Interesting Times

Currently, there are quite a few issues facing our country. In the East, you have the continued aggression of China and her client nations. In the Levant, the perpetual Islamic-Jewish hatred has once more flared up into war. Meanwhile, Western countries have largely fallen into decadence and apathy, distracted by their own internal divisions and cultural obsession with atoning for past wrongs. *Mea culpa!* Adding onto all of this, the world is wracked with the economic fallout from the COVID-19 pandemic. The US debt has reached new heights, Russia has been busily trying to create its own NATO-analogue, and our banks have been failing. Clearly, something must be done. One of these proposals is the introduction of digital currency.

Recently, there has been a lot of talk going around about Central Bank Digital Currency (CBDC). This is a proposed system under which money would be represented digitally, instead of using precious metals (gold-standard) or banknotes (paper currency). In theory, this is a fairly good idea; most transactions are handled digitally nowadays anyway, and phasing out physical currency would solve the Mint's perpetual problems with pennies costing more than they're worth. However, despite the advantages, I do not believe that CBDCs are a good idea. As many people have pointed out, CBDCs would make it much easier for the government to monitor what its citizens are doing and confiscate funds from purported evildoers. While this could theoretically be used for good purposes, this gain is not great enough to justify the increase in the central government's power.

Furthermore, CBDCs open the door to all sorts of white-collar crime. Paper money is somewhat difficult to move in large quantities. More importantly, it is something physical, even if that "something" only has value because everyone decides it does. Digital currencies, on the other hand, are quite easy to move around; after all, that is one of their main selling points. As the recent… *unpleasantness* with Sam Bankman-Fried and the FTX cryptocurrency exchange's bankruptcy so helpfully pointed out, the lack of a physical record makes it easier for white-collar criminals to embezzle.

Speaking of central bankers and their foibles, there has been a significant uptick in bank failures lately. Ironically, the factors behind these failures are almost identical to those of the Great Depression (and, more relevantly, the Dot-Com Boom). During the COVID pandemic, cryptocurrencies and online businesses received a huge boost in popularity, creating a large amount of untilled financial ground. As a result, banks rushed to take advantage of these new opportunities. Some of these fell into the trap of using unsound investment strategies to make more money in the short run, most notably Silicon Vally Bank and Signature Bank. When the bubble around cryptocurrency and tech startups burst, they lost a large amount of their venture capital, in turn ruining their liquidity. Once their remaining clientele realized what had happened, they instigated a run on these banks, causing them to collapse.

Surprisingly, these bank runs were *not* primarily due to federal mismanagement. While the Fed has unfortunately been creating excessive inflation lately, this only exacerbated a larger problem: human greed. Faced with the opportunity to make a quick buck, the officers of the failed banks threw caution to the wind, investing in them beyond their means. Had the venture capital growth remained steady or slowly tapered off, the banks would have been fine. However, *that is almost never what actually happens*. As anyone who has ever taken Macroeconomics 101 can tell you, the creation of a new industry creates a huge bubble of "get rich quick" schemers, who crash and burn once the initial euphoria wears off, taking with them anyone unwise enough to disregard common sense. As the Good Book says, the bankers "sowed the wind, and reap the whirlwind" (Hosea 8:7).

Exacerbating people's recent uncertainty about the state of American finance, there has been quite a bit of fearmongering in the news lately about the expansion of the BRICS (Brazis, Russia, India, China, and South Africa) alliance as a counter to NATO. While this is a genuine threat, it is not much of one. Unlike NATO, the major nations of BRICS have no great love for each other. China and India have daily border skirmishes, and Russia and China dislike each other due to disagreements back in the Soviet days. Indeed, from what I can tell, the main reason people fear this new alliance is because these nations were *once* economic superpowers.

The BRICS nations were *once* economic superpowers. I cannot emphasize that enough. Were BRICS born back in the '80s, it would be a major threat. Nowadays, Russia is an economic laughingstock, with the Ruble having become practically worthless. China is still going decently well, but is facing a looming demographic collapse, which will probably also tank its economy. Even were that not the case, their economy mostly depends on exports to America and other Western nations, so we have quite a bit of leverage over them should we choose to exercise it. Brazil and South Africa are both very minor nations, economically speaking. India could eventually challenge America but is nowhere near doing so yet. In short, while we must be careful, America is not in danger so long as we play our cards right.

There have also been rumors that BRICS will create its own, commodity-based currency. This is the one major way in which BRICS could affect the United States. While BRICS does not have the resources to outdo our economy outright, they do have enough influence to force other nations to use their currency when dealing with them. While I do not think that would be disastrous *per se*, it would hurt the American economy.

The USD being the world's reserve currency benefits us in two ways. First, it allows us to get loans at lower interest rates. Second, we can spend money overseas more easily. Since our economy currently focuses upon creating high-ends goods and services while buying low-end consumer goods from elsewhere, this would certainly disrupt our economy in the short run. We would adapt quickly—the reason we outsourced this capabilities in the first place is because it is reasonably easy for us to build our low-quality mass-production back up if we so desire—but it would be painful during the intervening period. Thus, I strongly believe that we should endeavor to ensure that the United States Dollar remains internationally trusted.

In conclusion, there are many challenges facing us right now, with some of the biggest being economic. Externally, Russia, China, and their cronies continue to try to disrupt our economy. Internally, our government and financial system have continued their time-honored traditions of trying to acquire more power and throwing common sense to the wind whenever the prospect of easy money arises, respectively. Nevertheless, these issues are not insurmountable; we can overcome them. If I were the sole decisionmaker in charge of our monetary system, my first focus would be to control inflation. We need some to encourage growth, but the current excess endangers the stability of the Dollar. That done, I would then work to hold financiers more accountable for the success of their firms. It would be difficult to do without giving the Federal Government more power, but I believe it could be done. If we can guarantee the stability of our own economy, we should be safe from external threats such as BRICS.