



George Gilder Says Rising US Dollar Could Destroy Trump's Presidency

PODCAST January 6, 2017

JR: Welcome to RiskHedge Radio. I am your host, Jonathan Roth, and today I am joined by one of America's greatest economic thinkers, George Gilder. His life story is a fascinating cross section of politics, technology, and investing. He was a speechwriter for politicians, such as Nelson Rockefeller and Richard Nixon, but it was really his 1981 best-selling book entitled *Wealth and Poverty* that brought his ideas to mainstream America. The book made a powerful case for supply-side economics and would propel Mr. Gilder into a unique place in history. He became the living author quoted most often by President Ronald Reagan.

Since then, he has contributed an enormous amount to the fields of technology and investing and has most recently authored, *The Scandal of Money: Why Wall Street Recovers but the Economy Never Does*, a book *Forbes* has described as being savagely brilliant. Quite the quote there. Mr. Gilder, thank you for joining.

GG: Great to be here, thank you.

JR: The subtitle of your most recent book *Why Wall Street Recovers but the Economy Never Does* could be the underlying reason Donald Trump is set to become the 45th president of The United States. Something that is being, I guess, a formality today with the Electoral College. Now, as we look ahead, do you think Trump is realistically going to be able to change the status quo?

GG: It really depends on whether he can address the scandal of money. You know, Trump is talking a lot about NAFTA. We've got to reverse the North American Free Trade Agreement and the basic fact about NAFTA is not trade, it's money. The peso dropped from 35 cents to 4 cents, or something, in the years after NAFTA was negotiated in 1994—not because of NAFTA, but because of the scandal of money. There's \$5.1 trillion daily trade and currencies around the world. That is 100-times all the stock market trading in the world, 73 times all the trade in goods and services, and it doesn't correspond at all with the real differential productivities or purchasing power parity or comparative advantage.

So, what Trump calls a trade problem is, in fact, a problem of floating currencies. Floating currencies are not consistent as it's becoming increasingly evident with free trade. If you have floating currencies, the changes in monetary values gyrate much more than the change in comparative advantage. So, you have these arbitrary and absurd gyrations like the 87% devaluation of the peso. Now, it's back up to 20 cents or something. I mean, it goes up and down in a completely irrational and unreasonable way. So, if any worker loses his job because of productivity changes or we use better technology, it is because of monetary changes completely out of their control.

JR: So, what you're essentially saying is Trump really has very little control moving forward in terms of these sorts of issues.

GG: Unless he addresses the real issue that he has identified: monetary manipulation. What we've got now is a worldwide government monopoly on money. Central banks around the world control money in a kind of crazy carnival with 10 banks that perform 77% of all currency trading at 5.1 trillion a day. I mean, it's just 10 banks. It's all speculative; 98/99% of it is speculative only. A tiny proportion is actually related to trade in goods and services.

So, it's a very difficult issue to address, but it's important because the solution is gold, Bitcoin, some combination of digital money tied to gold with some kind of fixed currency regime. Trump can really be hurt over the next several years if the dollar rises a lot. A lot of people think that the reason the gold standard was important was to prevent inflation, but it also prevents deflation. It keeps currency values stable and thus prevents what could be a very dangerous development of a rapidly rising dollar in response to tempestuous international economic developments in Italy or around the world.

JR: You just touched on a really interesting idea that a new monetary system could be set up using a mixture of gold and a block chain or a Bitcoin type system. Sitting to the left of President-elect Trump last week—while Trump was meeting with executives from Apple, Facebook, and Google—was Peter Thiel, the billionaire founder of PayPal and a strong supporter of Trump. Now, first off, what is your own personal relationship with Mr. Thiel?

GG: I have debated with him four to five times. You can see the Stanford debate on YouTube, that was an hour and 45 minutes. I've done a lot of debating with him, and I have alerted him when there are some companies/investments that I am making and he's joined me in several companies investing, but we aren't really friends. I don't really know him. I've met him only in, sort of, podiums and other such places.

JR: Now, intellectually, you understand where he is coming from. You know what he is capable of and as I said, he's sitting to the left of President-elect Trump. What does that mean for some of these ideas that you're describing moving forward in the monetary policy arena? Especially considering Peter Thiel was the founder of PayPal. I mean this is, you know, a pretty inventive and disruptive system that he has already created.

GG: He is a great enthusiast of *The Scandal of Money*. He described me as I am the best guy to our most fundamental economic problem, which is money. So, Peter is alert to this issue.

JR: Moving from there now, one final question for you and this is an issue that Donald Trump never brought up during the election, but one that I think you are profoundly interested in and one that is profoundly changing the nature of work. That is robotics and automation. Those two intertwined issues are changing everything we know about work, and they are going to change the number of people that are in the workforce. How is this issue going to shape the Trump presidency moving forward?

GG: More nonsense is written on this subject than almost any other I have ever seen. People don't get employed because they are unproductive. People get employed because they are productive. So, as robotic enhances the productivity of workers, more workers can get employed. There is more opportunity, more wealth, more upside in the economy. There's nothing new about the existing advance of robotics. It's probably less extreme than the move of tractors on the farms or cars on the roads or, you know, all the assembly line advances that previous eras thought were just as dramatic and posed just as big a threat to employment.

But it led to the creation of hundreds of millions of new jobs around the world, and that is what is happening. What people complain about is the arrival of 70 million new Chinese workers in the workforce as part of the labor force of capitalism. That was done by adapting all this new technology. It wasn't done because the workers stayed peasants and were paid a penny a day. The Chinese workers came into the workforce because they were joined with new capital and technology and that's what robotics is. Peter Thiel, by the way, is brilliant on this in his book *Zero to One*, which for my money, is just a supremely brilliant business book. I read business books for a living, and that's the best one I have read in decades, comparable to Peter Drucker.

JR: As we look ahead, Mr. Gilder, into 2017 and with a new President Trump, changes that are happening around the globe in terms of the power structures that we have known even for the last 70–75 years, what issues are you paying attention to the most that have you concerned and have you optimistic?

GG: Because I'm a technologist who focuses on money these days—and I really do believe that money is crucial. All these tariffs that people talk about are really insignificant compared to massive 87% reductions in the value of currency. I mean, the changes in the Japanese yen from 80 yen to the dollar to 300 yen to the dollar, back to a 100. You know, this is not rational. You can't run companies with this kind of massive change in the numeraire, the unit of account.

And so, another big business in the world is interest rate swaps and, you know, they're at \$2.6 trillion a day according to the Bank for International Settlements. I mean, this huge toll on companies to hedge all their international transactions is a big obstacle to international commerce and prosperity. Trump is right about that. He came in and put his finger on monetary manipulation and trade as a real problem. Trade wouldn't be a problem if it wasn't for this carnival of currencies, the scandal of money as I call it.

JR: Again, Mr. Gilder's latest book is entitled, *The Scandal of Money: Why Wall Street Recovers but the Economy Never Does*. Thank you, Mr. Gilder. I really appreciate your time.

GG: Thank you so much for calling.

JR: Be sure to visit RiskHedge.com for the latest on how to manage risks and live your life. For RiskHedge Radio, I'm Jonathan Roth.

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