

Trump Vs Harris – Does it Matter?

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This is possibly the last US Presidential election before the US faces a currency crisis – a prolonged event that could last a decade or even longer and one that will rival the Great Depression of 1929 to 1946. The probabilities are overwhelming that by the term the next President demits office in December 2028, the US Dollar will no longer be the Numero Uno currency of the world. As I explain in my book, **“RIP USD 1971-202X ...and the Way Forward”**, the unbacked fiat US Dollar that has existed since 15th Aug 1971 is pretty much on its deathbed. An economic revival is an unfathomable scenario at this juncture.

Wouldn't the above situation make this current election the most consequential one for the future of the US Dollar and the US Economy? It would be if either of the two candidates had a remote understanding of the fundamental nature of the problem.

What is that problem? Despite the similarities in the form of a much bigger housing bubble today compared to the one that burst in 2008 and led to the Global Financial Crisis (GFC), the bursting of the bubble today is going to lead to a GCC (Global Currency Crisis) and not a GFC 2.0. The US Dollar is going to the epicenter and while the 2008 GFC caused a flight into the US Dollar, it will be a flight away from the US Dollar this time. It will be a global phenomenon wherein the world witnesses a flight away from most currencies and into real money i.e. Gold.

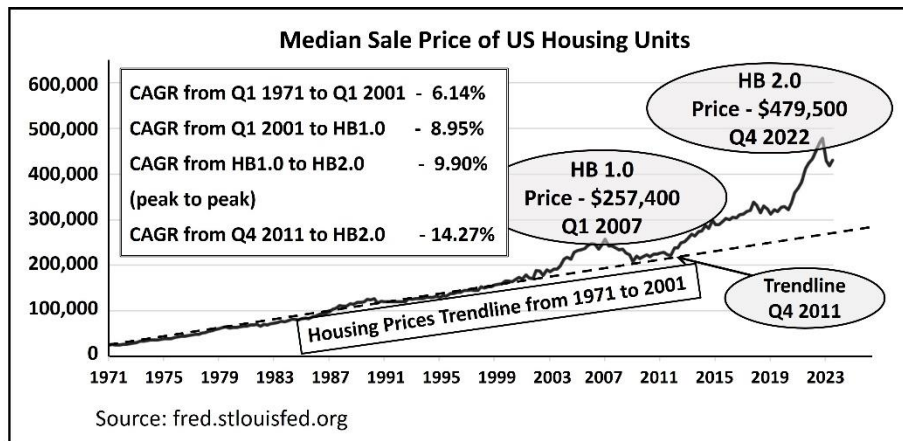


Fig 4.19 – Growth in median sale price of US housing units

- i. Houses at the peak of the current HB2.0 during Q4 2022 are 86% more expensive as compared to the peak of the HB1.0 during Q1 2007

Very visibly the housing bubble (Fig 4.19 reproduced from the book RIP USD: 1971-202X) today is far bigger than the one that caused the 2008 GFC. But that is not the only bubble today; We have a much bigger bubble in Treasury Bonds that will lose most of its value (perhaps > 99% of its value; similar to what happened with the Continental Dollar between 1777 and 1781) when this crisis plays itself out.

Whether the crisis is triggered by the bursting of the housing bubble or the bond bubble (or the Magnificent Seven bubble for that matter) is a subject of conjecture. I suspect it will be the housing bubble that will lead us into the GCC. This would unwittingly draw comparisons to the 2008 GFC ensuring that the media and the Government conclude that we are in a GFC 2.0. They would probably even consider that this is a crisis of Capitalism while the truth is that this is a much-required crisis to eliminate the economic evils of fiat money and Central Banking.

What should the US Government do when the crisis hits? The exact opposite of what they did in 2008. The US Government should balance its budget, start paying down the National Debt (an event that has never happened since 1971), and move towards a gold-backed US Dollar. The US Government should have travelled down the above path in the aftermath of the 2008 GFC and the Covid-19 crisis as well. The US Dollar escaped the consequences of these monetary flagrations in 2008 and 2020 due to “Cantillon Effects”. That will not be the case

today and any monetary loosening (QE, interest rate cuts) would be the equivalent of throwing gasoline on a Price Inflationary Inferno.

What is the US Government Likely to do? The opposite of the recommendation above. From a National Debt of \$35+ trillion today, we should not be surprised to see a number close to \$50 trillion within 24 months of the bubble bursting. The interest payments on the National debt could be 50% of the federal income at that point in time. This will be the case whether it is Trump or Harris at the helm. So it doesn't matter who wins the elections. It's time for the US Dollar to bite the dust and for the paper money to reach its intrinsic value of Zero.

But given my Libertarian position (i.e. limited Govt, balanced budgets, and sound money), I should be philosophically closer to Trump's stated ideology of Conservatism. But much like the US gives Capitalism a bad name today, Trump gives Conservatism a bad name. Apart from a couple of peripheral issues, there is hardly anything Conservative about Trump and his economic policies. Likewise, there is hardly anything about the US Government today to label it as a Capitalist system. It's a Socialist State masquerading as a Capitalistic Society. The underlying principles of liberty and sound money have long been sacrificed at the altar of democracy and yet, the "labels" persists.

But let us return to the topic for today and look at the two possible scenarios and see how it's likely to play out.

Scenario 1: Harris Wins

At the very least, there is little doubt about the direction the US Economy and the US Dollar would take under a Harris presidency. Given her stated and obvious Communist-leanings, the US Economy should grind to a halt in very short order – maybe within just 1 to 2 years into the term. Add to it the enhanced war-mongering that is likely under the Harris presidency, we should have exploding budget and trade deficits.

The only uncertainty would be who are pulling the strings from behind the scenes. Not that it matters in the grand scheme of things.

Scenario 2: Trump Wins

Perhaps some historical parallels might be worth considering to understand why the compulsions of democratic politics and the military-industrial complex would always emerge victorious over economic ideology.

- David Stockman, for all of his extremely well-articulated and deep-seated beliefs in limited government and the gold standard, couldn't move Ronald Reagan in the direction he would have liked. This is despite Reagan's self-acknowledged beliefs in these ideals and the significant role that Stockman played in Reagan winning the Presidential debates.
- Larry Kudlow, a supposedly staunch Conservative (although I think of Kudlow as a "Cafeteria Conservative"), was the Economic Advisor during Trump 1.0. Instead of making Trump follow the ideals of Conservatism, Kudlow ended up defending Trump's outrageous fiscal profligacy, and the incredibly naïve plans of Tariffs on imports. Incidentally, despite the soaring trade deficits under Trump 1.0 with tariffs, Trump seems to have double-downed on his Tariff proposals.

So what are the chances that Trump will undertake the correct steps in his presidency? On his own, ZERO. But there indeed is a wild card and that is Elon Musk. A bet on Trump by a few well-known conservatives and libertarians at this point essentially makes the following assumptions:

1. Elon Musk can connect the dots on the declining American competitiveness to the fundamental deviations as espoused in the US Constitution i.e. Limited Government and Sound Money. It is these tenets that made the US the richest country in the world and propelled the US Dollar as the World's Reserve Currency. Decades before the US Dollar was formally accorded the Reserve Currency status in 1944, it was already the most widely held Reserve Asset surpassing the then-official World Reserve currency of the British Pound by 1920.

2. Elon Musk can convince Trump of the above plan and undertake the dramatic cut-backs to government programs including military expenditures, social security and Medicare. The last 2 programs are bankrupt today and the only way to service the nominal claims is through monetary inflation.

Step 1 should be an easy one for Musk assuming the correct pointers are provided. Step 2 should be a lot more difficult but Elon Musk is indeed an extraordinary individual and if he cannot do it, then perhaps nobody else can. That said, Musk agreeing to head the "Government Efficiency Commission" hardly inspires confidence at this stage that he understands the underlying issues. Musk has made several tweets on the US debt situation and how the Dollar could lose substantial purchasing power in the years ahead. But he has yet to connect the dots to these events and the formation of the Federal Reserve in 1913 and Nixon closing the gold window in 1971. Hopefully, he will cross the bridge soon enough.

What Would I Prefer?

Perversely, I prefer a Harris win at this juncture as that might enable a Libertarian candidate in 2029 to do what Javier Milei is doing in Argentina today. Call me a cynic, but it's very likely that Trump 2.0 is a repeat of Trump 1.0 i.e. exploding national debt, tariffs, and ballooning trade deficits. It is clear that neither candidate will effect the meaningful change required and the blame for the GCC would come on the incumbent. So, between a fake conservative and dyed-in-the-wool liberal, the latter is a better option as a fall candidate.

With that said, as I have stated explicitly in the book, the current US crisis is a truly bipartisan affair because of the consensus between the two political parties on major issues. Ironically, a collapsing currency under Harris might enable a Libertarian to stand up and deliver the bitter medicine needed after the GCC in 2029. There are at least a couple of Republicans with the philosophical mindset (Dr.Rand Paul, Thomas Massie to name a couple. I am sure there are others as well) and a currency crisis might just be the scenario that would enable their voices to be heard and propel them to the altar.

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About the Author: Shanmuganathan Nagasundaram (aka Shan) is an Economist based in India. He has published more than 100 columns in Newsletters worldwide on the topic of Laissez Faire Economics and the Gold Standard. Shan published his first book "RIP USD: 1971-202X ...and the Way Forward" in July 2024 where he forecasts an imminent Inflationary Depression for the US that will last a decade or longer. He also outlines the prognosis wherein the world's monetary system would revert to a Gold standard before the end of this decade as compared to the Paper currency standard that has prevailed since 1971.