the mainstream media gets all of their advice and their interpretations from central bankers to begin with, anything that happens in the monetary realm, it's from the perspective of the central bank, and that is the biggest impediment to understanding why the dollar goes up and why it's bad, because nobody looks for the real reason why the dollar goes up.

Just in the slide 3 here, in dealing with the question of whether or not the government can force the dollar to go down, even before we get to whether or not that's the right policy, whether the government can actually do that, is a major question as well. As even the New York Times, the New York freaking Times wrote back in 1992, so we're talking over 30 years ago, exchange values are not written by central bankers and politicians. They're written by the Eurodollar marketplace, which means that already in question is whether or not the government can get what it wants, assuming what it wants is the right thing to want. So, with those things in mind, we can start looking at what the Mar-a-Lago accord is supposed to be and what is supposed to accomplish, and then kind of try to figure out whether or not it can have any chance of success. And just spoiler alert, I'm certainly skeptical about all of this. To begin with, the Trump administration back in 2019, if you go to slide number 4, has or, I mean, they already made, I don't want to say a half assed attempt at weakening the dollar, they were just doing with what they wanted to do. And again, back to your original point, Erik, having failed try to jawbone the dollar lower in 2019, this is one reason why they seem to be taking the more radical approach, because they zeroed in on, okay, the dollar goes up, that's bad. What do we do about it? And in 2019, it wasn't enough. And then, of course, the pandemic came along, and everything got kind of put on the back shelf. The Biden administration, they were never going to talk about anything like this. So now they're coming back in, and one of the first things they're talking about is, okay, when we do something, do we do something radical about what's happening in the dollar system? And that's the 2024 article, which I'll get to in just a second here, by Mr. Miran. Borrows heavily from Zoltan Pozsar’s numerous works, especially his 2022 idea about Bretton Woods III. We can spend a lot of time on Bretton Woods III, and I don't think it's really necessary, because it's another one of those things where it gets the cart before the horse, it gets everything backward. But then again, that also explains why everything that we'll talk about here has everything in the reverse position.

So, you go to slide 6, slide 6 is the user's guide to restructuring the global trading system, which is the print that Stephen Miran put out back last November. And already, you know, I'm always skeptical when you talk about international finance and international money and anybody who puts anything out. And I always, the first thing I always do is search for the number of times they use the term Eurodollar, because if it doesn't show up, that's already a huge red flag. It means they're missing something and missing something important, which goes back to the first slide, or the second slide that we showed here. Nobody talks about the Eurodollar because it's a taboo subject among politicians and central bankers and officials, because it upends the idea that central banks are at the center of the universe. And one of the reasons why we can't ever understand why these things are happening is simply because, and the same thing with Zoltan’s Bretton III, they don't understand the nature of the Eurodollar. They always defer to central banks when it comes to monetary affairs, and therefore they're never looking at the Eurodollar as either the explanation or the solution. So, if they don't use the term Eurodollar, that's already a red flag that shows that they're missing something. And when you get right into it, going to page 7, skipping almost to the bottom of Mr. Miran's, his User's Guide to restructure the global trading system. He even says the root cause of the dollar overvaluation, which is what they're talking about the strong dollar, is demand for reserve assets. And that's just complete nonsense. The root cause of the dollar over valuation, the reason the dollar exchange value has gone up is because of the Eurodollar system experiencing massive and systemic shortage, which is something that central bankers don't want to ever talk about or even consider, which is why we're stuck trying to connect dots in the dark, because they don't look in the right place. But see, again, from one perspective, this is a measure of progress, because not only have they decided that the dollar exchange value going up is a bad thing, they're looking for different explanations for why that is. Now, they don't look at the right explanation because the Fed won't let them, and mainstream economics won't let them, and so they're looking at other possible explanations that would make sense for why the dollar goes up in exchange value, and they've settled on this.

Erik: Now, hang on a second, because it seems to me that if anything, the clear evidence is the opposite. A lot of central banks have been divesting US Treasury holdings in favor of other things. For example, you've got the global south and their de-dollarization initiative, which seeks to replace US dollar central bank holdings with other reserve assets. I don't know what the total number of US Treasuries, what the notional principle held by foreign central banks is today, as compared to, say, a few years ago. I don't know if you know that off the top of your head, but it seems to me like that it's trending down, not up, isn't it?

Jeff: Yeah, so there's already an inconsistency here. A couple things I would respond to with what you said, Erik, number one is that start with the inconsistency, is that it is not a straight line trend. And I'll get into it. We actually do have a slide with the Chinese holdings of US Treasury. So, we'll get into a little bit of that. But it's the same thing, right? The other mistake is that we have to separate politics from actual economics, by 'economics' I mean small-e economics and monetary economics. While you might say that certain governments are moving away from reserve assets, that doesn't mean the economies that they're supposedly running, which they don't actually run, are doing the same thing. So, for example, the Chinese government might be moving away from US Treasuries, both voluntarily and involuntarily, but that doesn't mean the Chinese economic system is moving away from US Treasuries. Or Chinese banking system is moving away from US Treasuries. So, we can't make the mistake that, if we talk about India, for example, that all of India is moving away from treasuries and de-dollarizing, which, by the way, they're not actually doing. They're just trying to internationalize the rupee.

So your inclination, Erik, I agree with it. You know, Stephen Miran pulls this out as the root cause of the big problem of the US dollar. And already you can see that, okay, they've connected a couple dots, but they're making some tenuous connections that don't stand up to real scrutiny. And again, we'll get to that in just a second with some of the slides here. And again, this goes back to, you don't use the term Eurodollar, you're going to be looking at in the wrong place for these answers, and the reason why US Treasuries go up and down in balance sheets of reserve managers because of the Eurodollar system and conditions in it. But that's sort of the original sin here, from everything that follows from it. So, the whole idea behind the

Mar-a-Lago accord, assuming this is what they're really pursuing. Again, we don't have any more information on what's provided here. So, if you believe that inelasticity and demand for US Treasuries is the cause of the dollar exchange value going up, and that's bad for the US economy, then you need to do everything in your power to dissuade foreigners from using US Treasuries and US dollars for reserve assets. So, they're saying there's too much demand for US reserve assets and US dollars for non-productive purposes. And so that's where we get into the idea of a debt swap and forcing reserve managers into longer duration. I don't know how much detail you want to get into with all of this stuff because, in fact, essentially, Erik, it's kind of trivial at this point. But this is apparently what the Trump administration, if they follow this blueprint, is going to be recommending—using these various tactics and all of the leverage available to the U.S. government, including the threat of tariffs and maybe even the actual imposition of tariffs, to get foreign reserve managers to accept either better terms, like you said before, lower interest rates on longer-duration bonds, or to accept the fact that they're just not going to get paid on U.S. Treasuries like they did before. Even if this dissuades them from holding U.S. Treasuries, the administration seems to believe that the excess demand for U.S. dollar assets is the reason why the U.S. dollar exchange value goes up. So, they're going to use all the tactics that they can possibly do to get reserves, to get to foreign reserve managers, to hold less dollars and less treasuries. And there's a couple, I mean, there's a lot of nuance in what was reported here, what they're talking about, a couple of positive things and a couple correct things too. One of the things that Miran points out that I didn't put in the presentation here is that he believes that there's very little downside to US Treasury rates by dissuading foreigners from holding US Treasury. And I think he's corrected that because he identifies that US Treasury yields are set by fundamentals in the global marketplace, not by the various supply and demand changes in that marketplace, whether it be the Fed buying stuff or whatever else. It's really about growth and inflation expectations globally. So, he believes that if they do dissuade foreigners from holding US Treasuries, it won't lead to skyrocketing yields, because there's really no evidence that would be the case to begin with.

Erik: Hang on a second, Jeff, because I want to clarify this point. You keep saying they're trying to dissuade foreign holders from holding so many US Treasuries. Isn't it really true that they want foreign holders to continue financing US debt, they just want to stop paying interest on it. So, I mean, it's a different kind of treasuries. They want them to swap their treasury holdings for these new Zoltan bonds, which don't pay any interest. Isn't that the gist of it?

Jeff: Well, that's one of the tactics to get foreign reserve managers overall to hold less US Treasuries, those who will continue to own US Treasuries either because they want to, there's a carrot and a stick approach to this too. Remember, there's another side of this, and that it's part of joining up with the Mar-a-Lago accord, means that you get some of the benefits associated with it, which gets into some of the nitty gritty details that Zoltan provided. For example, you'll have lower interest rate, longer duration US Treasuries, but you won't need to sell them, because the Federal Reserve or the US Treasury Department itself will set up a liquidity program that allows you to pledge those treasuries for cash or use them as collateral for cash, so that you don't need to liquidate US Treasuries. So, there's a whole bunch of, there's a whole intricate network of details, but the upshot of it is to use less US dollars in unproductive financial portfolio, means and largely foreign officials recognize that a lot of foreign official reserve managers are not going to ditch US Treasuries altogether. A lot of them will accept lower interest payments, which is a byproduct of, what from the Trump administration's perspective, it's a byproduct benefit of this overarching plan, because if the reserve managers go for it, and they do expect a lot of reserve managers will, that means lower interest rate payments from the US federal government. And since the US Federal interest rate, interest rate payments are the largest source of the deficit these days, that's just another added benefit and bonus from the government's perspective. But the overall goal here is to get the US dollar exchange value to go down, which they associate with negative economic outcomes, including the offshoring of US manufacturing in many ways. Again, this is where the Mar-a-Lago accord goes wrong, because it's very 19th century thinking that the currency exchange value helps drive exports and imports, you know, beggar thy neighbor, type of policy. So under the terms of what Miran set forth, it's the dollar’s overvalued for this reason, therefore it hampers US manufacturing, US competitiveness on the global marketplace. If we get the dollar to go down, one of the other benefits of doing so will make US manufacturing more competitive, therefore, more manufacturing can be cost effective and profitable if it's brought back to the United States. I think this is one of the reasons why it got so much support, at least within political circles, is because it has, would appear to be a whole range of offshoot benefits, over and above what they're really trying to accomplish here. Like I said, you go to slide number 9, and you get into some of the details that are supposed to be part of the carrot approach to get reserve managers to accept longer duration bonds that pay much less interest, is that you won't necessarily need to have short run treasuries, which is the preference for reserve managers, because they often need to liquidate them. And this is one of the places where I really like to point out, like understanding why would reserve managers need to liquidate their treasuries in the first place, lead you in the direction of the Eurodollar, getting toward real answers.

So this is one of those areas where Miran and the Mar-a-Lago accord lost an opportunity to connect some further dots and make more sense. But this it just, it just keeps going from here, it's basically all of these techniques and tactics, and a lot of them were not really spelled out. There's a lot that's just generalized. We just want to weaken the dollar kind of a thing without really coming up with more concrete tactics. Why? It’s sort of like the Trump administration will use as many points, many pieces of leverage as they possibly can. Tariffs being a big one, promises of security also being a big carrot to get people to accept what will be the consequences of this accord, which they expect will be the dollar to go down. And part of the reason that they expect the dollar to go down is that a lot of other counterparties, a multinational group of countries, will accept this overall plan, because they'll see some of the benefits to their own systems. You get to slide number 10, and that's where you get into some of the pushback Miran talks about in the conclusion that Wall Street doesn't believe that the federal government has the ability to get the exchange value to go lower, which is absolutely true. Again, it gets back to the lack of dots that aren't connected to this point, can the US government make the dollar go lower? That's one of the big questions that is just, right now, as far as the Mar-a-Lago accords are concerned, that's a big question that's just assumed to be true. This is consistent with a lot of popular thought on the topic that governments control exchange values, which is why I included as the third slide, that quote from The New York Times in 1992, which shows that governments don't get to set exchange value. This is one of the areas where Wall Street is correct in a skepticism of something like this, is that even if there's an accord, even if governments agree that they want the dollar to go lower, that still doesn't mean that the dollar will actually go lower, which is why there really hasn't been a whole lot of market reaction to all of this chatter.

Now, I know, Erik, you want to talk about some of the other consequences of even discussing these types of things, but as far as the market is concerned, there's a low level of buy in about whether or not this is even feasible, assuming all the other stuff that we just talked about is actually correct, but it's actually not, which is what you get to when you get to slide number 11. This is also part of the original problem here, where Miran assumes that the reason dollar is overvalued, in his mind, because of reserve managers holding high levels of reserve assets. One of the ways in which they'll dissuade people and reserve managers from holding reserve assets is that they won't need to defend their currency against volatility, because in this Mar-a-Lago accord world, they won't have that type of volatility. And again, this is another one of those opportunities that was lost, because you start thinking, okay, why do reserve managers have to sell their short dated treasuries to begin with? And it comes back to the Eurodollar system and dollar shortage. There's a whole lot in this whole thing. I don't know how much more detail you want to get into, we get into the stuff about Zoltan’s Bretton Woods III where some of it is derived from that which is also getting everything backwards. But that's an overriding part of problem, in my view, is that Mar-a-Lago accord proceeds from false assumptions. A lot of those assumptions are looking at symptoms and not addressing root causes. And that's Zoltan’s Bretton Woods III to a T. As you look at slide 12, this is a transcript that Zoltan had with the Bloomberg Odd Lots podcast from a couple years ago. And he talked correctly about how these crises, like the Asian, not financial crisis in ’97, along with the global, not financial crisis in 2008 and even March 2020 how they were monetary crises. But then he describes the symptoms which, in his mind was a broken FX peg in ’97, a crisis of power, when he's talking about the reserve fund in 2008, in March 2020 which is a crisis of interest rates. And those were just the symptoms of the original problem, which was a Eurodollar shortage. So, if you're constantly looking at the symptoms of all of these things, including the rising dollar exchange value, and you don't identify the correct cause, you end up looking in the wrong direction to try to fix things that you don't really have the ability to fix.
In slide 13, if anybody's interested, that's actually a video clip I put together, and what actually happened on in March of 2020. Just hit the play button for that. It all starts with the same thing. Everything comes back to dollar shortage, which is the one thing that never gets mentioned in any of these things. What drives the dollar exchange value up and what drives the interest of foreign reserve managers to own reserve assets is as insurance against these dollar shortage episodes that we go through. So, slide 14, you get to the dollar exchange value. The fact that DXY, which is the main index that most people use to measure the dollar exchange value, the fact that DXY hit its lowest point the day Bear Stearns failed, is a huge clue about what actually drives the dollar higher. It's risk aversion. You want to call it flight to safety. That's some of it, flight to liquidity. It's basically monetary, monetary characteristics and conditions in the Eurodollar system. So, the reason why Trump wasn't able to weaken the dollar in 2019, the reason why the dollar was going up is, we were experiencing dollar shortage issues that really

erupted in September, October, November and December of 2018, and they continued on into 2019, frustrating the Trump administration quite a bit. Especially, where it came to the Chinese, where they labeled the Chinese a currency manipulator, because the Chinese Yuan was experiencing the other side of the dollar going up. So, you go slide 15 and slide 16, those are just IMF data just punctuates the fact that, again, they're connecting some of the dots. You can see that the dollar exchange value goes up at the same time that global economic output really deviates from trend and never goes back. So, you have the negative economic consequences from the dollar going up against not the dollar going up. That's the symptom itself. The negative economic consequences, slide 16, you can really see the negative consequences in terms of trade volumes, which have just completely fallen way off trend. And it all started in 2008, right when the dollar bottomed out and went higher ever since then. So again, they're connecting the dots between the rising dollar exchange value and the negative economic outcomes, but not really identifying the cause. Reason why both of those things are happening simultaneously, it's not that the dollar exchange value goes up and it causes economic weakness in manufacturing the United States. The dollar value, dollar exchange value, goes up and it causes economic weakness everywhere, even for countries whose currencies goes down in value against the dollar, their export economies actually get crushed at the same time, because it's more than just the causes that are identified, really identifying with symptoms rather than causes.

Erik: Jeff, before we dive into the details on the tick data and so forth, let's just go back to the high level for a second. When is the last time that anybody proposed to change the global monetary system on such a huge scale as what's being discussed right now. This is not bigger than Bretton Woods. I mean, is this as big as Nixon taking us off of the gold standard in 1971? How do we think about how big this is, how big of the consequences could be, and how likely is it that this actually comes to fruition in some form?

Jeff: As far as the last one, I don't think anybody has any idea. How likely does this come to fruition? I honestly hope it doesn't, because there's so much that's wrong about it. I think it would actually be harmful to go down this road with so many false assumptions going from there. But again, going back to what we said at the beginning, Erik, I agree with you. I think this is a huge positive that somebody's even thinking along these lines saying, okay, we need to do something radical here, which is something I've been arguing for a long period of time. Look, this is not something that's going to be fixed with the current status quo. We really do need to shake things up and do something completely different. I've been arguing for a reforming of the currency system ever since 2008 when it became clear that was really no going back. But that being said, to your other question, how big is this? Nixon closing the gold window, to me, was just a trivial thing that happened at the end, at the end of the introduction to the Eurodollar era. So that's not really comparable. You really do have to go back to the Bretton Woods, the conference in 1944, so something like this.

Erik: So this is the biggest change to the monetary system in 80 years.

Jeff: I wouldn't call it the change the monetary system. It's the biggest, it's the most, it's the closest we've gotten to even talking about doing something like that, which is, again, a huge positive, because it will get people talking about why these things are happening. So, we haven't seen anything like this since the 1940s, really, the Eurodollar introduction and the Eurodollar evolution, that just happened behind the scenes. That was probably a bigger thing. But there was no top down, it wasn't like countries got together and decided they were going to do this, just a bunch of bankers in London who decided they were going to do it. That was probably a more radical introduction, something I would prefer to see these days. But the fact that we have authorities, the US president even thinking about doing something like this, and maybe, if the rumors are true, they're actually involved in discussions, yeah, this is huge stuff. But also, that's a double edged sword, because looking at radical solutions from the wrong perspective raises the risk of introducing more harm than doing good, because the idea that governments are going to weaken the US dollar, to me, no likelihood, no chance of that happening, and then coercing foreign reserve managers to accept lower interest rates risks, some backlash there. There's a lot of foreign reserve managers who are already unhappy to begin with. So, there are negative consequences associated with even trying something like this, and trying something like this, which is the wrong set of solutions. A wrong set of proposed solutions means that there's more likely to be downside than not. So this small measure of positive that this is a radical idea that's being taken seriously, is overtaken and superseded by the fact that it's the wrong set of ideas and the wrong set of proposed solutions.

Erik: Jeff, to address what you're saying about this being maybe, at least for now, the wrong set of solutions. Let me pass by you what the way I'm thinking about this, after giving it a couple weeks of thought since we first talked to Jim Bianco about it a couple weeks ago. What I'm thinking, going to Neil Howe's fourth turning construct, what happens in fourth turnings, especially toward the end of fourth turnings. The fourth turning that we're in now is expected to last through the end of the 2020s into the early 2030s, maybe 2032 or so is where it's set to end according to historical markers. What it sounds like to me is, what we're in for here is a re-architecting of the global monetary system on the scale of the 1944 Bretton Woods Agreement. Something that big is set to happen in the next six or seven years. And what we're seeing right now is the very first discussion, this is V0.01 of what that might look like. And it will probably be hotly debated on the international stage, not just by the United States, but by the BRICS countries, and by lots of people. And eventually, we'll get to a Bretton Woods like event that happens in the late 2020s, early 2030s, where we completely re-architect the global monetary system, and I wouldn't be surprised if that occurs around a tokenized global digital currency system at some point. What do you think of that high level analysis? Does that sound about like where we're headed?

Jeff: I think that's the most optimistic way to look at this, Erik. And you know, whether or not that's the case, we obviously can't say for sure, but if Trump is willing to go through the wall first and take all the hits for just raising this topic, that certainly can be a positive and I think that would be the most positive outcome. Because, like I said, I don't agree with what the solutions are being proposed here to begin with, but looking at it from that perspective, you're right. At some point, when you stop and objectively look at all the problems, the data, the evidence and everything else, setting aside this deference to the Federal Reserve and what it's supposed to do, the inescapable conclusion is what you just said, that the monetary system needs to change, is what we've been talking about for how many years now, almost a decade, right, Erik? We've been talking about how the monetary system needs to change, and the fact that it's being considered at high levels, in positions of authority, I still think, is a double-edged sword. But you're right. This is very likely that if Trump does pursue the Mar-a-Lago accords, the actual accords, assuming they could get there, will have to go through several iterations first. And so, I think the question has become, okay, now that we're actually talking about the right thing for once, which is reorganizing the monetary system, what should that look like and how should it really come out? I would prefer the government stay out of it entirely, because, look, first of all, the Bretton Woods system only lasted a little over a decade before it started to fall apart. So, it was the top-down approach that was offered there, didn't last very long. And fortunately, there was a bank centered system that was able to pick up the slack. You know, Triffin’s dilemma, Triffin’s paradox, in the 1950s otherwise it would have run into problems right away.

So, the idea of a Bretton Woods III that's driven by governments and bureaucrats, that terrifies the hell out of me, and I don't have a whole lot of optimism that would lead to something positive to begin with. But as far as Trump, the radical proposals opening the door for radical solutions that don't necessarily need to be government driven top-down, maybe that, just the fact that we're now starting to talk more actively about some big stuff, maybe that opens the door for some more workable, long-standing solutions like private digital currencies. And as you always point out, Erik, private digital currencies will never be truly private to all. All have to be some kind of partnership with government and regulators and authorities. But the fact that the President and Mar-a-Lago and all this stuff is bringing that discussion to the table and bringing some really big, some really big weight and gravity to it, it can certainly be a positive if it goes in the right direction. I guess that's probably the way to put it, which I don't have a whole lot of optimism about that, because governments don't really want to get out of the way and let the monetary system work. And the only way the Eurodollar actually did that, and accomplished that in the 50s, was that it did so out of sight of regulators and authorities, and by the time they realized what was happening, it was too late for them to do anything about it. I don't know if the Mar-a-Lago accord helps or hinders in that respect, because if everybody's looking at redoing the monetary system, you won't have a private solution sort of emerge out of the mist when everybody's not expecting it. But I think what you're saying is probably the most optimistic take, okay, that Trump raises this issue, makes it a mainstream issue that we're talking about, and then maybe that leads to, maybe that makes it a little bit easier for everybody else involved and everybody else who's not involved, the general public, to accept the idea. The idea, at this stage, that this is something that needs to happen, and that's one of the things that I've been arguing for a long time and encountering a lot of resistance, because it's difficult, especially for people in the United States, to accept the idea that losing the US dollar, and it's not necessarily the case, but losing the US dollars reserve currency, that sounds like it's a big minus, a big negative. Everybody talks about the privilege of reserve currency, it's actually a burden, and that the outcome of redoing the monetary system and doing it right could potentially lead to, as you're saying, 2030s being a period where the global economy actually flourishes. So, if it requires President Trump to offer this radical idea to kick start that process of the public getting their minds around something big like this needing to happen, then yeah, it could turn out to be a positive. But as you know, and as you're thinking, there's a lot of details left to be hammered out, and there's a lot of different ways that can go wrong. Maybe I'm just being too cynical, like I'm conditioned to be. But in one sense, that's a positive. But let's hope this current Mar-a-Lago arrangement, or current Mar-a-Lago proposal, never goes very far at all.

Erik: Jeff, I want to stop you there, because everything I'm hearing is this is clear to you. You know what should be done. So, I want you to imagine that someone close to the president listens to MacroVoices. We do have quite a few people like that listening to MacroVoices. You get summoned to Mar-a-Lago. You've got 10 minutes to pitch to President Trump, look, Zoltan has got it wrong, I've got it right. Here's what you should do instead, and why, and it's got to address President Trump's goals which are on his mind, which is they got to do something about the US debt, to get the cost of borrowing under control, because they know it's going to bankrupt the US government if they don't do something to change it. But he doesn't want to stop spending money, and he definitely wants for the US to start getting compensated for providing not just military support, but all of the rest of the support that it provides to the rest of the world. You're in front of President Trump. You got 10 minutes to sell your story. What should we do instead?

Jeff: Well, the way I would start is that the short term goals here is to reduce the deficit and reduce the deficits footprint on the US economy that essentially takes care of itself. What we're looking at and what the President has already decided on, I mean, what is it, the 333 plan? The idea here is to essentially recreate the conditions after World War II. We had this gargantuan debt that came out from the New Deal in World War II. We didn't default on it. We did inflate it away like a lot of people say, what happened is we grew ourselves out of it. What I would say is that, if you get the monetary question right, if we actually deal with the problem that actually exists, we will grow ourselves out of it. And so all that would be required is an element of fiscal sanity, not austerity. We don't need to cut the budget down to zero, and really go into massive restraint. You look at what Eisenhower did, started with the Truman administration, Truman and Eisenhower and they kind of went off the rails a little bit with Kennedy and Johnson, but for the initial period, you had a little bit of fiscal constraint, restraint which is actually nothing more than common sense. So a little bit of fiscal common sense, and you let the economy flourish the way that it's capable of flourishing. And eventually, the economy outgrows the debt, and that's how you solve the debt problem, including the deficit problem. And then, the various tactics to get interest rates down. I think there's a whole discussion there about whether you want interest rates to go down. I know from a fiscal standpoint, it sounds like you want lower interest rates, but what we really want is interest rates to go up, because when bond yields go up, that means that the market is saying we believe in the growth and inflation expectations, but the emphasis on growth that it's actually going to work. We want rates to go up from where they are here, and not because the Federal Reserve is pushing them up for non-economic purposes.

So, the question is, how do we get there? How do we get to a period where we get economic growth to reignite and restart after almost two decades of being behind? I think the answer is, you make a credible reform to the currency system that is both, first of all, credible, but second of all, that is responsive, elastic, fluid and dynamic enough to overtake and recreate all the roles that the Eurodollar system did as a functioning reserve currency. That means a high degree of resources that need to be invested. We have the technology to do so. You talked about a digital global currency, a digital ledger. Why not have a couple of different competing ledgers, not necessarily driven by central banks and governments, because I think there's just way too much mistrust over something like a centrally focused digital currency, but some form of digital currency that is decentralized, that has the credibility, especially if it has the approval, not necessarily the backing, but at least the approval of authorities around the rest of the world. You have a private monetary system that is responsive to the needs and the everchanging needs of the commercial system. What you end up with is, you unlock the secret to growth. You don't have currency volatility like we've seen, because that's a symptom of the broken Eurodollar system. So, you copy the best aspects of the Eurodollar system. But you don't have it as a bank centered system, where you have all these interlocking ledgers and unnecessary complexity, which simplifies the situation, creates a tremendous amount of efficiencies in terms of, you know, intermediation doesn't necessarily need to be done by banks. It can be done in any format, decentralized finance, defi. So, transitioning to a single or a couple different digital currencies, decentralized digital currencies that are responsive to the needs of the commercial system, and not just the United States, but the entire global commercial system, I think, is the key ingredient in getting rid of all of these negative symptoms and unlocking what we really want, which is economic growth, sustained economic growth over a prolonged period, that allows us to grow our way out of our debt crisis. And a lot of other people besides, because it's not just the United States is experiencing massive level of debt, and I think you can get a lot of people to buy into something like that if it has a credible future. Because even if the US dollar is no longer the reserve currency, this new digital token tends to, ends up being the reserve currency. That's an easy sell to even the US public, because the benefits of that, of that digital currency is that you have a period of prolonged prosperity like people my age remember from the 1980s and 1990s and the first part of the 2000 before it all went off the rail. So, solving the monetary issue by reforming the currency system, not from a top-down way, but from leveraging the technology that exists, as well as understanding what the benefits were, what the really the most positive aspects of the Eurodollar system and what was able to accomplish, and making sure the currency that replaces it can replicate those functions, I think that unlocks everything. That's what I've been arguing for longer than I care to argue.

Erik: Well, listeners, you just heard Jeff's pitch. Those of you who are Mar-a-Lago members, be sure to mention it to President Trump. And we'll keep our fingers crossed, Jeff, that you get an introduction. I think you've definitely got something to contribute to this discussion. Folks, the rest of the slide deck, there's quite a few slides there for you to peruse offline. We discussed how to handle this because we're kind of out of time now, and I wanted to give Jeff a chance to tell us what needs to be done. Instead, for the rest of Jeff's analysis, he's going to record a separate Eurodollar University episode to cover what we didn't have time to cover in this week's episode. We're not going to be able to get it into your Research Roundup email for this week. We'll have it in next week's Research Roundup so you can look for it there.

Jeff, before I let you go, for anybody who doesn't know what Eurodollar.University is, it started with a series of podcasts that we did here on MacroVoices about the Eurodollar system, boy, I don't know, seven or eight years ago, that's pretty much obsolete now. What is the new Eurodollar University all about? What can people expect to find at www.eurodollar.university?

Jeff: Yeah, you're right, Erik, it's amazing how long, how much time has gone by. But at Eurodollar.University, we've taken what we did back in, what was it 2017, and greatly expanded out. It's not just about what is the Eurodollar system and how does it function, or how does it not function over the last 15 years, but also talking about monetary theory, economic history, current macroeconomics. We've got subscriptions available for that. I do a daily deep dive analysis. I do a daily briefing to keep update on what's happening every day in the marketplace as well as the macro economy. But Euro University members are just taking a really detailed look at reserve currencies, money, Eurodollar. We look at crypto currencies and digital currencies as well. We really get into the details of all of it, because you really need to get into, really dive into all of the mechanics as well as history and the nuances and details to truly understand, not just how a system should work, because, we can never really know how a system should work, but because economics has done such a poor job of educating the public on any of these things. What does the Federal Reserve actually do? That's something we spent some time on. You know, what is QE and QT? If we take apart all of these mainstream myths and legends and fill in the gaps that economics has left behind.

Erik: And obviously, that content is mostly paywalled. Thankfully, Jeff has kindly offered to do a free episode just for MacroVoices listeners to cover the parts of the deck we didn't get to today. Again, that will be linked in next week's Research Roundup. Patrick Ceresna and I will be back as MacroVoices continues right here, at macrovoices.com.