

The Trump-Bessent Plan to Reduce the Debt

Subject: Trump and Bessent's plan to reduce the national debt.

Subtitle: Tariffs are the tip of a very large iceberg.


Theme: Their plan to reduce the national debt is part of a comprehensive economic strategy that envisions a new world financial order, new trading terms, and new security arrangements. This is the rumored "Mar-a-Lago Accord."

Contrast: The big debate about tariffs is the main economic event; or, Trump has no coherent economic plan, and the Trump camp is in a state of daily chaos.

Hello everybody, it's February 28 and this is HardmoneyJim speaking today from sunny Coronado, CA, where it is so beautiful today that even \$6 gasoline could dampen your day.

**THE TRUMP-BESSENT
PLAN TO
REDUCE THE DEBT**

February 28, 2025
Hardmoneyjim



Money Creation And Its Consequences

Tariffs in the news

But let us not digress. Let's talk about the current economic headlines which lately have been dominated by a discussion of tariffs. Here's what Donald Trump said a month ago, and what many pundits are focusing on:

It's time for the United States to return to the system that made us richer and more powerful than ever before...1870-1913...Instead of taxing our citizens to enrich foreign nations, we should be taxing foreign nations to enrich our citizens.

-Pres. Trump, 1/27/25

120 years ago, before the IRS existed, tariffs were an important source of revenue to the US government. Trump says he wants to bring those days back. But 100 years ago, we didn't have huge debts and mandatory entitlements that require huge revenue and spending. So it's completely unrealistic to imagine our government can eliminate domestic taxes in lieu of tariffs. On this issue, Trump is clearly grandstanding or pandering to the ignorant.

Trump keeps saying that foreigners will pay these tariffs, but this claim is misleading at best. In a typical tariff arrangement, it's the importer who writes the tariff check to the government. A tariff is a tax paid by the importer of foreign goods. To take a real-world example, if John Deere sells a \$100,000 tractor made in Illinois to a Chinese farm equipment dealer, the Chinese dealer pays John Deere \$100,000 and then must pay a 10% tax (\$10,000) to the Chinese government before he can sell the tractor.

However, prices are dynamic and will adjust along the sales chain. So both the exporter and importer may reduce their profit margins in order to make the post-tariff sales price competitive.

Whatever the price dynamics turn out to be, in virtually all cases, a tariff will increase the price and lower the volume purchased by consumers. So, you could compare tariffs to a sales tax, or value-added tax. From the maker to the final consumer, everyone along the value chain ultimately gets less than they did before the tariff. Only the government gets more money. And productivity suffers due to higher costs.

Those are the basic economic facts of tariffs, but as we will soon see, there are other non-economic reasons to impose them.

But the fact is that most of this tariff debate is a shiny object that is distracting us from a much bigger and more important issue, of which tariffs are only one piece. Intentional or not, Trump's tariff talk is a decoy diverting our attention from the bigger picture.

anything **BUT** chaos.....

Chaos Report #5

The end of law, the US joins the Axis, and the mutually assured destruction of liberal democracy.



ROBERT TRACINSKI

FEB 17, 2025

In addition, many of these pundits are saying the Trump agenda is “chaotic.” They see daily news as a blizzard of disorganized activity with no conscious endgame. But these people are naively mistaken, likely influenced by some variant of the TDS mind virus, which prevents you from seeing past Trump's rude exterior.



**Tariffs are
the tip of a
very large
iceberg**

As we are going to see today, the Trump agenda is anything but chaotic. It is a highly integrated, though still incomplete plan. To see it, you have to look through Trump's unorthodox methods and his bombastic personality. So today, we are going to look underneath the water line at the rest of the iceberg. Hopefully today's discussion will give you a framework to understand the daily blizzard of incoming news from the Trump camp.

For the past four weeks, I've been trying to understand the Trump economic plan, the grand strategy, and today I want to share what I have learned. My theme today is that tariffs are a very visible part of a complex and comprehensive economic strategy that is gradually unfolding before us. This emerging strategy is much more important than the specific issue of tariffs.

Before we get in deep, I want to clarify my position: today, I'm here as an observer and analyst, not as a champion of any specific agenda. I don't subscribe to every element of the Trump-Bessent strategy. However, as investors, it's essential to regard Trump's unfolding policies as facts of nature—much like an unexpected twist of fate that we must adapt to. Think of this discussion as the essential framework for building a sturdy house that can weather unpredictable changes. We may not see eye to eye with these policies, but they are coming and as investors we need to adapt.



Unpayable Sovereign Debt

Declining Globalism

I ended my last podcast by saying: watch this man, Treasury Secretary Scott Bessent. I think Bessent's role is so important, I am calling the unfolding economic plan the Trump-Bessent Strategy.

A New World Order

To understand the Trump-Bessent plan, it's necessary to grasp how Trump, Bessent, and most of Trump's other cabinet members and advisors see the world. Because what's emerging is a plan designed to embrace what they see as an inevitable new world order - a blend of international and domestic political and economic conditions that require a specific policy response. The two main elements are:

First, the unpayable US government debt, including our unfunded future obligations, amounts to a present value of at least 150 trillion dollars. As regular listeners and readers of my book know, US government obligations, as presently stated, can never be paid in dollars of current value. In my book, ***A Black Hole in Economics***, I have cited the US's unpayable obligations as the number one economic problem today. It is now common knowledge that US financial obligations are unpayable in current dollars, and the problem is front and center in investors' and our politicians' minds, even though the politicians refuse to talk about it. Trump and Bessent know this as well as anyone else. So, the US's unpayable sovereign debt is the main economic factor that must be addressed.

- **The second factor is declining globalism**, which has two facets: China's growing military and economic power and the USA's diminishing ability to be the sole policeman of the world's conflicts. Hand in hand with declining globalism is our new and growing cold war

with Russia and China. These growing threats and tensions require a shift in the international trading system away from open world trade and toward regional and strategic trade agreements that are joined at the hip with national security concerns

These two problems - the United States's debt problem and a shifting balance of military power - are closely related. To put it simplistically, our debt and deficits have made it impossible for us to remain the world's sole superpower, the world's sole policeman. Simply put, if you can no longer borrow during a war, you will lose that war.

In other words, domestic economics and international politics have now converged into a singularity - one big problem for the President of the United States.

I wrote in ***Black Hole*** that the most logical and acceptable way for our politicians to deal with their debt and deficits is through a policy of financial repression – a combination of low real interest rates and moderately high inflation. This policy gradually pays down the debt in depreciating dollars, but it also drains the real wealth of the average productive worker, especially traditional savers and the productive middle class.

This is an important, because this Administration has built its political support on a promise to NOT burden the middle class with the government's financial problems. As we'll see, the Trump-Bessent Plan is trying to implement policies that will attack the debt and national security problems without burdening the Trump voter base.

To understand the plan now unfolding, I want to zero in on the man at the center of making it happen – Treasury Secretary Scott Bessent.

Bessent is a hedge fund founder who became a billionaire by understanding geopolitical events – including international economic events, demographic trends, capital flows and currency price movements - and investing and trading based on this knowledge. He is soft-spoken, almost anti-Trump in personality, and perhaps this is one reason Trump chose him as a salesman for his economic plan.

The attached PDF contains link to his Bessent's bio, interviews and essays, and some comments on his firm, Key Square Capital Management, that will provide additional color. I recommend these if you want to better understand how Bessent frames economic trends and international relationships.

<https://manhattan.institute/article/the-fallacy-of-bidenomics-a-return-to-central-planning>

<https://www.c-span.org/program/public-affairs-event/key-square-group-investment-firm-ceo-at-free-market-conference/643377>

https://www.google.com/search?q=scott+bessent+bio&oq=scott+bessent+bio&gs_lcrp=EgZjaHJvbWUyCQgAEEUYORiABDIICAFAQBqWGB4yCggCEAAyAQYogQyBwgDEAAy7wUyCggEEAAyAQYogQyCggFEAAyAQYogQyCggGEAAyAQYogTSAQg00Tc3ajBqN6gCALACAA&sourceid=chrome&ie=UTF-8

[<https://keysquarecapital.com> *In chess, particularly in endgames, a “key square” (also known as a critical square) is a square such that if a player's king can occupy it, he can force some gain such as the promotion of a pawn or the capture of an opponent's pawn. Key squares are useful mostly in endgames involving only kings and pawns.]*

Bessent is a strategic thinker, standing in sharp contrast to his predecessor, Janet Yellen, who was an exemplary technocrat. Yellen proved she knew how to find the money in the bowels of the Treasury and move it around to keep the ship's hull balanced, but as far as I know, she had zero strategic vision.

Bessent is much different. In a November 2024 interview with the Manhattan Institute, Bessent laid out his worldview. He said he is alarmed by the size and scope of US debt and spending, which he views it as dangerous and untenable. Then he added this:

“We're also at a unique moment geopolitically, and I could see in the next few years that we are going to have to have some kind of a grand global economic reordering, something on the equivalent of a new Bretton Woods or if you want to go back, like something back to the Treaty of Versailles. There's a very good chance that we are going to have to have that over the next four years, and I'd like to be a part of it.”

– Scott Bessent, 6/6/24, via Manhattan Institute

Bessent is explicit in his belief that 1) the deficits and spending must be reined in; 2) that the world is in a unique moment politically that will require a new monetary order; and 3) he

wants the policies he adopts to be good for Main Street people and businesses, not just Wall Street. On the last point, here is what Bessent said at his confirmation hearing:

“... One of the things that, as someone who came from a very small town, lived in New York with a very big town and came back to a small town, **I believe Wall Street has done great the past few years and that Main Street has suffered. I think it's Main Street's time. Wall Street can continue to do well, maybe not as well, and it's time to have a main street, small business-led recovery led by small banks, regional banks, as I call it, reprivatizing the economy.** And as I said earlier, since November 15th, since President Trump's election, we have seen the biggest jump in the history of the Small Business Confidence Index. [bold added]

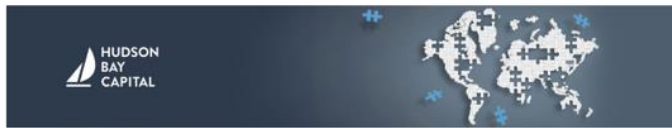
- Scott Bessent confirmation hearing, 1/16/25

Furthermore, Bessent firmly believes Trump understands and shares this worldview. As Bessent said in a September 2024 interview:

“Economic policy and national security are now inseparable, and Donald Trump understands that.”

- Fox Business News, September 2024

Stephen Miran's influence



A User's Guide to Restructuring the Global Trading System

November 2024

Executive Summary

The desire to reform the global trading system and put American industry on fairer ground vis-à-vis the rest of the world has been a consistent theme for President Trump for decades. We may be on the cusp of generational change in the international trade and financial systems.

Bessent, in turn, is influenced by the writing and thinking of Trump's National Security Advisor, one [Stephen Miran](#) who also believes we are on the cusp of generational change in our international financial and trading systems. Miran formerly served in the Treasury Department under Steve Mnuchin in the first Trump term. He is a successful academic economist and hedge fund operator. Stephen Miran has written an influential 40-page thesis called ***A Users Guide to Restructuring the Global Trading System***. This piece is the talk of the financial world right now, being discussed and circulated in all the professional investment journals.

I have linked to Miran's paper in the PDF:

https://www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf

Some pundits are even calling the plan spelled out in this document the "Mar-a-Lago Accord," named after the president's Florida estate, in the same vein that other famous international financial agreements have been named after the hotel or resort or hotel where they were agreed, like the Bretton Woods Agreement or the Plaza Accords.

But please understand there is no such thing as the Mar-a-Lago Accord, at least not yet. So far this is just a popular codename for an emerging strategy that is not fully formed and has not been signed by anyone. So we should take these ideas seriously, but not literally, as they are likely to change as more parties get on board.

There's a good Bloomberg article on the so-called "Mar-a-Lago Accord" featuring my favorite macro analyst Jim Bianco. I have linked to it in the PDF, and I recommend you check it out. Bianco's key point is that the dire state of both our national security and national debt requires radical thinking, a new approach rather than continuing the status quo. I agree, and it's also clear to me that Trump and Bessent are definitely thinking outside the box.

<https://www.bloomberg.com/news/articles/2025-02-20/-mar-a-lago-accord-chatter-is-getting-wall-street-s-attention?embedded-checkout=true&sref=dJHrNkep>

To further highlight the seriousness of both Bessent and Miran, I have also linked to an interview with the former chair of the president's council of economic advisors under Biden, one Jared Bernstein. This video is both hilarious and cringeworthy, as it reveals Jared Bernstein as a complete economic illiterate. Incredibly, Bernstein, a music major with a master's degree in sociology, was the head of the same advisory body once chaired by Alan Greenspan. If you want to see an example of gross ignorance and incompetence in a public official, don't miss this 2-minute video, which is linked in the PDF.

<https://www.youtube.com/watch?v=1Fj0zRmEWYc>
(2 minutes)

Anyway, back to Scott Bessent.

Bessent has concretized his vision in a “3-3-3 Plan.” Let him speak for himself:

“...I might advise him [Trump] to campaign on the “three arrows.” **3% real economic growth** and how do you get that? Through deregulation, more US energy production, slaying inflation, forward guidance on confidence for people to make money so the private sector can take over from the bloated government spending. Two, I would urge him to make public his desire to **get the deficit down to 3%** [of GDP] by the end of his term....I think they averaged 4% under him [Trump]. Get that down to 3%. And **three million more barrels equivalent a day** from US energy production. That would be my 3-3-3.” - Sept 12, 2024, interview with Manhattan Institute

https://archive.org/details/CSPAN3_20240913_030900_Key_Square_Group_Investment_Firm_CEO_at_Free_Market_Conference/start/1920/end/1980

The pending minerals and oil deal with Ukraine is a good example of how they will connect economic policy with national security policy. Under this deal, Ukraine gives the US first right to purchase fossil fuels and minerals. This is partly to pay back the US for the tens of billions spent on the war, and partly as a security agreement. US commercial business assets in Ukraine would be a soft deterrent against Russian aggression and would also help Ukraine recover economically. The question of Ukraine joining NATO would be off the table. The military guarantee, if any, would be provided by European countries, in part by beefing up Poland's defenses. So Poland's border would become a NATO hard line, but the NATO treaty would not expand, which might satisfy Russia.

Here's Bessent in an interview with the *Financial Times*, wrapping the Ukraine agreement in the box labeled both “Economics” and “Security”:

“The president recognizes that *national security is built alongside economic security*, and the more successful and secure postwar Ukraine is, the more that both the Ukrainian people and the people of the US will benefit. This economic partnership would lay the foundations for a durable peace by sending a clear signal to the American people, the people of Ukraine, and the government of Russia about the importance of Ukraine’s future sovereignty and success to the US.”

– Scott Bessent, *Financial Times*, Feb 22

<https://www.ft.com/content/91a727ff-ddde-4973-abc3-2b0ea2de6cf7?shareType=nongift>

Main elements of the grand strategy

To see how the Trump-Bessent grand strategy might unfold on multiple fronts, we need to look at Trump’s campaign promises and Bessent’s 3-3-3 plan to see how they will address these combined economic and security goals.

EFFECTS OF POLICY INITIATIVES			
	Reduce Debt Burden	Improve Nat's Security	Appeal to Midde Class
DOGE	X		X
Deregulation	X		X
Drill Baby Drill	X	X	X
Tariffs	X	X	X
Lower Taxes			X
Restrict Immigration		X	X
Lower \$ FX	X		X
Lower 10-year rate	X		X
Restructure US Debt	X	X	X
Monetize Assets (SWF)		X	X

So let's now look at some of the Trump-Bessent key initiatives to see how they pull one or more of these levers to control spending, while also boosting national security. Note also that each policy initiative is designed to appeal to the Trump voter base, the middle class, providing either a real or a perceived benefit.

Policy No. 1: DOGE

The DOGE investigation has revealed shocking levels of fraud and misuse of funds, such as USAID's undisclosed funding of media hostile to Donald Trump, and green energy boondoggles galore. And there is the discovery of over 390 million active social security numbers, despite the fact that there are only 340 million U.S. citizens, implying a potential for massive fraud at worst or incompetence at best. The list grows daily.

What does DOGE actually accomplish? First, it is finding wasted spending, low-hanging fruit, that will be eliminated. However, I doubt they will find a \$trillion of fraud and waste. In my view, DOGE's real value lies in its message: a commitment to transparency and accountability that resonates with the public and embarrasses the political opposition. This is both good politics and a good start to better thinking about government spending.

Policy No. 2: Deregulation

Both Trump and Bessent strongly believe that deregulation – not just in energy, but across the board – will spur entrepreneurial growth more than anything else they can do. And this will help us grow GDP and the tax base, helping to pay down debt. Trump is already eliminating regulations by executive order, just as he did in his first term, but at a faster

pace. They base this belief on their own experience: Trump as a developer, Bessent as an investor who researches entrepreneurial activity.

“We have to re-privatize the economy,” said Bessent on Fox Business News, “We are not France.” 9/5/2024

<https://www.msn.com/en-us/news/politics/trump-laid-out-a-definitive-vision-scott-bessent/vi-AA1q5hy8>

Watch the federal register as one indication of deregulation. Expect more deregulation this term due to the efforts of DOGE and the legal fallout from the Supreme Court’s Chevron Deference ruling.

Policy No. 3: Drill baby drill

Deregulation and expansion of energy production gets its own category because energy production is not only an engine of economic growth, but also a major strategic asset for national security. Bessent believes lower energy prices will help keep consumer prices low, partially offsetting the higher prices caused by tariffs on imports, and helping to lower interest rates. Energy exports will also help our balance of payments, resulting in lower trade deficits with trading partners. Energy dominance can also be a powerful political weapon against China, Russia, and Iran.

Policy No. 4: Tariffs

In Bessent’s view, tariffs have three functions:

First, as an economic negotiating tool for more favorable trading arrangements. Non-tariff barriers like sales taxes on imports (which amount to the same thing a tariff; currency manipulation by central banks; state-subsidized financing of exporters; EU lawsuits, restrictions and heavy fines against US tech companies. Under the reciprocal tariff concept, Bessent said,

“We are just doing what they are doing... If they remediate [these [policies], then tariffs could drop. If they want to continue these unfair trade practices, then the tariff wall will go up until they are willing to negotiate.”

“I am sure that he [Trump] is willing to do whatever it takes to get free but fair trade for the American people.”

(interview with Maria Bartiromo, 23 Feb 2025)

Tariffs could also be used to negotiate better security arrangements. The USA might say to NATO: pay your fair share of defense costs, or we will raise tariffs.

Second, as a revenue tool. Tariffs will no doubt enhance government revenue to some extent, and because a tariff is paid by the importer, it may feel less offensive than an income tax, which taxes the bottom line, and it sounds better than a “sales tax.” But that is pretty much what a tariff is – a targeted sales tax.

Third, as a protectionist tool to encourage a production to shift to the USA. Protectionism is considered unfair and inefficient when the alternative is a free market, but it is also seen as an important security measure by the US Department of Defense, which has been saying for years that we are dependent on China for the very same goods we would need to fight a war against them. In other words, we have been borrowing money from China (when they lend to us by purchasing Treasury bonds) in order to buy Chinese components, to build the weapons we need to face down China’s military. We literally cannot fight a war against China without Chinese factories. From a national security point of view, that is not a great position to be in. Tariffs against China will be one tool to rectify this problem.

Viewed this way, the status quo trading system is a national security threat. Another Bessent quote:

“What are we trying to do? We are trying to make China rebalance. China over-manufactures and they deprive the household sector. They under-consume. If you push them to rebalance, then the identity of that is more US manufacturing.”

– Scott Bessent, 10/17/24, via Simplify Asset Management

So we might tariff Chinese drones and certain computer chips, making them so expensive they will be re-sourced from a maker in the USA or at least from a friendlier nation, preferably in the Western Hemisphere.

[back to Effects slide]

Policy No. 5: Lower taxes

Both Bessent and Trump agree that lower income taxes will free up investment capital and promote faster economic growth. They also believe in the Laffer Curve, and that the government will bring in MORE revenue by not lowering taxes and deregulating the economy rather than simply raising taxes. Especially deadly, in their view, are capital gains taxes and, worst of all, a wealth tax, so we will not see those under Trump.

Policy No. 6: Restricting Immigration

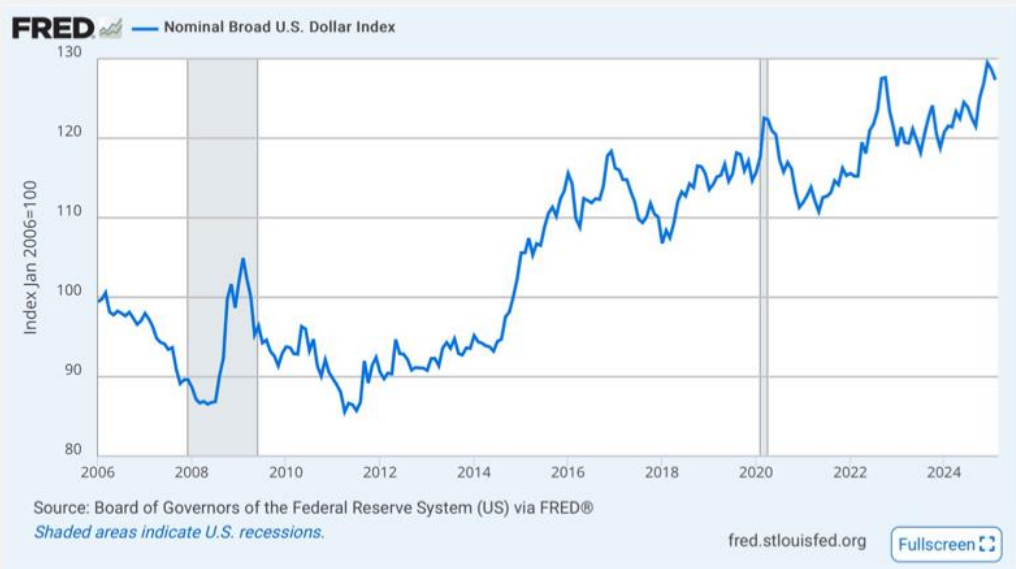
Both Trump and Bessent want to crack down on illegal immigration. Bessent sees the illegal problem as a drain on the Treasury because most illegals do not work until several years after arriving, so they must be fed and housed. According to Bessent, they also increase the housing shortage, driving shelter costs higher. He has analysis to justify this conclusion.

Trump also sees illegal immigration as a national security threat, as he emphasizes the criminal and potential terrorist implications of uncontrolled immigration, as well as the trade in deadly drugs like Fentanyl, which kills tens of thousands of Americans every year.

Trump also says illegals “steal” American jobs, which seems to contradict the view that jobs create economic growth. Trump would restrict immigration to “the best people, to” i.e., those who can add the most to economic production right away while not taking good jobs from American citizens.

Perhaps most important is their fear that illegals will primarily join the left-wing voting bloc, undermining Trump-Bessent to privatize the economy and resurrect the middle class.

Trade-weighted US Dollar Index



Policy No. 7: A lower dollar exchange rate:

President Trump has repeatedly discussed adopting substantial changes to dollar policy. Trump and Bessent want to bring the dollar down to encourage US domestic industry, increase export industries, grow the nominal GDP, and grow the tax base. Stephen Miran provides some detail in his paper:

“Sweeping tariffs and a shift away from strong dollar policy can have some of the broadest ramifications of any policies in decades, fundamentally reshaping the global trade and financial systems.”

“Consensus on Wall Street is that there is no unilateral approach that the Trump Administration can take for strengthening undervalued currencies.... This conclusion is wrong. There is a variety of steps an Administration can take if it is willing to be creative, that do not rely on the Fed cutting rates.”

Stephen Miran, *A User's Guide to Restructuring the Global Trading System*, November 2024

Policy No. 8: Lower interest rates

“He and I are focused on the 10- year Treasury,” Bessent said in an interview with Fox Business. When asked about whether President Donald Trump wants lower interest rates. “He is not calling for the Fed to lower rates.”

2/5/25 Bessent, Trump Focus on 10-Year Yields, Not Fed Short-Term Rate - Bloomberg <https://www.bloomberg.com/news/articles/2025-02-05/bessent-says-he-trump-focus-on-10-year-yields-not-pushing-fed?sref=dJHrNkep>

Why does Bessent focus on the 10-year Treasury rate? Because a low 10-year rate will not only help keep Treasury interest costs down, but also influences other key rates, as the 10-year is a bellwether rate that affects mortgage rates, corporate bond rates, and the overall cost of capital when calculating investment returns.

Bessent’s Plan for Cutting Debt Isn’t Enough. He May Need a Good Dose of ‘Repression.’

By [Randall W. Forsyth](#) [Follow](#)

Updated Feb 07, 2025, 1:51 pm EST / Original Feb 06, 2025, 5:16 pm EST

<https://www.barrons.com/articles/bessent-rates-debt-doge-repression-340c96b1>

Although he would like to avoid forcing rates down, as has been previously done in US history, Bessent may still need resort to suppressing interest rates. I outlined various ways the government can suppress interest rates in Chapter Seven of ***Black Hole***.

For the near term the trend is good. DOGE is helping to build confidence in the Treasury market. And Bessent has noticed: “Interest rates are down on the ten-year for five weeks in a row since President Trump took office.” (Bartirromo Feb 23) Whether rates are down due to DOGE or other reasons is unknown at this point.

One big task for Bessent is to refinance about 8 trillion in US Treasury debt this year. He needs lower interest rates to keep down overall interest costs. For the time being, Bessent must continue selective issuance along the entire yield curve, issuing lots of T-bills like Janet Yellen did. <https://www.reuters.com/markets/us/bessents-focus-10-year-us-treasury-yield-may-let-fed-off-hook-2025-02-06/>

Policy No. 9: Restructuring US Debt

Over the last 6 months, it has been speculated/discussed by numerous Trump policymakers (Bessent and Miran before they were in the Trump Administration), as well as by various economists, that one game plan the US could follow to deal with its increasing acute debt problem is by forcing US allies to swap their Treasury bills for longer-term

Treasury bonds. To compensate them for the loss of liquidity, the Fed would lend (i.e., create new money) against these bonds at their full par value no matter what happened to the market price. This is similar to the kind of money-printing bailout the Fed provided to Silicon Valley Bank in March of 2023

In an extreme variation of this idea currently making the rounds, the US would swap a 50 or even 100-year zero coupon bond worth trillions for an equal face value of Treasury bonds owned by NATO countries. This would drastically reduce US interest costs. In return, NATO countries would get an open borrowing line from the Fed as described above, and this deal would also be linked to a long-term security guarantee by the USA. This would allow them to convert it to cash when liquidity is needed and not have to sell it at a loss when stressed

This seems extreme, but it is useful to think about it because extreme problems, like the US debt, will require extreme solutions. This scenario would make Europe pay for the US debt, not Main Street America. What a clever way to create new money!

Great article on Mar-a-Lago: <https://www.ft.com/content/1e19165e-1096-4aad-bf08-42132f7a3239>

This is a new, intriguing idea being shopped around Wall Street to get the bond market's reaction. Our enemies get locked out of trade by high tariffs

Will it work? The effect could be dramatic if it does: You could basically eliminate several trillion in Treasury debt in exchange for a security guarantee and a financial guarantee of liquidity on demand from the Fed. You could even argue this would enable the survival of the EU and its currency.

Policy No. 10: Monetize US assets, possibly through a sovereign wealth fund.

When Trump signed the EO establishing the SWF, Bessent said this:

“We are going to stand this thing up within the next 12 months. We are going to monetize the asset side of the US balance sheet for the American people. We are going to put those assets to work, and I think it’s going to be very exciting... It will be a combination of liquid assets, assets that we have in this country...”

- Scott Bessent, Oval Office, Feb 10,

Sovereign wealth fund. <https://www.reuters.com/markets/wealth/trump-signs-executive-order-create-sovereign-wealth-fund-2025-02-03/>

A sovereign wealth fund is a government-owned investment fund aimed at offsetting government costs by generating revenue. It could achieve this through strategic asset purchases like TikTok, leveraging confiscated assets such as Bitcoin (BTC), earning income from leases and royalties on mineral rights, and selling government real estate. Additionally, the fund could monetize the Treasury’s gold reserves, which total 8,133 metric tons currently valued at \$42 per ounce on the books, even though the market price is nearly \$3,000 per ounce. This significant asset could help address budgetary concerns and potentially boost gold prices.

I must add, a sovereign wealth fund – a large pool of investment assets owned and managed by the government – is a very bad idea, but it still may happen.

So that is a survey of ten announced strategies that all fit into this Trump-Bessent grand plan with its two main goals: restoring sound finances to the Treasury and negotiating security agreements that will protect Americans under the new geopolitical order.

“Financial repression is stealing old peoples’ money slowly.”

- Russell Napier, quoted in *Black Hole*

"I think it's Main Street's time. Wall Street can continue to do well, maybe not as well, and it's time to have a Main Street small business-led recovery, led by small banks, regional banks,"

- Scott Bessent, confirmation hearing

<https://www.marketwatch.com/livecoverage/treasury-secretary-confirmation-hearing-scott-bessent/card/-wall-street-can-continue-to-do-well-maybe-not-as-well-bessent-says-b3cN1omEA9uW4dEJRkt>

But – and this is my final point, and an important one - they are not going to do this on the backs of the middle class.

Historically, sovereign debts have been paid by financial repression on the backs of the working middle class, because that is where the real money is. Financial historian Russell Napier recounts how the UK paid down its debt over a period of 35 years on the back of the British shopkeeper and saver. He defines financial repression as stealing old people’s money slowly by undermining the value of savings as well as the ability to save.

The Trump-Bessent plan wants to avoid hurting the middle class. They do not want the mechanic from Oshkosh or the retiree from Oklahoma to pay for the government’s past sins. They think the American taxpayer has been funding the world’s police force, the US military, especially in NATO, for many decades. Europe has been free-riding, paying very little. A German worker can wake up, spend the day in a coffee house complaining about America, then go to sleep under the American security umbrella, and the US middle class pays for him to have this privilege. Trump and Bessent are saying no more, not this time.

Here is Bessent again:

"I think it's Main Street's time. Wall Street can continue to do well, maybe not as well, and it's time to have a Main Street small business-led recovery, led by small banks, regional banks," Bessent said at his confirmation hearing.

<https://www.marketwatch.com/livecoverage/treasury-secretary-confirmation-hearing-scott-bessent/card/-wall-street-can-continue-to-do-well-maybe-not-as-well-bessent-says-b3cN1omEA9uW4dEjJRkt>

This message appeals to the Trump/Vance political base who believe they elected Trump to change the system that has hollowed out jobs, stagnated real wages, and transferred hundreds of billions of new claims on wealth to Wall Street.

Some of these stereotypes and claims are true, and some are not, **but all of them are very popular with the Trump voter base.** So, I think the Trump-Bessent plan as it unfolds will continue to get voter support. What exactly will it look like? We don't know. Will it work and accomplish its objectives? We don't know.

But the urgency of the national debt, combined with a clear need for a revised national security arrangement, is providing an opportunity for change. That is the organizing principle behind Trump's outwardly chaotic actions. Both Trump and Bessent see this opportunity, and they are embracing it with a unique solution.

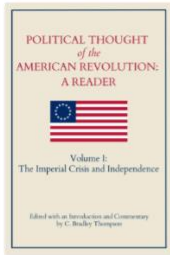
Do I think they will still have to use financial repression in some form to address the debt? Yes, I do, as the debt and entitlements problem is very large and very long-term. So I think we will have to see some financial repression techniques implemented, but Trump and Bessent will try to soften the blow by growing the economy and by making our trading and security partners share the financial burden of both trade and security.

In Chapter Seven of ***Black Hole***, I tried to get creative, using my imagination to think about what the US government would need to do to fix its debt problem while still keeping their jobs. I even referenced ***The Art of War*** by Sun Tzu, who suggested you should "become your enemy," meaning we should think like politicians to figure out their next moves.

But I've got to admit, I underestimated Donald Trump and his crew. In the first few weeks of his administration, they've rolled out some new ideas that I completely didn't see coming. All of these ideas can be seen as solving the debt problem, enhancing national security, or both.

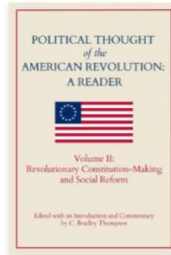
So let's all stay tuned and stay alert. I will be coming back to this theme in future stacks to see how the Trump-Bessent team is faring.

New Releases



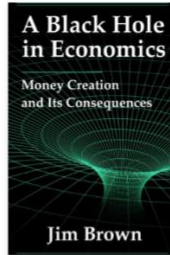
C. Bradley Thompson
Political Thought of the American Revolution: A Reader
 Volume I: The Imperial Crisis and Independence

\$24.99



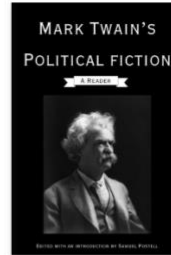
C. Bradley Thompson
Political Thought of the American Revolution: A Reader
 Vol. II: Revolutionary Constitution-Making and Social Reform

\$19.99



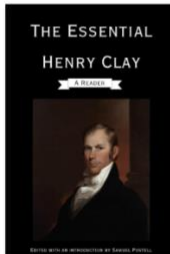
Jim Brown
A Black Hole in Economics

\$14.50



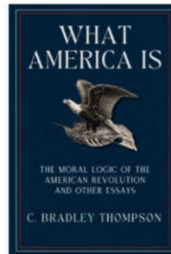
Samuel Postell
Mark Twain's Political Fiction

\$12.99



Samuel Postell
The Essential Henry Clay: A Reader

\$19.99



C. Bradley Thompson
What America Is: The Moral Logic of the American Revolution

\$9.99



locofocopress@gmail.com

Before leaving I want to highlight the new website of my publisher, Loco-Foco Press, pictured here. Loco-Foco is owned and operated by my friend and colleague Brad Thompson, a tenured professor of history at Clemson University. Brad publishes and writes excellent books, plus a regular Substack called The Redneck Intellectual, in which he analyzes American culture with an emphasis on education. Check out his Stack, which is both provocative and entertaining. Brad Thompson is definitely one of the good guys.



Search: Substack: Hardmoneyjim

Website: jim3c5.substack.com

Twitter: @hardmoneyjim

LinkedIn: Jim Brown, CFA

On Amazon Books:

**A Black Hole in Economics:
Money Creation and its Consequences**
January 2025 "Book of the Month" on Capitalism.org

Finally, if you haven't already, don't forget to check out my book, [A Black Hole in Economics: Money Creation and its Consequences](#). If you like it, please write a few lines in Amazon reviews, which only takes a couple of minutes.

Thanks for listening and have a great day!

END OF TRANSCRIPT

BONUS MATERIAL

The key chain:

ALTRUISM > COLLECTIVISM > PROMISES > SPENDING > BORROWING > DEFICITS > GOVT MONEY CREATION > INFLATION > UNJUST WEALTH DISTRIBUTION > CLASS WAR > LOSS OF CIVIL SOCIETY > DISORDER > DICTATORSHIP

Insufficient real wealth

Deleted: I want to make some closing comments by saying what I personally believe is at the crux of the challenges facing Bessent and Trump. At a fundamental level, the crux of the US debt problem, which is at least partially responsible for our national security problem, is that the US government is on the hook to supply its citizens not only money but the actual material benefits that money can buy.

Unrealistic promises, the so-called “entitlements,” have been made to all our citizens, the living and yet-to-live, cradle to grave, world without end, Amen. Under current law, Social Security and disability benefits are indexed to inflation and must rise to pay for the real costs of buying groceries and paying rent. Medicare and Medicaid promise not only money but life-saving care to everyone – and there is no upward dollar limit on this, which means that everyone has theoretically been promised, and expects, full access to the most high-tech, advanced, expensive medical treatment available.

So, the government is on the hook for a massive transfer of real wealth to future beneficiaries without knowing where the wealth will come from. And we know in our hearts that the promises to provide real wealth exceed the means to provide it. Short of making every working person a slave of the state, or some magical scientific discovery like free energy from nuclear fusion, there is simply not enough physical productivity in the economy to supply all the future goods and services that have been promised.

We calculate and quantify the shortfall in dollars and deficits, but the existential problem is a lack of real wealth – real wealth defined as both existing material goods and the means of producing them, such as farms, mines, factories, computers, software and much more. I am saying there is not nearly enough of this real wealth to fulfill the promises, and the numbers I provide in Chapter Six of ***Black Hole*** prove it.

The only honest way out of this dilemma is to rewrite the so-called social contract. In other words, recognize reality and renege on at least some of these unpayable promises. However, our elected officials have been steadfastly unwilling to do this, and the American people are not ready for it.

Absent some immediate, out-of-the-blue, magic wealth-creating discovery, like nuclear fusion, there is no way to produce the promised wealth under the existing economic setup between producers and consumers. Some people will have to pay out more than they were promised, some people will not get paid as much as they were promised, and the entire pie, even though it is growing, will have to be downsized in a manner that is acceptable enough for the voters to keep their pitchforks and torches in the closet.

Maybe Jay Powell will cooperate as he knows we are in trouble, so he will likely buy into any credible attempt to deal with the debt: <https://thehill.com/business/5022592-federal-reserve-warns-unsustainable-path/>

DOGE: We pay dead people: <https://allthingswithkimstrassel.cmail19.com/t/d-e-sthlyjl-didlkrjlij-r/>

Bessent pushes gradual tariff implementation: <https://www.ft.com/content/7fb420b9-1bd1-4c68-8575-94e99315051c>



Sir Alex Younger, former head of Mi6 (synopsis): There was a “unipolar moment” where America had the means and the will to assert itself across the world. This created globalization, but this moment is gone. The USA is now smaller relative to others. Our will to be the world’s policeman has diminished. Therefore, our ability to make rules is no longer available. Bi-lateral or multi-lateral deals and spheres of influence are the coming arrangements. The main spheres currently are the USA, Russia, and China. Europe’s price of entry into this conversation is hard power, but they don’t yet get that. Does Trump grasp all this, or is he just a deal-maker? His actions imply he does understand. (My view: Emphasis on Trump’s thin skin and bluster will cause you to underestimate him.) Does Trump think Ukraine is just about territory - land for peace? Putin thinks it’s about sovereignty, making Ukraine part of Russia. Europe will own more of this situation than they previously have.

The European “moron repository” https://irinaslav.substack.com/p/russamerica-and-old-lady-oi?utm_source=post-email-

[title&publication_id=376351&post_id=157463032&utm_campaign=email-post-title&isFreemail=false&r=bfni4&triedRedirect=true&utm_medium=email](https://www.bloomberg.com/news/articles/2025-02-05/us-still-sees-holding-long-term-debt-sales-steady-well-into-2025?sref=dJHrNkep)

TARIFFS: Recall that Treasury Secretary Bessent has publicly discussed creating a US-led “trade federation”, where trading partners are sorted into “red, yellow, green” based on levels of geopolitical cooperation, economic cooperation, refusal to help China de-dollarize, etc., with “green” level partners getting access to US technology and “yellow” and “red” partners getting shut out.

"We're going to monetize the asset side of the U.S. balance sheet for the American people," Bessent said. "There'll be a combination of liquid assets, assets that we have in this country as we work to bring them out for the American people."

Bessent’s Treasury sticks with Yellen-era long-term debt plan, despite having criticized Yellen’s strategy – 2/5/25 US Still Sees Holding Long-Term Debt Sales Steady Well Into 2025 - Bloomberg The US Treasury on Wednesday maintained its guidance on keeping sales of longer-term debt unchanged well into 2025, despite newly installed Secretary Scott Bessent having criticized the issuance strategy of his predecessor before he was picked for the job. At the helm of US debt management policy for the first time, Bessent left broadly intact former Secretary Janet Yellen’s agenda. The Treasury will next week sell \$125 billion of debt in its so-called quarterly refunding auctions, which span 3-, 10- and 30-year maturities, the same amount as in the past several quarters.

<https://www.bloomberg.com/news/articles/2025-02-05/us-still-sees-holding-long-term-debt-sales-steady-well-into-2025?sref=dJHrNkep>

LUKE GROMEN: If Bessent is going to use gold to improve the US fiscal situation in the manner that is now being openly speculated about in mainstream US financial media (revalue up, creating a TGA deposit = essentially “gold QE”), the price action on Wednesday further reinforced our view he’s going to have to act fast...like in the next 3-4 months fast. Let’s watch.

Trump’s call for lower interest rates was not directed at the Fed: Treasury Secretary Scott Bessent said the Trump administration’s focus with regard to bringing down borrowing costs is 10- year Treasury yields, rather than the Federal Reserve’s benchmark short-term interest rate. “He and I are focused on the 10-year Treasury,” Bessent said in an interview with Fox Business Wednesday when asked about whether President Donald Trump wants lower interest rates. “He is not calling for the Fed to lower rates.” Bessent, Trump focus on 10y UST yields, not Fed short-term – 2/5/25 Bessent, Trump Focus on 10-Year Yields, Not Fed Short-Term Rate - Bloomberg <https://www.bloomberg.com/news/articles/2025-02-05/bessent-says-he-trump-focus-on-10-year-yields-not-pushing-fed?sref=dJHrNkep>

Recall that we have been highlighting that tariffs are expected to drive the USD up...and that anything that drives the USD up will likely drive the 10y UST yield up (DXY v. 10y UST yields shown below)... ..and that Trump and Bessent just said they are focused on the 10y

UST yield...which we just noted is already perilously close to a critical level, above which will cause problems for markets and the US economy. Do you see the second derivative? Given the preceding context, by advocating Powell to cut rates because “it would go hand in hand with upcoming tariffs”, Trump just advocated managing the 10y UST yield, via a combination of US Treasury tariffs (USD up and 10y UST yields up) and Fed moves (rate cuts into higher inflation = USD down). Trump is effectively advocating a soft form of “Yield Curve Control” (YCC)! He’s not crazy...he’s crazy like a fox. One of the charms of Trump is that he will often tell us what the plan is, if we have the ears to hear it. By advocating the Fed cut rates into rising inflation, while the Treasury implements tariffs, as he and Bessent focus on 10y UST yields, Trump is telling us he and Bessent will be implementing a soft form of YCC, one way or another!

Bessent interview with Manhattan Institute June 2024: :

<https://www.youtube.com/watch?v=drPH94fio7E&t=2493s>

Bessent essay - “The Fallacy of Bidenomics: a Return to Central Planning”:

<https://manhattan.institute/article/the-fallacy-of-bidenomics-a-return-to-central-planning>

Highlights of the Bessent essay:

- The Obama administration featured a return to heavy government intervention in the private sector, particularly through its turbocharged expansion of the regulatory state, delivering an economic constipation similar to that which plagued the U.S. before the Reagan revolution.
- At its core, Bidenomics represents a return to the discredited economic philosophy of central planning.
- Like all prior attempts at central planning, it failed to deliver prosperity, and instead generated a substantial upward price-level shock, accompanied by an insidiously persistent inflationary environment that has eroded standards of living in the United States. Continual economic anxiety has replaced abundance and prosperity.
- Economic policy must construct the proper policy mix for the economy as it exists to deliver the economy as you wish it would be.
- History teaches us that prioritizing free enterprise and limiting government’s role in the economy are key to raising living standards. Private sector innovation and risk-taking are the United States’ greatest assets. U.S. economic policy must cast aside the latest failed central planning experiment of Bidenomics and reorient back towards private sector led innovation and growth. The solutions are known: slay inflation, achieve energy dominance, execute meaningful deregulation, control federal spending, reorder unsatisfactory trade arrangements, reassert control on immigration, and project strength internationally.

How do we make money with this information? Diversify some of your savings into gold, Buy gold regularly with part of your periodic savings. The West (US and Europe) doesn’t get it yet, but we eventually will . So far, only Asian investors (Chinese, Indians) get it, despite

the fact that the gold price in dollars is up almost 40% in the past year. If you haven't started your regular gold savings program, consider starting it now.

https://vblgoldfix.substack.com/p/the-west-still-doesnt-get-it-on-precious?utm_source=post-email-title&publication_id=456345&post_id=157409239&utm_campaign=email-post-title&isFreemail=false&r=bfni4&triedRedirect=true&utm_medium=email

BONEPILE:

“The center cannot hold” - something has to be broken. Do we wait till it breaks or break something preemptively?

Monetizing the assets: A sov wealth fund could replace some US debt with levered hedge fund debt.

Risk to DOGE: the cut in spending could cause a recession. But this might be necessary, as a debt crisis or interest crisis could also cause a recession. Bartiromo Feb 23 2025: Bessent response to the warning that cutting federal jobs might cause a recession: Bessent shrugged it off, pointed out that 80-90% of the jobs created under Biden were government or “government adjacent,” and are wasteful, non-productive spending. Then emphasized the policy of “reprivatizing the economy.”

Tariff policy runs the risk of a trade war, which could kill economic activity. See Smoot-Hawley tariff of 1933.

Part of the remaking of the financial system is it excludes China and Russia. They are turning to gold. We will also have to use gold if they do (my supposition)

Difference between trade-weighted dollar and the DXY (financial dollar). DXY is the “financial dollar.” Trade -weighted dollar is skewed to biggest trading partners: China, Mexico, Canada.

Debt swap could be inflationary. Congress could now go borrow more. Paid down credit so I can run it back up. Me: none of this will prevent us from inflating away some of the debt. It will buy us time to enable us to do it. It will delay the urgency for repression, or enable a “soft” repression.

If we are going to swap debt for protection, why not swap debt for assets? Like swap Treasury debt for federally owned land or real estate?

NATO countries own trillions in Treasury debt. Exactly How much?

Lower dollar: If you restrict access to US markets, you are restricting the value of the dollar. Example: If you say: absolutely no access by Chinese to US dollar-denominated assets, then one major source of demand for the dollar is gone.

Scott Bessent, a Trump advisor floated as potential Treasury Secretary, has proposed putting countries into different groups based on their currency policies, the terms of bilateral trade agreements and security agreements, their values and more. Per Bessent (2024), these buckets can bear different tariff rates, and the government can lay out what actions a trade partner would need to undertake to move between the buckets..... Such a system can embody the view that national security and trade are joined at the hip. Trade terms can be a means of procuring better security outcomes and burden sharing. In Bessent's words, "more clearly segmenting the international economy into zones based on common security and economic systems would help ... highlight the persistence of imbalances and introduce more friction points to deal with them." Countries that want to be inside the defense umbrella must also be inside the fair trade umbrella.

<https://www.biancoresearch.com/quick-comments-what-were-reading-1541/>

Luke Gromen  @LukeGromen · Feb 18

