



## The Six Trillion Dollar Man

### Description

USA: Oscar Goldman (Sachs): *“Joe Biden, President: a man barely alive. Gentlemen, we can rebuild him. We have the technology. We have the capability to make the world’s first bionic man. Joe Biden will be that man. Better than he was before. Better, Stronger, Faster. And much Greener.”*

The above is an updated version of the intro of the TV show [‘The Six Million Dollar Man’](#), starring Lee Majors, which ran from 1974-78. At that time, USD6m was enough to build an Elon Musk-style superhero: now it doesn’t even buy an Elon Musk-style house. And today US President Biden will propose the next US federal budget (at 13:30 New York Time, just ahead of a three-day weekend): and it will contain \$6 trillion in spending, making him **the Six Trillion Dollar Man**.

To put this in a context other than schlocky TV, the last CBO projection from February said the US was set to spend USD5.7 trillion in fiscal 2021 – although that was before the recent passage of the one-off USD1.9 trillion Covid-19 stimulus package. Considering we all hope the US economy has re-opened by October, when the next budget kicks in, this is a huge step-up from the pre-Covid level of spending. Indeed, **the budget would boost federal spending by 5% above the 2021 projected level**, and spending will keep rising to reach USD8.2 trillion by end-2031. At the same time, federal debt will exceed the historical peak seen at the end of WW2 within just a few years –despite the war against the virus being over– and hit 117% of GDP by end-2031, versus around 100% of GDP now.

Back in 1974, when ‘The Six Million Dollar Man’ was first on TV, the federal spend was USD320bn, and US public debt 30.8% of GDP. When the show went off TV in 1978, the figures were USD486bn and 31.9%, respectively.

A few observations can be made without the need for a bionic eye:

- This obviously encompasses the multi-trillion dollar (man) packages already flying around DC, from infrastructure to...infrastructure, given almost everything is now classified as such;
- This is unlikely to pass Congress in the present form without reconciliation, and even then we know moderate Democratic senators such as Manchin may prove an obstacle;

- Republicans are willing to meet the White House on infrastructure spending, up to almost USD1 trillion, providing there is less inflation in the use of the term;
- If one was wondering if the inflation surge we have been experiencing is over or not, then the market answer is probably not, if more stimulus is seen. The Budget apparently argues that US CPI inflation will not go above 2.3% in any year ahead despite all this extra spending: but how could it argue otherwise? Let's see what markets will make of it – and *could the Fed still say inflation is “transitory” against that kind of public demand backdrop?* Relatedly, with many states having now rolled back their supplementary USD300 per week unemployment benefits, weekly initial jobless claims unsurprisingly showed a hefty drop yesterday; and
- Supply chain pressures are not going to be eased by a further US demand surge. **The cost for shipping a container from Rotterdam to Shanghai just moved to over USD10,000, up 485% y/y(!)** Factor in an ongoing rise in US public spending on the ground at US ports, or one ring-fenced for ‘Made in America’ at a time when so little actually is, and imagine what supply chains and cost-push inflation might look like.

On the latter front, **President Biden yesterday also announced he would take measures to “combat supply-chain pressures” in the next few weeks.** But how, exactly? An executive order to bring key US industries back from China, or at least to relocate them nearer to home in Central America and Mexico? Highly unlikely as that is, such a step would at least be logically consistent with the message sent out by Kurt Campbell, the US coordinator for Indo-Pacific affairs on the National Security Council, who yesterday stated: “*The period that was broadly described as engagement has come to an end,*” and **US policy toward China will now operate under a “new set of strategic parameters,” where “the dominant paradigm is going to be competition.”** The competition seems primarily in heated rhetoric so far, from the US side so far, however.

But more than words can fly – and research argues China could soon out-gun the US military. The linked report claims the annual USD value of PLA procurement is on course to eclipse that of the US military as soon as 2024, well within the time period of the budget path President Biden is to propose today. Indicatively, in 2000, US procurement was 6.67 times the PLA's by value; by 2019, it was only 1.42 times greater; and by 2024 PLA procurement is projected to exceed that of the US. On that basis, **“by about 2030 the US will no longer boast the world's most advanced fighting force in total inventory value.”** That is what happens when one side focuses on supply chains, and on production, and the other doesn't focus on supply chains, and on consumption. Just imagine what US federal spending will have to look like to try to stop this trend from developing – and what the geopolitical and geostrategic consequences will be if it *doesn't*. These issues, uncomfortable as they are for markets, are not going to be “transitory” for as long as realpolitik exists.

Back to the analogy of real schlocky TV though. The next hit series for Lee Majors after ‘*The Six Million Dollar Man*’ was the *car-off-a-cliff-plane-into-a-warehouse-jump-off-a-bridge-face-into-a-bale-of-hay* tale of an unknown LA stuntman, ‘[The Fall Guy](#)’, which ran from 1981-86. Back in 1981, US federal spending was USD709bn and public debt was 31.4%, and in 1986 the figures were USD1.03 trillion and 47.6%, respectively. But that debt surge was at least the start of the US winning the last Cold War.

On which, as flagged in the Daily yesterday, Europe not only faces cost difficulties in shipping its goods east, it faces practical difficulties in *flying* east. **Russia has made clear that EU flights to Moscow which avoid Belarus will not be able to use its airspace as an alternative.** Hence either Brussels gives in to Minsk and Moscow, or Minsk and Moscow become much further away in real as well as

political terms. Effectively, we would be going back a century to the era of train travel – which takes around 41 hours. So who is ultimately going to be ‘The Fall Guy’ if this trend continues?

Happy Friday!

By Tyler Durden

**Date Created**  
05/29/2021