



The US Is Creating A Shortage Of Dollars Just As Russia Is Creating A Shortage Of Oil, Gas And Grain

Description

By Eric Peters, CIO of One River Asset Management

“We must cut Russia’s revenues which Putin uses to finance this atrocious war,” said European Commission chief Ursula von der Leyen, discussing a proposal to cap the price of Russian gas.

There are no easy solutions to Europe’s energy crisis, just a range of suboptimal outcomes, each of which carries unknown costs in a world growing increasingly uncertain.

Making difficult decisions is always hard and subjects all involved to unintended consequences. But in a world trending toward ever greater economic integration the risk of unexpectedly bad outcomes is more muted than in periods of conflict, division, deglobalization.

The reason for this (as [Zoltan Pozsar pointed out two weeks ago](#)) **is a matter of trust**. When we trust that we are all competitors striving for a greater share of a more prosperous common future, the price of misjudgments and misunderstandings is relatively lower than in a world filled with real and perceived adversaries who expect the worst from one another.

“We will not supply gas, oil, coal, heating oil – we will not supply anything,” said Putin in response to Ursula’s statement. In recent years, the possibility that such stark outcomes might manifest were seen by consensus as pure fancy. But those innocent times have passed, perhaps not to return for decades.

The Japanese continued to cap government bond yields, intervening in markets to monetize their enormous debts. The yen extended its dramatic losses as markets prepare for another 75bp rate hike from the Fed.

The US is naturally doing what it sees as in its national interest, creating a shortage of dollars, just like Russia is doing in oil and gas, grain, and fertilizer

(perhaps someday we will suffer a shortage of Taiwan's chips).



Without an ample and growing supply of dollars, the global economy sputters, markets too. Then things break.

In more peaceful times, the Americans rarely adjusted domestic policy to help foreigners until the overseas problem washed ashore here at home. **And we are now left to wonder how such decisions will be made in a world without trust.**

by Tyler Durden

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