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Today, we're going to go back in time to the year 864 BC, where one of the largest parties ever to be held in the history of the world was taking place, especially given world population. At that time, there were 69,574 people. I'll get back to that number in a minute. 69,574 people from all over the region, all over the known world, had descended upon this city, this new city called Kala, located in what is today northern Iraq's Nineveh province. It's not far from the city of Mosul, if you know the region.

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And they were there to celebrate the opening of this city. Kala had become the brand new capital of the Assyrian Empire, what historians are technically referred to as the Neo Assyrian Empire. Now, the guy who was king, his name was Asher Nasirpal. Now, Asher NASA.

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Paul II technically. Now, he had ordered this new capital city to be built in 879. So it's about 15 years prior, and workers had actually managed to complete it in just 15 years. And when you think about it, that's really fast. Even by modern standards, Kala had been a very small settlement a few hundred years prior.

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It had been sort of somewhat abandoned and in disrepair. And Asher NASA. Paul said, you know what? I want a new capital. The Assyrian empire had grown.

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It became the dominant power. I want a new capital. So they built this new capital, and it was really nice. They had very nice buildings, temples, luxurious palace, 8 walls around the city, botanical gardens. And this is Kala, a little bit south of Mosul.

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It's very close to the banks of the Tigris River. And so this is actually we think about a lot of people have never been to Iraq. If you've never been a lot of people think about it as it's just desert and whatever, but Iraq is actually this is one of the more picturesque areas. It's very lush. It's a very fertile river valley here.

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And this was a very, very nice city. And it was famous. It was referred to frequently in the Bible. I mean, this was a very, very famous place. And when it was complete, Asher Nasirpal said, we're going to have the celebration to end all celebrations.

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And they invited 69,574 people to have this raging party to celebrate the opening of his capital. By comparison, Burning Man last year had about 66,000 people. And obviously there's a whole lot more people in the world, and it's a lot easier to, you know, have transportation and travel to places. So you can just imagine that number, 69,574 people. We know this is the case because they actually chiseled this on their stone tablet.

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They call these things steelies. And they wrote about the celebration, this long tablet, talking about the banquet and the celebration, and they said, we have 69,574 people there. According to the ancient Assyrian scribes chiseling this into their tablet. They went on and on about all the incredible food and the drink and just the big party that they were having to celebrate this new capital in the Assyrian Empire. Obviously, this was the peak that was the peak of the Assyrian Empire.

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Assyrian was the dominant superpower in the world, or at least their known world, what they consider the world. They couldn't imagine a world bigger than what they had conquered. They had subjugated nearly everybody in the region Babylonia, Egypt, the Hittites, the Kingdom of Israel. And it was, at that point in history, was the largest empire that had ever existed up to that point in history, right? I mean,

if you compare it to later empires, the Roman Empire, the British Empire, Mongolia, the Spanish Empire, Assyria was like nothing.

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It was quaint. I mean, in total land mass, it was about twice the size of Texas, half the size of India. But thousands of years ago, that was unimaginably vast. I mean, people thought this was and this king thought himself king of the universe. I mean, nobody could imagine a world beyond what they had conquered.

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You know how royals they have often these long titles. If you think about if you watched Game of Thrones years ago, they would have Joffrey, first of his Name, king of the andals Lord Protector of the Seven Kingdom, blah, blah, all that sort of stuff's. Titles went out for hundreds of words, entire paragraphs. King of the world, no rival among rulers, heroic warrior, legitimate king. It's kind of funny.

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They felt it necessary to actually say that. Legitimate king. One of my favorites. They called them shepherd of all mortals, just on and on and on with all these names. And you got to feel bad for this poor Assyrian scribe that's got to chisel all these silly titles into the stone tablet just to placate this guy's ego.

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It reminds me of that great scene in Rocky Four where Apollo Creed is about to fight the the Soviet Beth fight Ivan Drago, the Russian boxer. And then they're introducing Apollo Creed. They've got all these nicknames. The Dancing Destroyer, the King of Sting, the Master Disaster, and of course, my favorite, the Count of Monte Fisto. And it's just all these names.

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This was Ashur, Nasirpal, and this is the sort of thing that happens at the Top. The rulers, they just, oh, they think they're so great. They are gods with no equal and whatever they've conquered, that's the world. And there's nothing else that could possibly exist in the world that's the top. And Assyria rode that crest for for quite some time.

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They actually remained at the top for, you know, really a couple hundred years, which is not unusual for dominant superpowers to last even a couple of centuries. But little by little, the cracks started emerging. They started losing territory. They had internal rebellion. Egypt, Babylon.

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It was a big deal when they lost Babylon. Smaller kingdoms started to form. These these loose alliances and standing together against Assyrian expansion and directly challenging the empire. And it was obvious that, you know, once Syria had been able to bend the world to its will and go around the region and say, you will do what I say. But now it had to ask, it had to plead, it had to negotiate with all these smaller powers.

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It didn't have the power and the authority that it once did to bend everybody, bring everybody to heel and bend the world to its will. And now, by the mid 600, 200 years or so after the party to end all parties, the Assyrian Empire was in full blown decline again. They had sort of ridden at the top, they'd had their ups and downs, but still were the dominant power. But at that point, by 200 years later, in the mid 600, they were in full blown decline. We could do a whole other podcast about that.

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But they had just the normal things, the weak leadership, the incompetence, the corruption, the bureaucracy, the inability to have a peaceful transition of power, the assassinations and the court intrigue and the suffering, humiliating defeat after humiliating defeat. And as well, there was a rising power, a rising power from the east. There was a people known of the as the Medians, and the

Medeaans were growing quickly and becoming their own empire. And eventually this Medean king, his name is Siaxares, who allied with the Babylonians and just literally wiped Assyria off the map in 609 BC. They just ceased to exist anymore.

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Poof. No more Assyrian. Syria is no longer the dominant superpower and is actually very quickly after that, that this guy, Cyrus, very famous historical figure, Cyrus the Great, who led the Achaemenid Empire, the Persian Empire, it's often referred to to completely dominate the region. Cyrus the Great of the Achaemenid Persians, came in and he defeated the Medeaans, he defeated the Babylonians, the Achaemenids took Egypt, they took India, and the Persian Empire became the dominant superpower in the region in what they consider at least the known world. And they too refer to themselves as king of kings and gods among men and all these things.

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But the Persians themselves also, they rose and they peaked and they declined. We know the story. Xerxes, Darius actually in Xerxes, who famously fought and lost against the Greeks and ultimately got themselves wiped out by Alexander the Great. Poof. No more Achaemenid empire.

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This is the thing that happens over and over again throughout history. We see the same story, very familiar story. You've got a declining power and a rising power, and they sort of meet in the middle and they have a changing of the guard, and there's a reshuffling of the regional order, the world order, the power of of things. And this happens quite often as a consequence of war. And we've seen this again over and over again.

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There was a time where Carthage was the dominant power in the Western Mediterranean. We had did a podcast about that with the rise of Carthage, and Carthage was this dominant power in the Western Mediterranean, but they went to war against at the time, this sort of up and coming power named Rome. Rome was still a republic at the time, and Rome and Carthage went to war with each other. The Punic wars. Rome won, Carthage lost.

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Guess what? Rome's now the power. Carthage is no longer the power, and it was a consequence of war. Carthage out Rome in so many other examples of this, the 30 Years War, in the 16 hundreds in Europe, Spain was the dominant power. France was the rising power.

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Spain was in decline. France was on the rise. The two went to war, Spain was out, France was in. This ushered in a new era that made it possible for Louis XIV and all these things that was a result of the 30 Years War is one of the consequences. And what we also see throughout history is that war is a major factor in this.

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But sometimes the two powers don't even need to be at war with one another. World War II is actually a great example of this. Britain going into World War II was still the dominant power, clearly a power in decline, the US clearly a power on the rise. But US and the UK were on the same side in World War II. But after the war, it was just obvious the US.

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Was the dominant superpower. The UK was no longer the power. And this makes sense because wars are incredibly expensive. In money and manpower, in morale, public opinion, all these things. Wars are very, very expensive and declining powers have a really hard time footing that bill.

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Rising powers can handle it, it's expensive. And sometimes they struggle, sometimes they don't struggle at all. Sometimes they just, I mean, it's nothing. If you think to the Spanish American War, the

United States waging war, a very aggressive war the United States waged against Spain in 1898. Spain was, Spain wasn't the dominant superpower.

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Spain wasn't a superpower at all. But the US. Was clearly the rising power in 1898. I mean, Spain, Spain did not want to go to war with the United States. They said, listen, we had nothing to do with sinking that bow.

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We don't know anything about it. They had to sell the royal jewels, practically. I mean, they were not in a position where they could afford to go to war. The US just wrote a check deck and beat the pants off of the Spanish in really just a couple of months. I mean, this was a clear showcase to the world that the US.

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Is an extremely powerful nation. And that leads us to today. Today is the 24 February. This is the one year anniversary of it's kind of bizarre to think about the anniversary of a war, but this has been a year now since the war in Ukraine started, and I think hopefully a lot of people probably agree that the start off is this completely idiotic, immoral, misguided, pointless invasion by Russia. But we're here to talk about the big picture, and this isn't about justice or righteousness or morality.

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I think it's again pretty clear that invading another country is not okay. But this isn't even about if you look at the really big picture, it's not about Russia or Ukraine or even Russian United States. It's really about the US. Versus China, because what has started off again is this pointless invasion sort of turned into this battle of who is the dominant superpower, because we're focusing on the big picture, and it's obvious in this scenario, we've got a rising power, a declining power, and a war. These are the ingredients that we've seen over and over again throughout history.

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So if we step back and look at that big picture, we can see well, in one corner, we have the United States, which has suffered humiliation after humiliation. You got a guy that shakes hands with thin air, who inspires confidence, and nobody you have the disgraceful embarrassment in Afghanistan from 2021 would say, oh, let's give \$100 billion of military equipment to our sworn enemy, the Taliban, while we have people dangling from the landing gear of aircraft as we run away from this plan. It's just what a humiliating, horrible, horrible, shameful embarrassment all the way through today, which is the debt ceiling fiasco that they're desperately the Treasury Department has already said, hey, we're running out of options here. And, you know, they can't get their act together. They can't figure out how could we possibly live with them means, gee, we only we only collect \$5 trillion in in tax revenue.

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How could we possibly manage to get by on a piddly \$5 trillion? Never mind that that was an incomprehensible amount of money even just a couple of years ago, but now we can't possibly imagine how do we possibly get by with \$5 trillion a year? It's just so completely ridiculous the way these people do business. And the other thing, I think we could also look at it let's call it the America Last Policy. You know, you got this guy who goes to Kiev.

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He says, we will not leave you, whatever it takes. Whatever it takes mentality. This whatever it takes. Sure, that applies to Ukraine, but it doesn't apply to people that are suffering through one of the worst environmental disasters in the history of the United States in Ohio. You got a guy that can travel to Kiev, but we can't do anything to those people in Ohio.

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But we can barely say a word about the people in Ohio that are suffering one of the worst community environmental disasters in history. And just to make sure they're very clear, the White House press secretary, the incredibly astute Kareem Jean Pierre, even announced yesterday that the President has

absolutely no plans to visit Ohio, just to make sure there's no doubt that he doesn't give a shit about what's happening in his own country. They don't care about the border. They don't care about all this stuff, but hey, whatever it takes in Ukraine, because it seems pretty obvious to them that they know this is about superpower status. You got this guy who goes and shows up and gives this speech, all these speeches, speech in Kiev, speech in Poland, and it might as well have been him jumping him down, waving his hands, saying, we're still the dominant superpower.

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That's basically the message that he's trying to send. We're still the dominant superpower, according to me. According to the guy that shakes hands with thin air. We're still the dominant superpower. Meanwhile, in the other corner, you've got China.

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China is, I think, pretty clearly a rising power. It has risen so much, they are supremely confident in themselves to be able to do whatever the hell they want. They don't care. Oh, the US has imposed sanctions. We don't give a shit.

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We'll do whatever we want. We're not you're not the boss of us. We're not going to follow your your protocols, your rules, your policies. And just imagine your Chinese leadership and you kind of look back and you realize, you know, wow, we brought the world's dominant superpower to its knees over a virus. Widespread economic damage that happened in a lot of places.

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But when you think about some of the other consequences, it would say, like, wow, we caused you to completely vanquish an entire generation of young people who fell behind in their education, to cause people to be at each other's throats, screaming at each other over masks and vaccines and all these sorts of things because of a virus. The amount of chaos that was injected because this virus and they're sitting back like this going, oh my God, I can't believe that this is how these people react to this. You've also hacked your way across countless government and corporate networks with absolute impunity, no consequences whatsoever, showcasing some of those despicable incompetence. It was actually just a couple of days ago. The Defense Department acknowledged this week that they had an email server that wasn't even password protected that has been leaking terabytes of sensitive emails just out to the Internet.

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And you're the Chinese look at this, going, are you kidding me? How stupid are these people? Then you had all the other examples, the solar winds hack in 2020 and all there's so many different examples of this. And then you've got all these other things. You're spies who have slept their way to the top of the political elite in the United States.

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You got these female spies that are going around literally just having sex with high ranking politicians in California and whatever, and just stealing all sorts of secrets, and nothing happens. Nobody's held accountable nobody loses a job over this. Then you think about from the Chinese leadership perspective, you own a whole generation of young people who have become clinically addicted to TikTok, which might as well be published by the Chinese government. You had all these executives who can't even they hauled in front of US. Congress and can't even pledge, oh, no, we're not going to give any information to Chinese government.

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Of course they're going to give all this information to the Chinese government. The TikTok algorithms have figured everybody out. They know how you think. They know how you feel. They know what you want.

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They know what you want before you know what you want. And they're able to I mean, this is full

blown psychological warfare, hardcore psychological warfare in terms of how they're able to get in the heads of young people and the things they're able to make people do and make people think and make people feel depressed and anxious and nervous and so forth. They have totally weaponized social media, and they're in complete control of it. They're also in the president's head, they've got this guy so paranoid that he scrambles fighter jets and launches \$500,000 missiles every time there's a balloon in the air. And they go out and they say, look at these people.

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The US. Is hysterical and absurd and all these sorts of things, and they make this guy feel desperate to reassert his dominance, which is how we ended up with this Ukraine visit. The phony theatrics he puts on his aviator sunglasses and goes walking through Kiev, and all of a sudden, the fake air raid sirens go off. And the whole thing is so staged and so theatrical that even CNN called bullshit. Even CNN.

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The guy was like, I've been here for days. There hasn't been a rocket attack. There hasn't been so much as a gunshot. There's no air raid sirens. All of a sudden, Biden shows up and the air raid sirens go off, and it's kind of convenient.

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And of course, he's walking tall and isn't he's not afraid of the air raid sirens? I mean, it's just such bullshit. If it was actually real and the air raid sirens went off and they actually thought there was an imminent rocket attack, I mean, everybody knows the Secret Service would have been all over that guy in a second, and they would have taken him away to some undisclosed bunker somewhere. But instead, the air sirens going off, and nobody does anything about it because everybody knows that it's fake. It's just fake.

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It's this stage theatrical nonsense to make this guy look like he's still a strong leader. Nobody believes it. Everybody knows it's insulting that people like, they really think that we're that stupid, that we can't figure it out. It's really offensive that they think that we're that stupid. So where does all this go?

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You got the US. On one side, you got China on the other. You got a declining power and a rising power, and you've got a war. Where does this go? Who knows?

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It's impossible to make a prediction of that. These guys are when that guy win? I mean, who knows? That's not really the point. The point is that you got the Chinese saying they're working on a peace plan and all this sort of stuff.

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But the larger point is that this is very costly. Obviously, it's extremely costly for Ukraine. It's very costly for Russia. You can see a lot of the reports about morale of Russian troops and so forth. I mean, just really horrible for everybody.

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It's very expensive for Europe. It's extremely expensive for the United States. The United States, by the way, has given way more aid, military aid, financial aid, than anybody, including all these European nations. I mean, you look at the military aid the United States has given to Ukraine. I mean, it's multiples and multiples.

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It's like ten times more than what Germany and France have given. I mean, it's a joke. So it's very costly for the US. But this is not even a blip for the Chinese. It barely registers.

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They've barely had to lift a finger. They barely had to put a penny into this. And so based on that, if you just look at sort of cost benefit, there's a very good chance that the Chinese come out of this again. Rising power, declining power, very expensive war, very costly war in the Chinese. They might even come out and be the peacemakers.

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They actually have the ability to convince the Russians. I mean, Putin gave this speech the other day, and he said, we will never lose on the battlefield. He didn't say that. There's no end to this war. The Chinese could quite possibly say, hey, man, just stop.

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Let's figure it out. Have a peace, whatever. The Chinese come out of this looking like they're the peacemakers, or at least they put a peace plan on the table and dare the US. To say, okay, we've got the Russians willing to do a deal, willing to end this whole thing. Let's see what you're willing to do.

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And make the US. Look like the idiots, make the US. Look like the aggressors. I mean, there's a lot of permutations here and it's silly to sort of say this is what's going to happen, but at a minimum, you could probably imagine there's a good chance, there's no guarantee of anything, but there's a good chance that the Chinese come out of this possibly looking like the Peacemakers, clearly looking like a very dominant power. At a minimum, a power that can't be ignored, a power that has the power to create peace after a year of war.

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The US. Couldn't make a peace. All these other the Europeans couldn't make a peace. Who could make a peace? The Chinese.

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That's a real possibility. And that the Chinese come out of this looking like a major power, more so than they even are now, and really signals the end of an era where the US. Is just able to do whatever it wants, to whomever it wants, whenever it wants, however it wants. Those days are over, and it ushers in a new era where there's at least a multilateral influence. China has major influence, even veto power over the United States.

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Now, I've got to pause and say, every time I talk about China, there's always somebody friends of mine who give me the yeah, but, yeah, okay, yeah, but China's got this problem, and that problem. China isn't perfect. China has plenty of its own problems. Yeah, of course China has plenty of its own problems. People go, yeah, but China has lots of debt, and China has this, China has that.

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Yeah, I got it. The Roman Republic, when it was a rising power, had lots of problems. The Ottoman Empire, when it was rising, had a lot of problems. France, when it was rising, had a lot of problems. The British Empire had a lot of problems as they were rising.

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There's no place in history that's ever been, we're perfect. We have zero problems whatsoever. That's not a requirement. Being perfect is not a requirement for a nation or an empire to be on its way to being the dominant power, or at least being a major power or major superpower. That is not a requirement.

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I think with respect to China, if I'm honest, sure, they've got a big debt problem, their shadow financial system, all these things. I think a lot of those are are workable. The one that I used to think was just not workable was their demographic problem. I mean, there's just decades of the idiotic one child policy. Now they got too many old people, not enough young people.

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That is cancerous for a society. It turns everything upside down. You go, It's really hard to work your way out of that one, because you can't just create new people to fill that gap. But then you think about it, well, who are we dealing with here? We're dealing with the Chinese.

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There's actually nothing that says the Chinese can't create new people. Maybe they go out and just start cloning people. You have this whole sort of Star Wars clone army of Chinese people just to sort of fill in that demographic period. I mean, I'm just throwing it out there. Just think about who you're dealing with.

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All options are on the table here. But again, I'm not suggesting that even China becomes the superpower, the sole superpower, and everybody else shrinks to it. I think there's a lot of possibilities here. We did a whole podcast, actually, about something I call this Barbarian Kingdom Thesis. After the fall of Rome, there was a power vacuum.

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There was no dominant superpower. You had all these barbarian kingdoms, and you had Byzantium in the east, and so all these people that sort of shared power. There's nothing that says you have to have a single dominant superpower. What I am suggesting is that throughout history, there's always been instances where you have a declining power and a rising power, and quite often war is the signal that this rising power has to be taken very seriously and gets a seat at the table. Those are all the ingredients that we see right now.

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And the reason this matters, this is stuff that PhDs at the State Department write papers that get published in Foreign Affairs. That's not what we're talking about. I'm talking about this from the financial consequences, from the economic consequences. Because if the US. Loses its status as the superpower, which it has been for so long, really so long as the sole dominant superpower, the economic and financial implications are vast simply because if you lose your sole superpower status, the primacy of the US.

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Dollar cannot be far behind. This is a really big deal. The US. Dollar, and I've written about this before, I've talked about this before. The US dollar is known as the reserve currency.

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It's not the only, but the primary reserve currency in the world. What is the reserve currency? It's the currency of international trade. It's the lingua franca of economics that around the world. In the same way that if you got a company in Nicaragua and a company in Botswana and they do business with each other, they're going to settle that deal in US dollars.

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It's the reason why the price of gold traded in London is in US dollars. Oil in Saudi Arabia is priced and sold in US dollars. All these things, coffee contracts in Latin America, all these things. Rice contracts in Asia, all these things. There's so many of these contracts around the world, finance around the world.

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I mean, that gets traded, settled, closed in US dollars. Sovereign governments hold US dollars. Central banks hold US dollars. Commercial banks in Singapore and Australia and large corporations, they hold US dollars. Sometimes it's ridiculous, actually, the impact of this, a great example and one that's actually been pointed out by the French government, french Finance minister a couple of years back.

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You look at Airbus, right, which is a European aircraft manufacturer that sells planes to Air France. So

you got a European manufacturer, European airline, and they price that deal in US dollars. Nothing about that deal takes place in the United States. Nothing has anything to do with the United States. But you got two European companies doing a deal in US dollars.

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So it gets actually, the concept of the reserve currency gets borderline ridiculous. There's this this concept has been around for a long time. Reserve currency has been around for a long time. You can go back to the ancient world. You know, the the Greek drachma, right?

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The currency in ancient Greece, coins that they had, I mean, they traded extensively around the region. And when you think about it, it made sense. You've got some smaller kingdom somewhere. And they do business with the Greeks and another smaller, smaller kingdom, a does business with the Greek smaller kingdom.

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B does business with the Greeks, and A and B, then both they accept drachma because they do so much business with the Greeks. And the Greeks have this very large economy. And so they say, yeah, sure, we'll take your coin. We like your coin. And then you look at these A and B.

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They do business with each other. They do trade with each other. They say, well, you have drachma. I have drachma? So let's just trade our goods and settle in drachma.

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And this is the way things went for a very, very long time. The Byzantine Empire had this coin called the Solidus. And this Solidus became a major reserve currency around the world. Again, you had all these smaller kingdoms that were doing business with the Byzantine Empire. They were accepting and trading in gold solidus coins.

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And so they went. So all these other smaller kingdoms just started doing business with each other in solidus coins. But these things change in the same way that dominant superpowers change throughout history. They always have these reserve currencies change. And so why do they change?

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Well, when you think about it, throughout history with these reserve currencies in general, there's no formal rule. Nobody gotten together in a room and said, we're all going to decide to use the Byzantine Gold Solidus or the Greek Drachma or whatever as our coin. It just sort of happened organically. Again, people realize, well, hey, I'm sitting on a bunch of these solidi and you're sitting on a bunch of solidi. So let's get together and just trade our Solidi.

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Even though none of this has anything to do. Neither one of us is in the Byzantine Empire. We're not trading in the Byzantine Empire. Well, we'll just trade this coin because both of us have it right. It happens organically over time, and it follows logically that it would be the currency of the dominant superpower because they have the largest economy.

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Everybody has a lot of trust and confidence, and usually it means that the coin has good value. They're not playing funny games of the coins, but over time, the coin loses its stability. This happened with the Byzantine Empire. They started in the early 11th century. They started chipping away and debasing the coins and so forth.

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And so people get sick of that. It's a thing with the dominant power. The dominant powers always think that their position will last forever. There's always a level of arrogance. The dominant power say,

you know what?

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We're the dominant superpower. We can do whatever the hell we want. We can debase our coins, we can inflate. And people will still accept our coins because we're the big boss in the region. Everybody's going to do what we say.

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And they think that that status is going to last forever, but eventually people get sick of it. And that's what happened in the case of Byzantium, is that all of a sudden their coins had been inflated and inflated and inflated, and people said, you know what? I'm tired of this. And wouldn't you know it, Venice had come along and said, well, we have a coin. Florence had come along and said, we have a coin.

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And suddenly you start seeing trade in Venetian ducats and Florentine, Florence, and eventually Dutch guilders and Spanish pieces of eight, the real deoco, and eventually the British pound. The rise and fall of reserve currencies often coincides with the rise and fall of the dominant power. The reserve currency is often tied to the strength of the dominant power, and it changes when there's that reshuffling, that reordering of power, often not right away, right? I mean, the Byzantine Empire was by the 11th century, 12th century, 13th century was an obvious decline, but people were still using Byzantine coins until the Venetians and the Florentine said, okay, we're going to introduce our new coin. So it's not right away, right?

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History shows that there's sometimes a lag between when the reserve currency changes and the power changes. But both of these things happen. It's inevitable. It's there's never been a case where there's been some dominant superpower and some reserve currency that's lasted forever. Now, World War Two is an interesting example.

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World War Two people actually did get together in a room in 1944. They actually got together in a room at the Mount Washington Hotel in Bretton Woods, New Hampshire, and they signed an agreement that's known as the Bretton Woods Agreement in 1944 that basically made the US. Dollar the center of the financial universe. They said, everything is going to be pegged. There's going to be this fixed exchange rate between, you know, whatever the British pound in the US.

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Dollar. The Swiss franc in the US. Dollar, the French franc and the US. Dollar. Every currency is going to be is going to have a fixed rate to the US.

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Dollar, and the US. Dollar is going to be fixed to gold. So at any given time, the US. Dollar is going to be fully redeemable to gold. If you have dollars, you can exchange it for gold and vice versa.

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And because of that, there's a lot of trust and confidence in the dollar. There's a lot of trust and confidence in the United States because, like we said, after World War II, it was obvious the US. Was the dominant power. They're the only clear the dominant power, largest economy in the world, largest military in the world, the only country left standing, hadn't been completely decimated from World War II, the only nuclear power in the world. If they hadn't dropped the bomb yet in 1944.

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But they had. I mean, this was it was natural that the reserve currency went to the dominant sewer power. That was the US. And so it was the US. Dollar and it's been that way for decades.

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The thing about the reserve currency is that it provides and has provided, continues to provide the US. With an unparalleled financial advantage. The whole point is that, remember, the idea is that everybody's got to hold US. Dollars. Foreign governments, foreign institutions, foreign central banks, big corporations, commercial banks, they've all got to hold US.

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Dollars. And in order to hold US. Dollars they need some sort of liquid asset. Liquid US. Dollar asset.

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Right. We're talking about they need a way to hold dollars. Now as an individual, if you could say like, well, I've got €100,000 and I want to hold dollars, you just open a US. Dollar account at a bank and fine, they'll hold your dollars for you at a bank. But we're not talking about individuals with 100,000 or a million.

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We're talking about institutions with hundreds of billions of dollars. Central banks, governments, huge commercial banks, huge corporations. They're not going to put that money in a bank account. And even if they do, well, what is the bank going to do with that money? The bank's got to find some asset, us.

[00:32:53.480]

Dollar asset to park that money. Right. So what do you do? Well, I guess, you know, you could buy apartment buildings in the US. You could buy whatever industrial warehouses and land, et cetera, beachfront property in Florida.

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But real estate is very illiquid. What do you do when you actually need that money for something? You got to go and sell the property. Real estate is very illiquid. It's expensive to sell.

[00:33:16.670]

What else do you do? You put it in the stock market. Well stocks are extremely volatile. You need a way to hold that money. You hold those dollars that's really stable.

[00:33:25.450]

Right. That you can get in and out of very quickly. That's stable. You can't put it in a collective. You're going to buy baseball cards.

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You're going to say, oh, we got all we're going to buy all these Mickey Mantle cards, right? Well that's a really small market. That's a really, really small market. You can't put hundreds of billions of dollars, trillions of dollars into the baseball card market. So you need an asset that's stable, that's risk free, that's not volatile, that's highly liquid and really big.

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So big that you can deploy trillions of dollars quickly and efficiently at very minimal cost. So what market is there? What asset is there? Government bonds. U.

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S. Government bonds. It's a huge market. How big? 31 and a half trillion dollars as of this morning, which is right at the debt ceiling.

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Literally. The market for us. Government bonds is the size of the US. National debt. U.

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S. Government bonds are considered risk free. It's considered the ultimate risk free asset because it's backed by the dominant superpower in the world. They're generally stable. They're extremely liquid.

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No one in the last several decades has ever been sitting on a bunch of ten year treasuries going, how am I going to get rid of these Treasuries, right? I mean, it's, it's one of the most liquid assets in the world. You can sell it in a heartbeat, pretty much in any major financial exchange anywhere in the world. So it's liquid, it's huge. It's risk free, it's stable.

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I'm doing risk free and error quotes, by the way. Risk free and stable. And so this is the asset that all these institutions around the world tend to hold. They hold us. Dollar, US government debt because it's a US dollar, liquid, safe, stable, non volatile asset.

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So again, think about it. You got all these foreign governments, all these foreigners, all these banks, all these central banks, all these big companies overseas. They literally have to own US. Dollars. If they want to participate in global trade, they have to own US.

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Dollars. And the only way for them to really own it is by having debt, buying US. Government debt. And that basically gives the US. Government this captive group of hostages.

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Really, the people that have to buy its debt, they have no option. They have to buy us. Government debt because it's the only solution they have if they want to participate in global trade and commerce. That's the advantage. The US.

[00:35:41.780]

Is able to do the most ridiculous things. They can run multi trillion dollar deficits. They can go ten years with 0% interest rates. They can go forever with bond yields that are way below the rate of inflation. They can have complete and total government dysfunction.

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They can have a record high trade deficit. They can have this absurd debt ceiling, government shutdown, Mexican standoff. They can have inflation at multi decade highs, and foreigners will still buy US. Debt because they have to. They have to.

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They have no other choice. The US. Is still their major trading partner. I mean, everybody grumbles about it. People are like, this is ridiculous.

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Why would anybody do this? Well, because they have to. They said, well, we still trade with the US. Everybody else still trades with the US. And so they have a reasonable expectation that not only do they have to hold dollars, but everybody else has to hold dollars.

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And as long as everybody has to do it, then shit, I guess we'll just keep doing it. We still have to buy oil in US. Dollars, all these things. And so they have to do it. They just keep doing it because they have to, because they don't have another choice.

[00:36:49.370]

But that is starting to change. The Chinese have been extremely active in campaigning for an alternative. They've been very, very active in setting up their internal currency, the renminbi, or the yuan, for internationalization. This is actually called the internationalization of the renminbi. Big institutions track this very closely, and you can see this.

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It's so obvious. In 2021, they did this huge deal with Iran, where they said, we'll invest a bunch of money in Iran, which Iran has one of the largest oil reserves in the world after Venezuela. And this resulted in a lot of Iranian and Chinese trade directly trading with each other in renminbi, in China's currency. Not in US dollars, but in China's currency. Iran can't even get US dollars because they're under sanction from the US.

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Treasury Department, from the United States government. So they can't even get ahold of US dollars. So of course they have to trade with the Chinese in renminbi. China was recently in Saudi Arabia pushing for the Saudis to sell oil in renminbi. Saudi Arabia was like, yeah, that actually sounds like a good idea.

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That helps us diversify a little bit. I mean, you cannot overstate the impact of this, in particular, this oil issue, because oil is the most widely traded commodity in the world. Everybody in the world needs oil. Oil is energy. Everybody needs energy.

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So the fact that oil virtually everywhere has been priced and traded in US dollars is one of the single biggest things that pushes people to continue to hold US dollars. If you want oil and you don't have a choice, you need oil, which means you need US dollars. You're buying oil from Saudi. Guess what? Saudi requires us.

[00:38:29.560]

Dollars. So if you want to buy oil from Saudi Arabia, you got to pay in US dollars. You want to buy oil from all these other countries, you got to pay in US dollars, which means you have to have US dollars, which means you have to buy this shitty US government debt in order to have US dollars. It's so weird when you really sort of sit back and understand it. It's so weird.

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And so the impact of this, if all of a sudden Saudi Arabia and Iran, all these people are able to start doing business and say, well actually I'll accept renminbi, sudden people go, wow, I can actually pay you in another currency. I don't have to hold as many dollars as it used to. It's not to say we'll go from owning a bunch of dollars to owning \$0, but suddenly say, oh well, I guess I'll, you know, know, I do a lot of trade with China as well, so why wouldn't I have renminbi? And if I could take that renminbi and I can trade that, China can pay me in renminbi for the trade, and then I can take my renminbi and I can buy oil with it, and Saudi Arabia will accept that renminbi, then sure, I'll do that. I don't have to do everything in US dollars now.

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I can diversify a little bit, right? What a concept. And so we started to see this, and honestly, I mean, this is already happening. Global trade and renminbi has been rising. Swift, which is the Society for Worldwide Interbank Financial Telecommunications.

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This is basically the international banking boss that tracks all of the international bank transfers around the world. They report significant increases in renminbi, denominated A transactions. The Chinese financial system has been making obvious advances, technological advances, to make it easier to handle these foreign inflows and outflows of capital. And so this is where we are right now. If you step back and look at the big picture again, us.

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Power is waning. That is clearly on display worldwide. That is not a controversial statement. I don't take pleasure in saying that. But it's obvious.

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You've got China. That's clearly in ascendance, right? Those two things are pretty obvious. And you've

got war. Those ingredients rising power.

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Declining power and war have often signaled a change in the guard, a reshuffling of world power. There's a lot of different permutations about how that might play out. But it's possible that this war may end up being that reshuffling, that China now has a clear and obvious seat at the table, and that generally, if you look to history, tends to coincide with a reshuffling of the reserve currency. This is the thing when we're starting to see a lot of these signs, it's already happening. Chipping away at the US.

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Dollars dominance, this selling oil and renminbi all these things. That's a really, really big deal. And so when you have that, it's not to say that the dollar, again just is no longer the reserve currency. Nobody deals with the US. Dollars.

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No. That's crazy. But what happens is you start chipping away at that market share. You have fewer and fewer foreigners. You don't have those captive hostages anymore that have to buy your bonds.

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Right? Now, instead of having the market share that you have, you have less demand overseas. And so because of that, you have less demand for dollars. The US. Starts to lose that really important financial advantage.

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One of the implications of this is inflation, right? In the past. The US. Could just print as much money as it wanted, and that money always able to find a home. UX had print money, and they basically ship that money overseas to all their foreign hostages, all their financial hostages who had to buy US.

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Dollars. Right? They had to hold us. Dollars, print all this money. So they get all the benefit of printing money, right?

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They get to jump start the economy, and they get to boost economic growth, and the stock market goes through the roof. But they didn't have any of the consequences. They didn't have any of the inflation that came from that other countries. If Costa Rica goes and prints a lot of money, costa Rica is going to have a ton of inflation. Costa Rica doesn't get to take all of its currency and shift all that stuff overseas.

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Right? But the US. Government, they get to print all this money. They get to have the benefit of, like, oh, look, the stock market is having a bonanza. The economy is having a bonanza.

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But they haven't had the inflation for years. 20, 15, 20, 16, 20, 17. I mean, everything was going so well. They're printing so much money, but they got to export all those dollars overseas. Well, suddenly they won't be able to do that.

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Suddenly those dollars will actually come home. You don't have the same number of foreigners buying the same amount of dollars anymore, and so you can't get away with printing all that money and expecting there will never be any consequences. Of course, now there's going to be consequences. It's not going to be any different than if New Zealand prints a ton of money, because New Zealand doesn't have the luxury of being able to ship all of its New Zealand dollars to a bunch of hostages overseas. Another major example, major implication, is a loss of sovereignty.

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And this is a real thing. And we saw this very recently in the United Kingdom. You might remember this. A couple of months ago, he had a brand new Prime Minister, the Prime Minister and Finance Minister, they come out, the Chancellor, and they say, here's what we're going to do, here's our economic plan, here's our financial plan. We want to do this, we want to do this, we want to cut these programs, we're going to cut these taxes, we're going to blah, blah blah.

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And the bond market just had a fit. The bond market went berserk and they said, no, we don't like this. You can't cut taxes when your debt is rising and blah, blah, blah. You can't do those things. The bond market, all these investors started dumping British government bonds called gilts.

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They started dumping gilts, they started dumping the British pound, started dumping the currency. The British pound went into freefall, right? And so the Chancellor, the Prime Minister had to resign. And they totally backed down from their plan and said, okay, just kidding. All that stuff we said literally a couple of weeks ago, we're not going to do that anymore.

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They had to capitulate to the bond market. They had to capitulate. Suddenly the UK found itself at the mercy of bond vigilantes, of investors who said, we're not going to go along with that plan. This wasn't some tiny country that we're not talking about Costa Rica or even New Zealand. The UK is one of the largest economies in the world, even to this day.

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And yet the bond market was able to squash the head of government of one of the largest economies in the world, force her resignation, force them to back off of this plant. So you talk about this is a loss of sovereignty. Suddenly you don't have the ability to do the things you want to do. Suddenly you've got to actually do what the market wants and not what you want. So the US government does not have the ability to say, okay, we're just going to print all this money and we can ship all the dollars overseas.

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And we won't have inflation, and we can run all these crazy, outrageous deficits, and we can do all these things, and there will never be any consequences. No, those days are over. Suddenly you're at the mercy of the bond market, you're at the mercy of the forces of inflation, all these things just like every other country has to deal with. If you've ever read the book *The Sun Also Rises*, there's a great quote. Hemingway writes one of the characters and says, how did you go bankrupt?

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And the answer is, gradually. Then suddenly that's kind of the way to look at this. This is not something that will happen overnight until it does. And a great example of that is Richard Nixon took the US dollar off the gold standard. He sort of just walked away from the Bretton Woods system in 1971, and in a televised address, he told the American people, he said, oh, this is all very technical.

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You're too stupid to understand. This is all very technical. And he promised everybody. He said, you're going to wake up tomorrow and everything's going to be the same. Nothing's going to change.

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And he was right. The next day, nothing changed. Actually, the stock market went through the roof, had the single biggest gain that had ever, I think, up to that point in financial history had ever seen. And in the short term, nothing really changed. Not like prices went through the roof the next day.

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But if you fast forward a couple of years, gradually they started getting more and more and more inflation until they started having these events like the oil embargo and so forth. And then things just got horrible, right? It was gradual then, very sudden. And that's the way that this could really go down.

In terms of the Renminbi internationalization, it's something that's gradual.

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It's been gradual. We've been seeing a lot of these things, and we probably continue to see a lot of these things. Some of the canaries in the coal mine, large corporations that start trading with each other in Renminbi, foreign governments issuing bonds in Renminbi, foreign governments and central banks increasing Renminbi reserves, all those things have actually already been happening. I think one of the other things that we might see is people start talking about openly, you know what? We should create a new financial system.

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Let's get together. Let's have a summit. Let's have a new Bretton Woods conference. When you start seeing people talking very, very seriously about that, when you start hearing the Germans and the British and the Chinese and India and so forth, and people start talking about this, let's really get together and have a conference and hash this out and see what it looks like, that's the sudden part, right? Everything else is gradual.

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The gradual introduction of the Renminbi, the gradual internationalization of the Renminbi. That's the gradual part. The sudden part would be this game changing international conference that they get together and have a certain new Bretton Woods system. They say, well, we're going to hash this out, and here's what it looks like. Again, there's so many different permutations of how this could play out, and it's possible that there will be no conference ever.

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There's so many different ways. It's impossible to predict. The whole process could take a year, it could take a decade. It's impossible to predict. But what's obvious is that the Chinese are not stupid, and they understand very well the incredible advantage of having reserve status for their currency, even in a limited capacity.

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Even being one of the reserve currency of the world, they understand how important that is. And I'm not sure the United States, the people in charge in the United States, whether they be at the Central Bank or in the Treasury Department or in the White House, fully grasp that the US dollar's dominance is in doubt. It is not something that lasts forever. There is no guarantee. All these dominant superpowers throughout history have always assumed that their power will last, that the reserve status of their currency will last forever, because they're the dominant superpower.

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And they're blinded by that arrogance. They don't see that, you know, this is actually, this can come to an end. And in many respects, the things that we do, the inflation and the debts and the deficits, you're driving it to the end. You're causing people to lose confidence. You're begging people to go find an alternative.

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And I don't think they get that. I just don't think they get that, because if they got it, they would be doing things differently. If they understood how precious this privilege is, how important it is, you would think that they would do everything they could to safeguard it, but they're doing the opposite. They're doing everything they can to destroy it. It's completely nonsensical.

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It's borderline crazy, clinically insane, but it is what it is. And if you go back to we actually talked about this last week, the writings of Marcus Aurelius, the stoic philosopher and slash emperor of Rome, don't stress out about the things that you cannot control, and neither you nor I can control any of this. There's a handful of people in the world who have any say. Joe Biden, Z, Z, Zelensky, Putin, handful of central bankers, handful of chancellors and finance ministers. That's who is in control of this.

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Nobody else is in control of this. The other part about this is that even those guys aren't in control of these forces of decline, the natural cycle, the rise and fall of empire, the four I call it the forces of history, this natural cycle and rise and fall of empire, these are sort of things it this it's inevitable. This has always happened throughout history with 100% certainty. Superpowers rise and fall. Reserve currencies rise and fall.

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They are displaced. They come and go. This is 100% certain throughout history. So it's not worth stressing about. Instead, it's a lot more beneficial.

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As Marcus Aurelius wrote, focus on the things that you can control, and you can easily take steps to really reduce the impact that this has in your life. First, I think most importantly is to understand what's happening right. There's no way to predict how this is going to play out. The Internet is full of guys, including, honestly, some good friends of mine who shall remain nameless, talking about they say the dollar is going to collapse, and they jump up and down and wave their hands, say the dollar is going to collapse. And that's quite simplistic and honestly, a little bit silly because I always challenge these guys when we're together, and I'm like, come on, man.

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What does collapse even mean? What does that mean? The dollar just goes away. It vanishes. They just yank the dollar.

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It's no longer the currency of the United States. Does it mean hyperinflation? They default. They add a bunch of zeroes to I mean, what exactly does that even mean? To say it's going to collapse is overly simplistic.

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Again, there are so many permutations. Sure, every possibility is on the table. Will there be hyperinflation possible? Will they yank the dollar and discontinue it as the national currency and create something else possible? I guess.

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But there's also a pretty good chance the dollar doesn't disappear at all. And it becomes one of several reserve currencies, including the renminbi, including the Euro, including some supranational currencies like the Imfsdrs Special Drawing Rights. There's so many different permutations. And so I think for anybody to think that they've got it figured out, they know what's going to happen. Now, that's nuts because history is a guide, but it's by no stretch of the imagination, a guarantee of this is exactly what's going to happen.

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The key idea, and again, what history shows us in a lot of these trends is that it is very likely that the dollar loses its dominance, that the US. Can't get away with printing endless amounts of money. The US. Can't get away with multi trillion dollar deficit. They can't get away with just pawning off all these dollars onto a bunch of sucker, hostage, foreigners overseas.

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They can't do that anymore. And more than that, that a lot of the dollars they've already printed in the past start making their way back home, and that creates implications. You got this flood of dollars now in the US. That creates inflation, creates a loss of sovereignty. Now you're at the mercy of the bond market, et cetera.

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And again, history has never been wrong about this. The rising power, declining power dynamic is on display. The war is on display. It's not a guarantee, right? But we've seen these ingredients so many

times before.

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It makes sense to really explore and understand this stuff. Marcus Aurelius focus on what you can control. So what can we control? We can control what we do. About it.

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And number one is don't panic. Don't buy into the end of the world. Is not the end of the world. This is not the end of the world. This is something that's happened over and over again throughout history.

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And what do we learn from history? A little bit of diversification goes a long way, right? Remember, I'm saying a little bit of diversification. I'm not saying you got to change upend your entire life and do all these things. We're talking about thinking about it in the right way and realizing that over time things are going to change.

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And so I can't continue to do exactly what I'm doing now and expect the same outcome. That's common sense, right? So one way to view this is not to ask the question and go, okay, fine. If the dollar is going to decline and lose its door staff, what's the right currency to hold? Do we hold renminbi?

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I'm not actually suggesting that at all. What I would say is it's not even about what's the right currency. Whoever said you had to hold a currency that diversification from the dollar meant holding any currency at all? I think currency is actually a horrible asset. It's a terrible asset.

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And if you think about it, it's all about incentives. Think about stocks, right? If we own shares of some stock, right? We own shares of Apple. Let's just say we own shares of Apple.

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Well, who else owns shares of Apple? The CEO. So the CEO has the same incentives as we do. The CEO of Apple wants to see the stock price go up. We want to see the stock price go up.

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The CEO wants the company to be successful. We want the company to be successful. So we have the same incentives. That makes sense as an investment where you have the shared incentives, shared incentives between the stakeholders and the people that are managing the asset. In a currency, it's completely different.

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The incentives are not aligned. If you hold a currency, if you're a saver, right? Your incentive is for the currency to maintain value, or at least maintain value, even increase in value. But the people that manage the currency, that's not their incentive at all. The people that manage the currency want, want to devalue the currency, right?

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They want the currency to lose value. Central bankers, politicians, they want the currency to lose value. Politicians want to lose value because they have so much debt, and it's beneficial for them if the currency loses value. Central bankers explicitly say, we want 2% inflation. Now imagine if Tim Cook, CEO of Apple, or Elon Musk showed up and said, I want my stock to lose 2% every single year, right?

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Who who wants to own that, right? But that's, that's the deal with currency. When you own currency, when you're holding currency, you are holding an asset where the people who manage that asset are

jumping up and down waving their hand saying we want this asset to lose value every single year. It's just the wrong incentive structure. Right?

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Our incentives and their incentives are not aligned. And so the idea is to think about well, what are assets that oh jeez, might actually hold their value? Where if there's people managing it we have the same incentives or maybe there's not even anybody managing it at all, right? And so that's the point. That's the way to think about it.

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Don't ask the question what's the right currency? The question is what's the asset? I can hold where the incentives are aligned to where there's actually we don't have to worry about incentive structure. And this is where I think it's worth looking at. Real assets, real assets tend to rank very highly here in contrast to paper assets, financial assets like bonds, a real asset, a lot of people have different definitions of real assets.

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For me a real asset is something that really conveys scarcity, universally recognized value. It's not something that's controlled or manipulated by a single government. And there are a lot of things that qualify gold and precious metals. This is something again, where there's not even really much of an incentive structure. There's no single person that manages gold, right?

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In the same way that there's a group of central bankers that manages the US dollar. Nobody's managing gold. Sure there's gold miners and there's refiners and there's people in the industry but nobody's managing gold as an asset class, right? And so that's something that makes it interesting. This is an asset with 5000 years of universally recognized value.

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There's built in scarcity, et cetera. But it's like that with a lot of things, energy as well. Agriculture, technology I would say actually very specifically productive technology. Not consumer technology, not things that make people scroll and swipe and turn 14 year olds into automatons and zombies, but productive technology. Things that make people better, faster, better at their jobs.

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All these things, real productive technology. And to me these are all real assets. Productive real estate, et cetera. These are all real assets. Scarce, universally recognized value, quality businesses as well.

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A lot of people think stocks are paper assets, financial assets. I actually don't agree with that. I think that great businesses managed by talented and honest people, especially those that are in industries and sectors that have to do with real assets, those make a lot of sense. Could be stocks, could be public companies trade on a stock exchange, could be private businesses. I love private businesses.

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I think private businesses are great as an asset class because you don't have that noise of the stock market. You don't have this constant ticker going up and down. It was basically just noise of other people telling you what they think an asset is worth. I don't care what other people think an asset is worth. I care what I think it's worth.

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And when you have a private business, all that goes away, right? You don't have that noise. You can just focus on the production of the growth and profitability. I think all these make sense as a way to look at this where you have aligned incentives, or sometimes even no incentives at all. These make a lot of sense.

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I would also consider this concept of diversification. Clearly, international diversification makes a lot of sense. Most people in the world have to think about international diversification. If you're from a small country, you have to think about international diversification. You can't do everything in your single economy.

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It just doesn't make sense. It's too small. You've got to look outside of your country. You've got to look outside of your economy. Most people have to think about this.

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People from the dominant superpower don't. They don't because they haven't had to. But they should start now. I want to close by saying again, this is a way of thinking about the future. I'm not here trying to say in fact, I'm explicitly saying this is not going to happen tomorrow.

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This is a gradual, then sudden approach. Could take a year, it could take years, could take ten years, who knows? But it certainly seems like we have all the ingredients. We look to history, we see rising powers, declining powers, war. We see all these things.

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It's happening now. And we see that when that order, that order of power is reshuffled, we see changes in the reserve currency. And that has major implications for the United States because they can't get away with multi trillion dollar deficits and all these just ridiculous things they've been able to get away with financially for so long. And that creates implications like inflation, like a loss of sovereignty. And yet there are ways to plan for it.

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There's no reason to panic, there's no reason to buy into the dollar is going to collapse or anything like that. But it is important to think about these things rationally and look to real solutions. There is time to plan for this, right? It's a way of thinking about the future and there is time to plan for this. Things are still fine, but it's in a way, it's like 864 BC, you know, everybody's partying celebrating the peak of the Assyrian Empire.

[01:00:06.730]

Have a great time. Enjoy the party while it lasts, but keep an eye on the exit. Thanks so much for joining me and we'll speak to you again next week.