

War, Debt and Hard Currency

February 14th, 2024

Anwar Gargash Diplomatic Academy, Abu Dhabi



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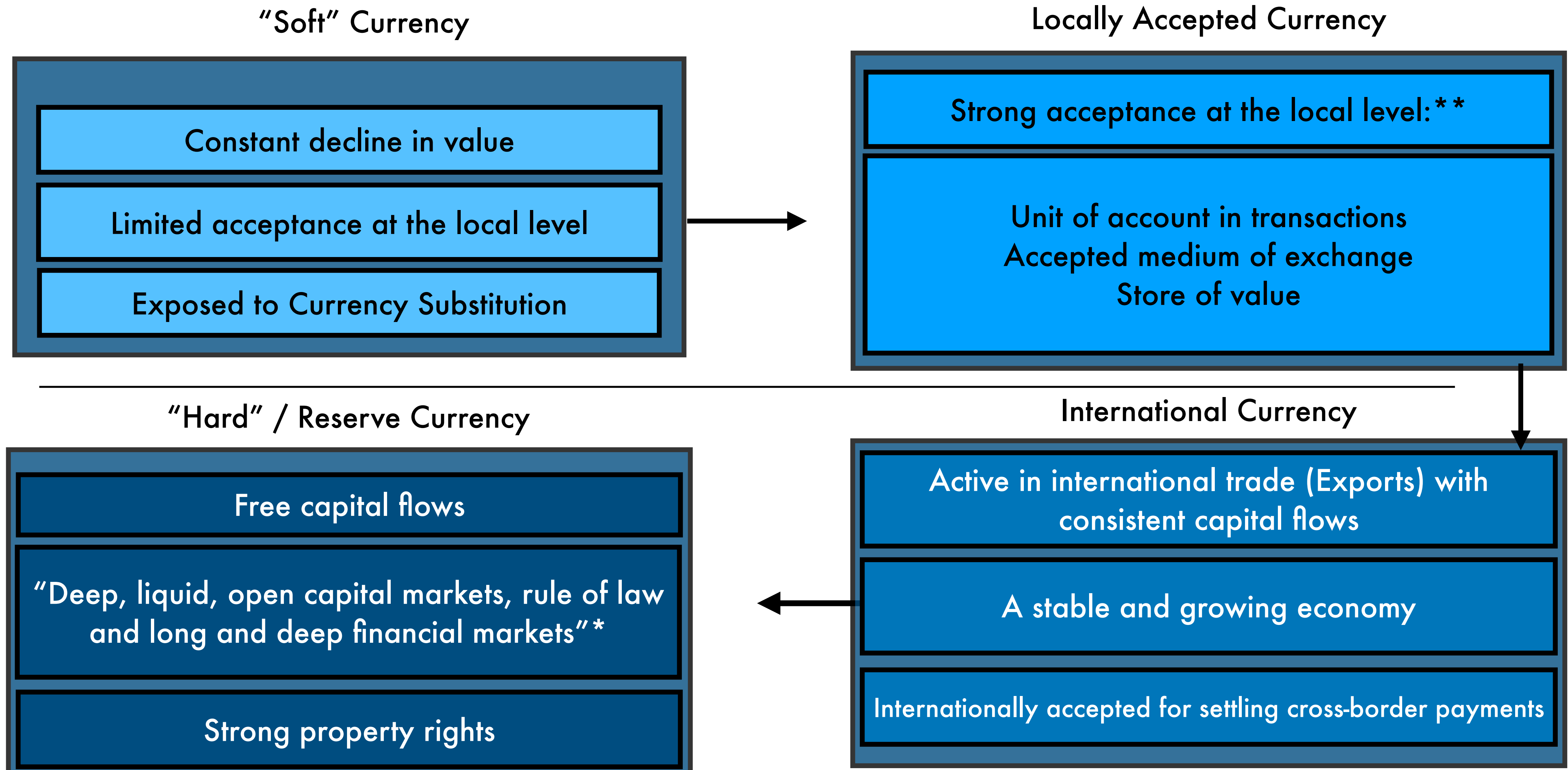
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Money and its Evolution



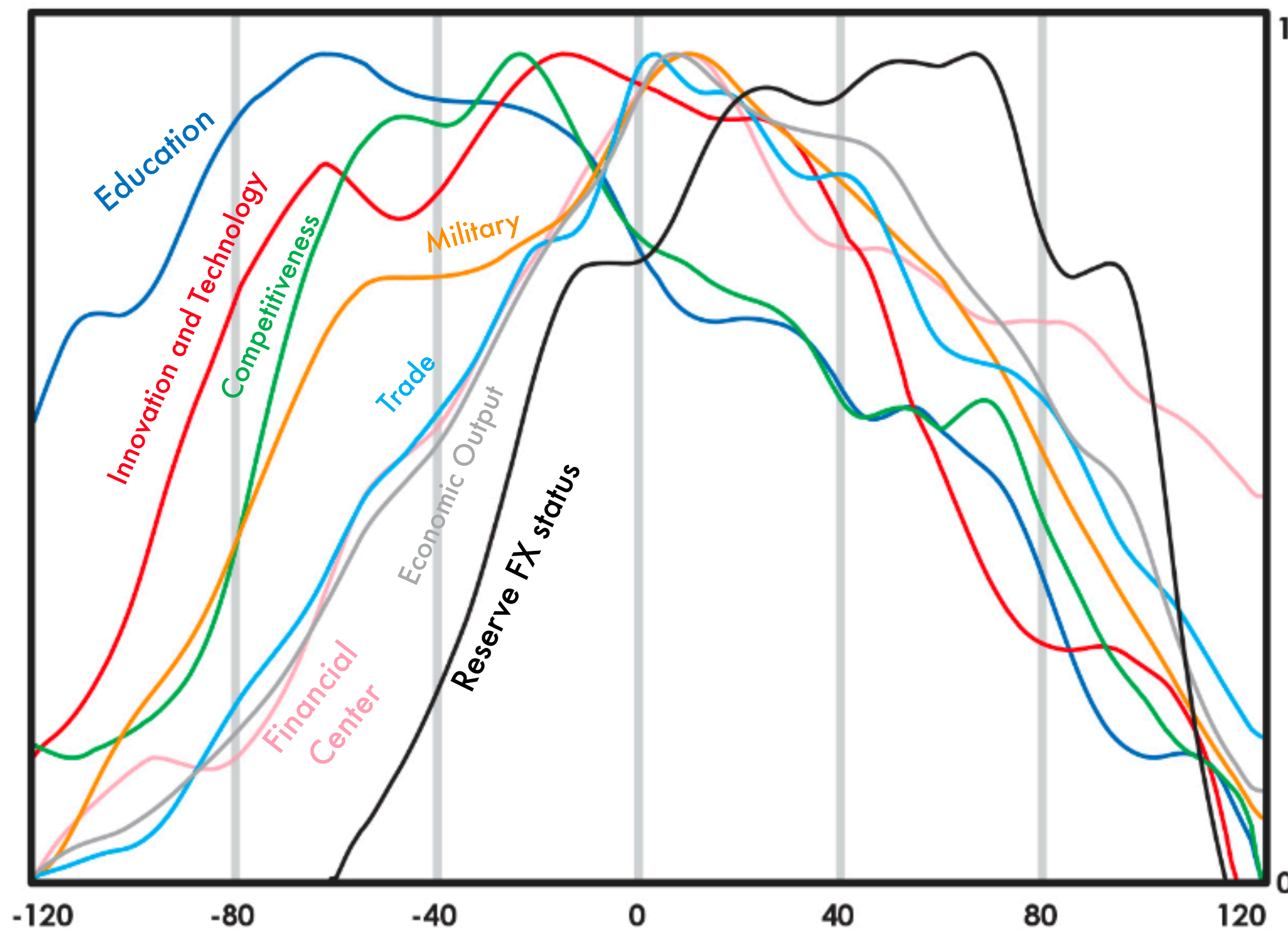
**Shafey, Mohamed Zaki (1962), Introduction to Money and Banking, Alnahda Al-Arabeya Press
شافعي, محمد زكي، (١٩٦٢)، مقدمة في النقود والبنوك، دار النهضة العربية

*"Janet Yellen defends dollar as BRICS nations debate reserve status -
Financial Times, June 23, 2023



Determinants of the Rise of Nations

The archetypal rise and decline of empires by determinant



Source: Dalio, R. (2021). Principles for Dealing with the Changing World Order: Why Nations Succeed Or Fail. Simon and Schuster.

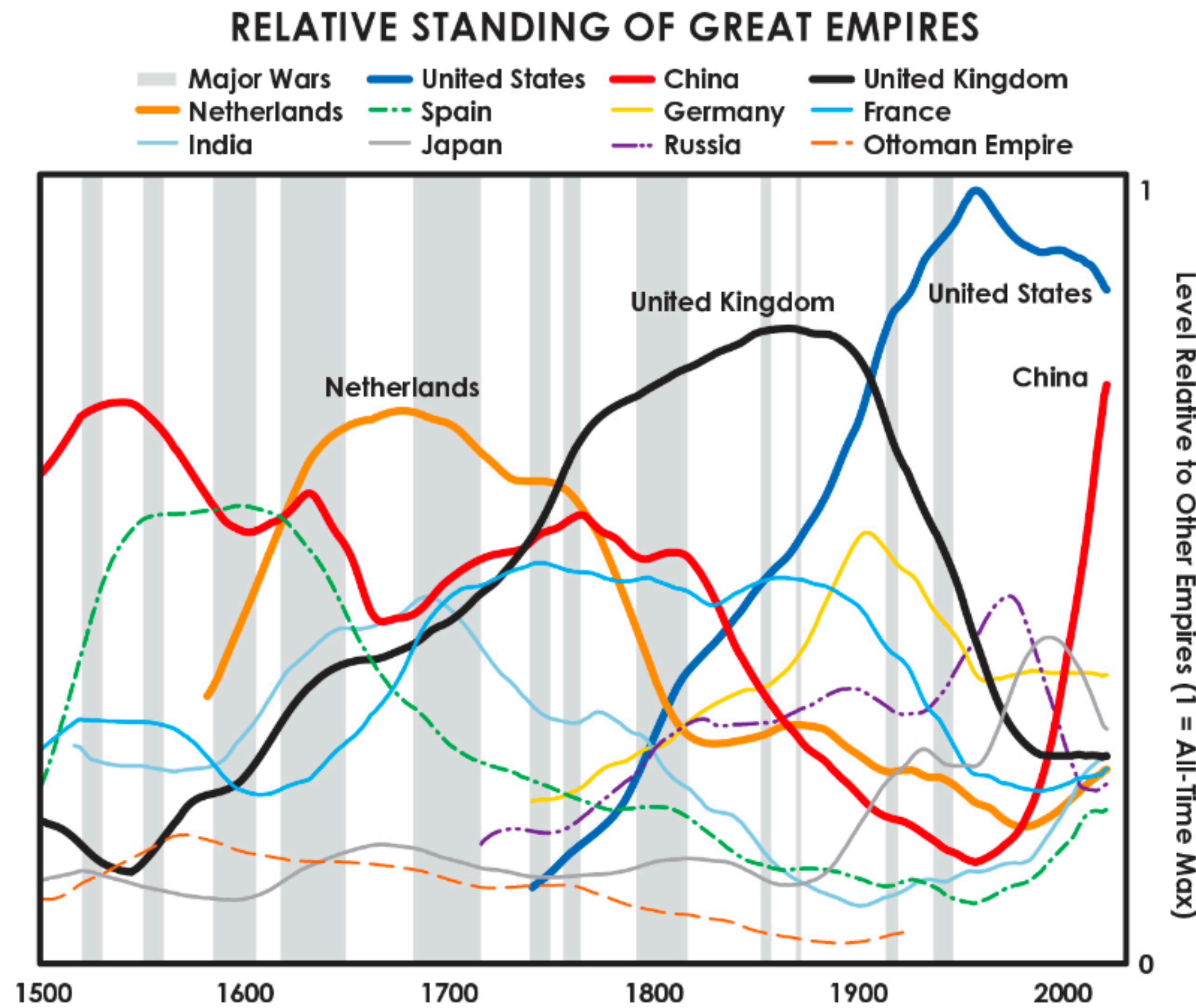
The Common Factors for High and Sustainable Growth



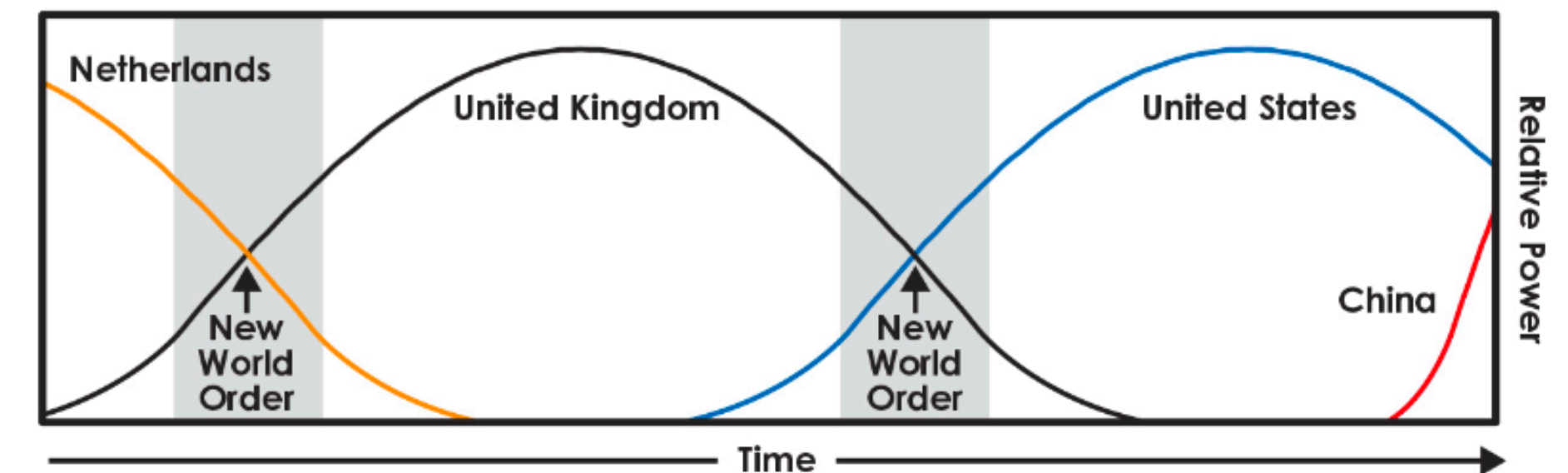
Source: The Commission on Growth and Development - Growth Report (2008)



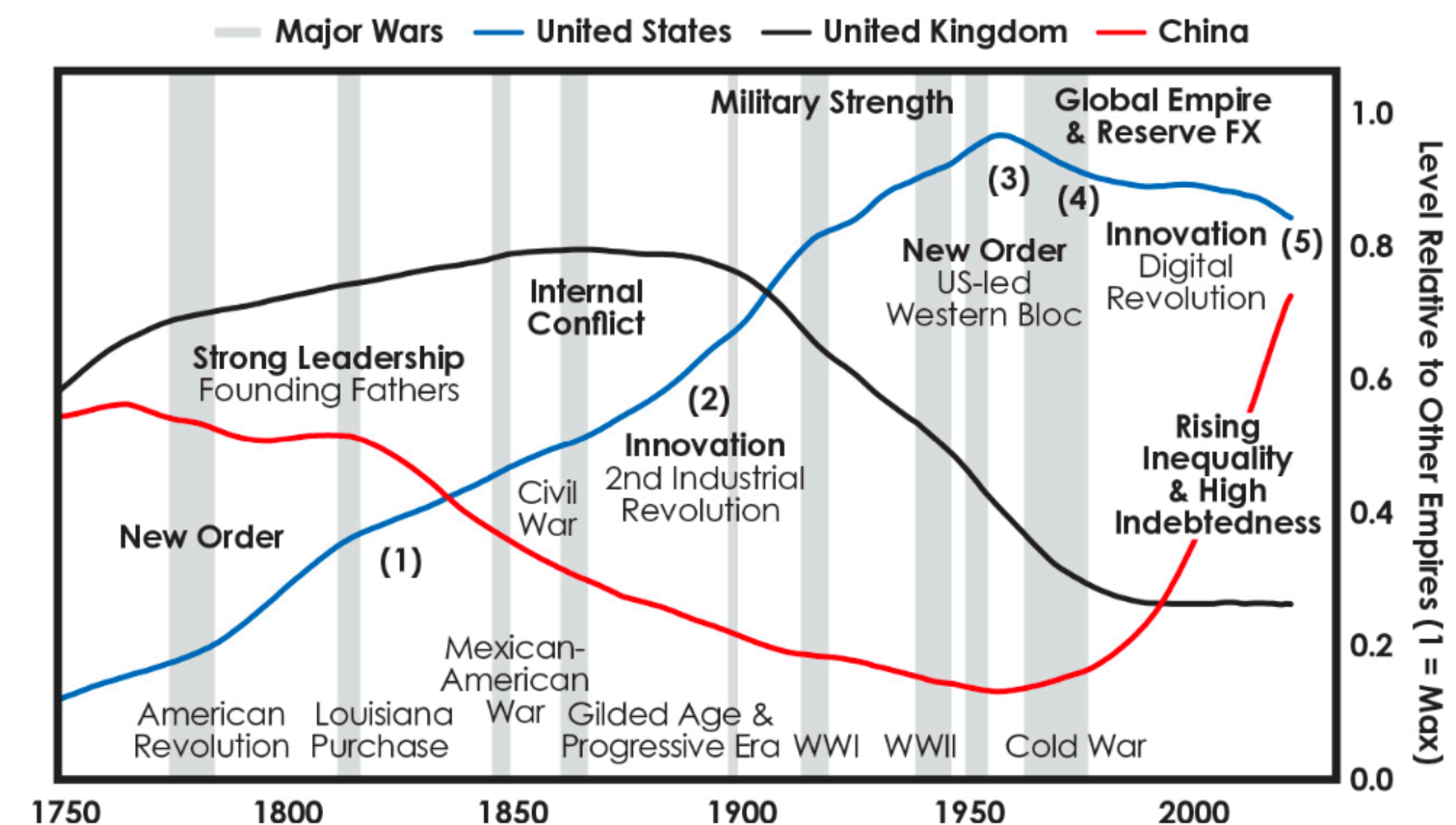
Historical Patterns: The Rise and Fall of Empires



CHANGES TO THE WORLD ORDER (CONCEPTUAL EXAMPLE)



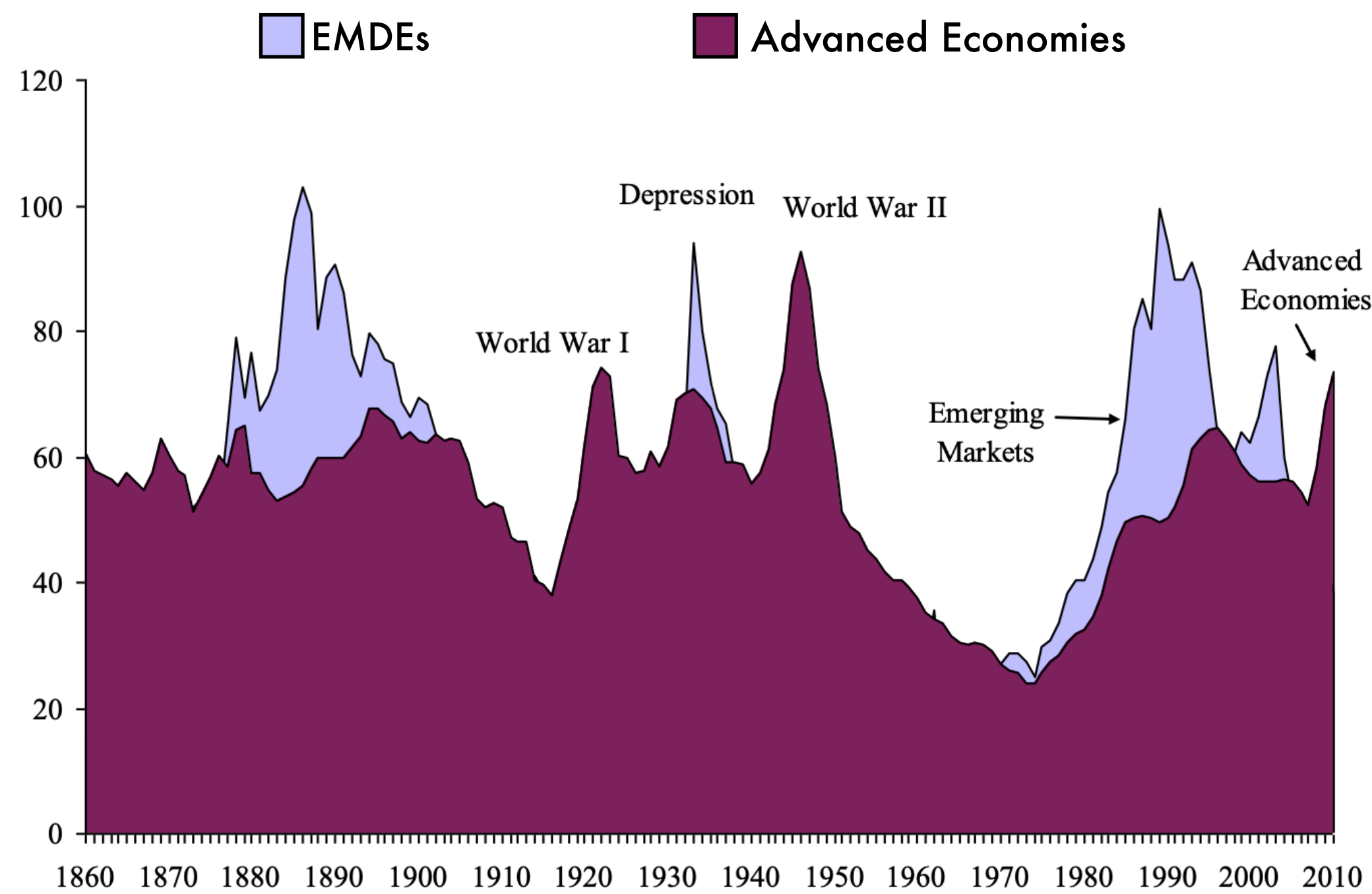
US ARC 1750-PRESENT



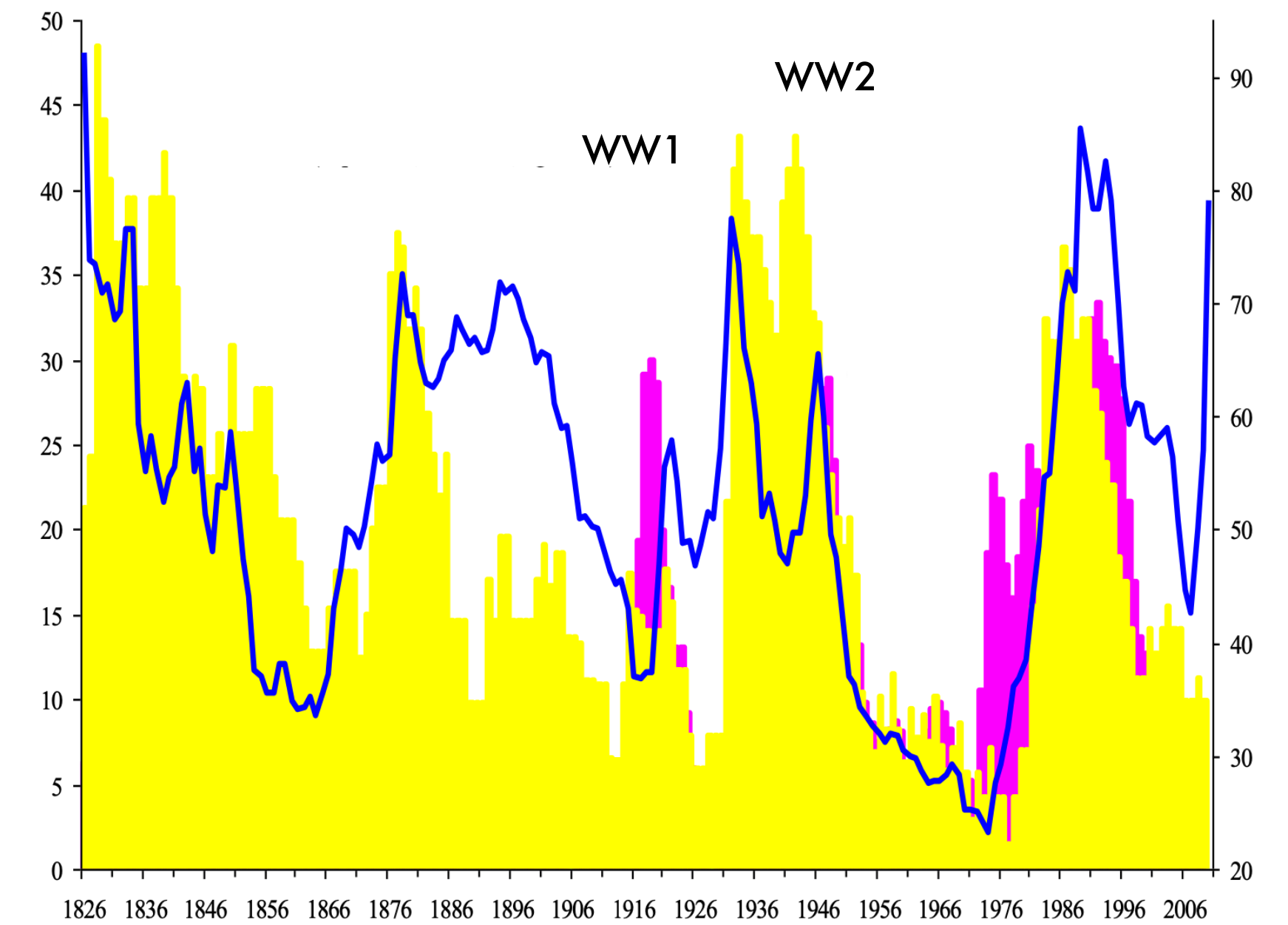


Historical Patterns: The Rise and Fall of Empires

Total Central Government Debt as % of GDP



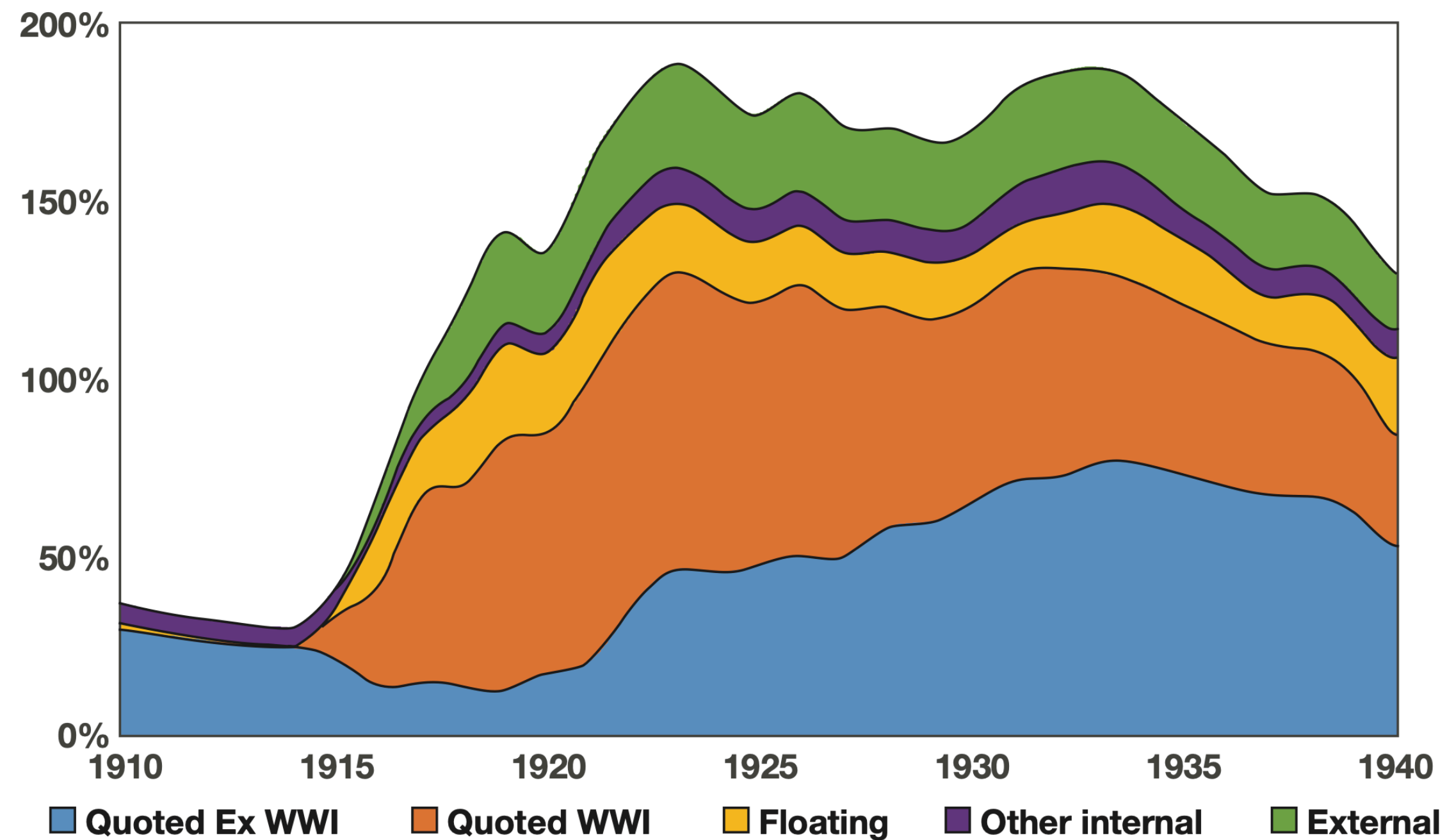
- Total (Domestic plus External) Public Debt % of GDP
- % of Countries going through Sovereign Default on External Debt
- % of Countries With Annual Inflation Exceeding 20%





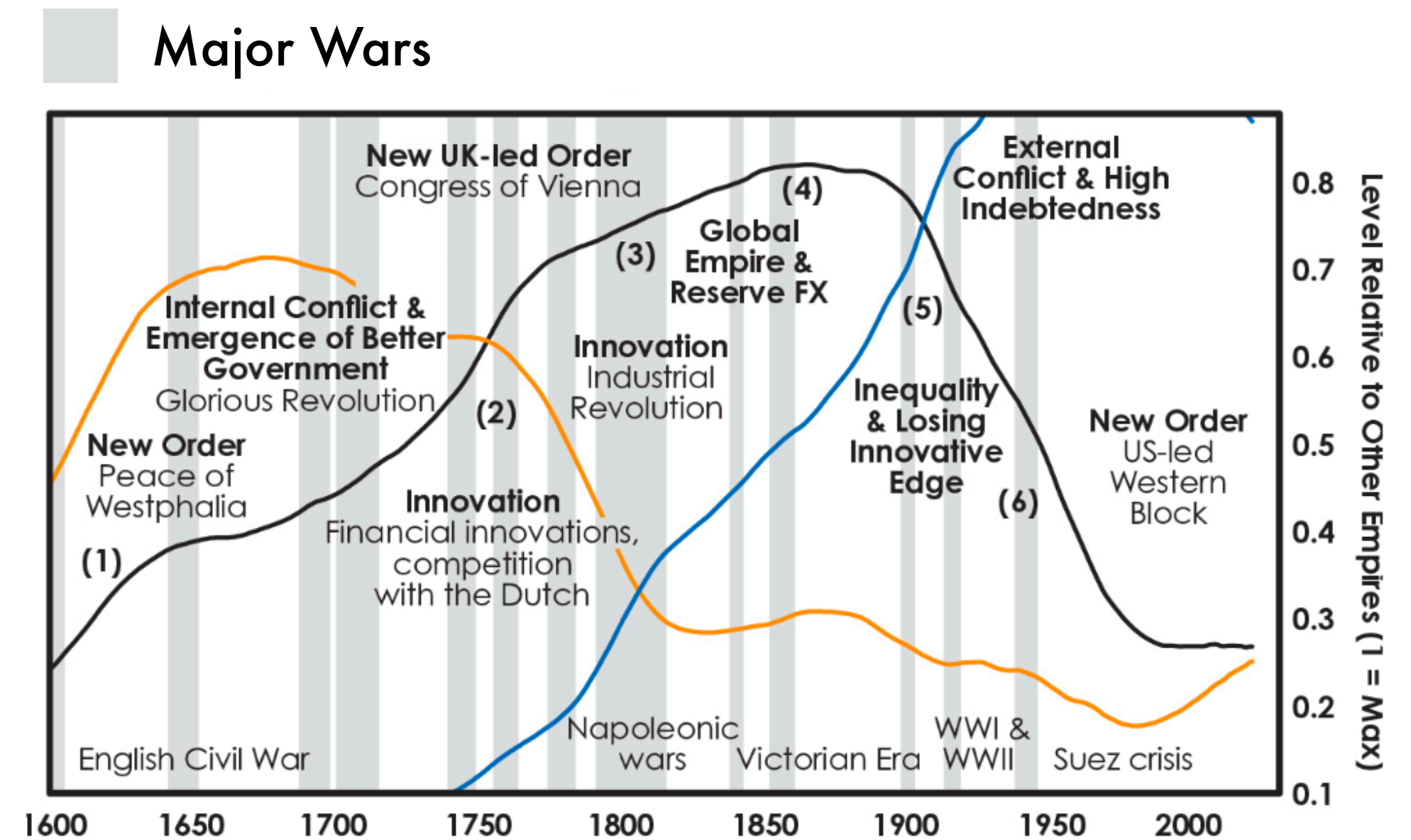
Wars and Economic Repercussions: WW1 and the Decline of the British Empire

Face Value of UK Government Debt by Type (1910 - 1940)



Source: Ellison, M., Sargent, T. J., & Scott, A. (2019). Funding the Great War and the beginning of the end for British hegemony. *Debt and Entanglements Between the Wars*, 59.

Britain's Relative Strength Compared to the United States and the Netherlands

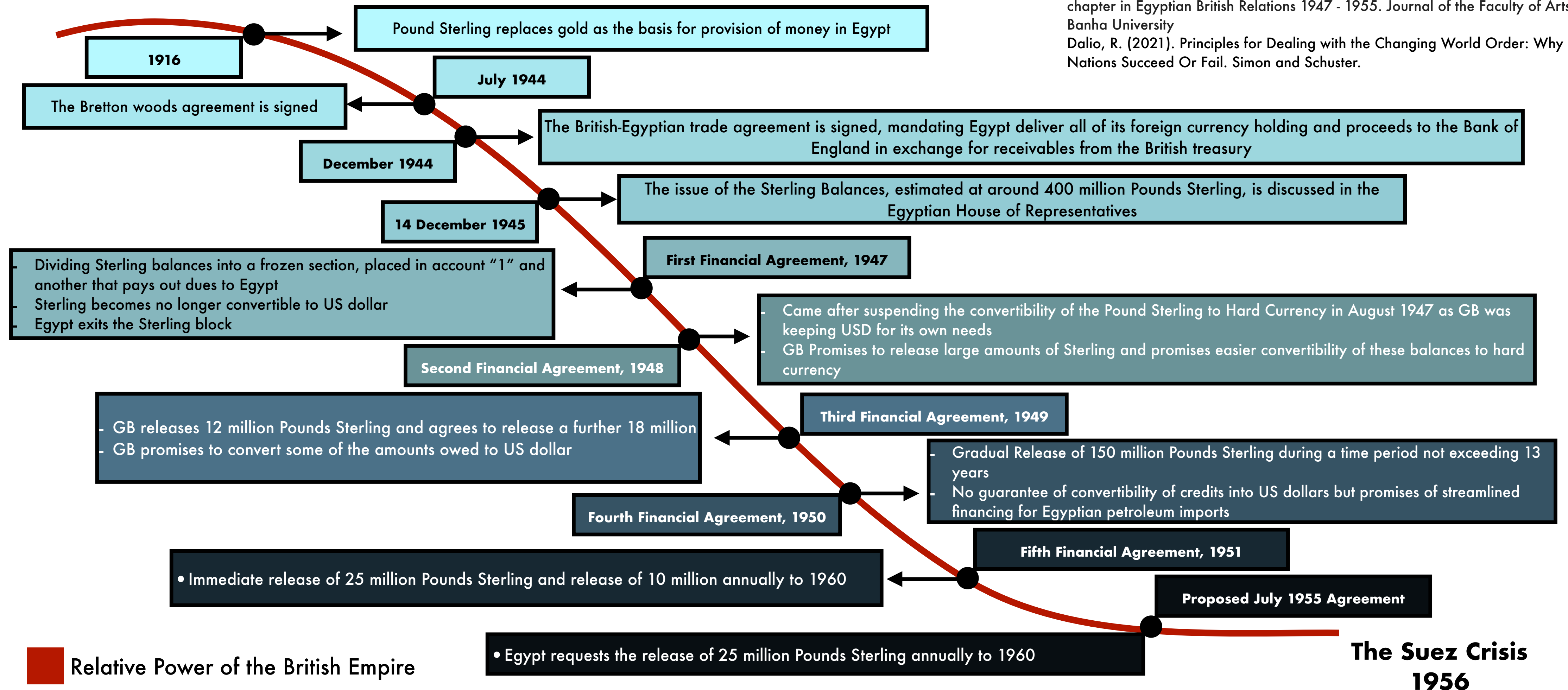


Source: Dalio, R. (2021). Principles for Dealing with the Changing World Order: Why Nations Succeed Or Fail. Simon and Schuster.



Historical Patterns: The Rise and Fall of Empires - The Suez Moment

Peak of the British Empire 1850



Source: Visuals Prepared by researcher

عبد الجواد, نجوى. محمد.. (2005). اتفاقيات الأرصدة الإستراتيجية: فصل في العلاقات المصرية البريطانية 1947-1955. مجلة كلية الآداب. بنها, 12(2), 1-35

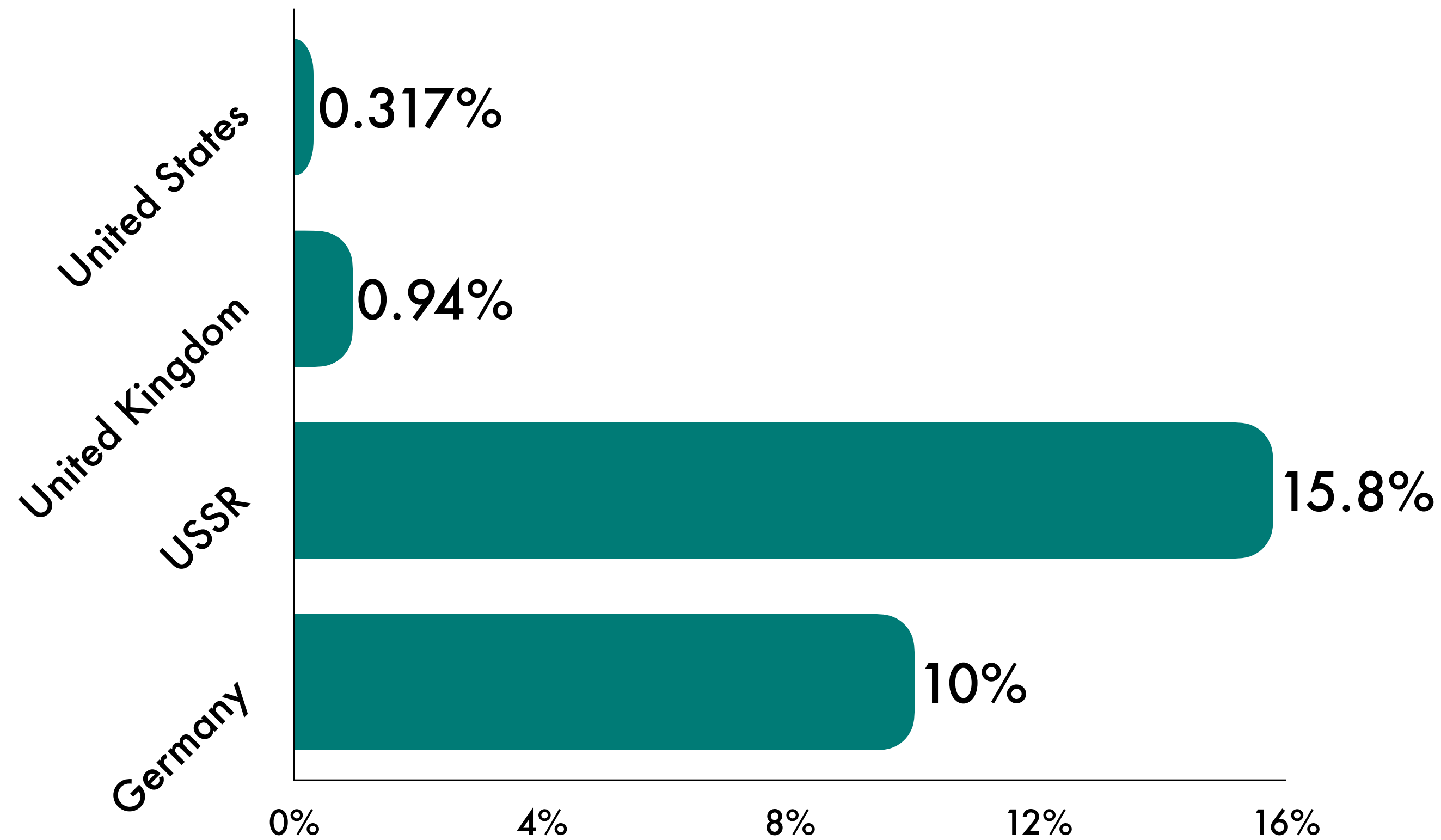
Abdelgawad, Nagwa Mohamed..(2005) The Sterling Balances Agreement: A chapter in Egyptian British Relations 1947 - 1955. Journal of the Faculty of Arts, Banha University

Dalio, R. (2021). Principles for Dealing with the Changing World Order: Why Nations Succeed Or Fail. Simon and Schuster.

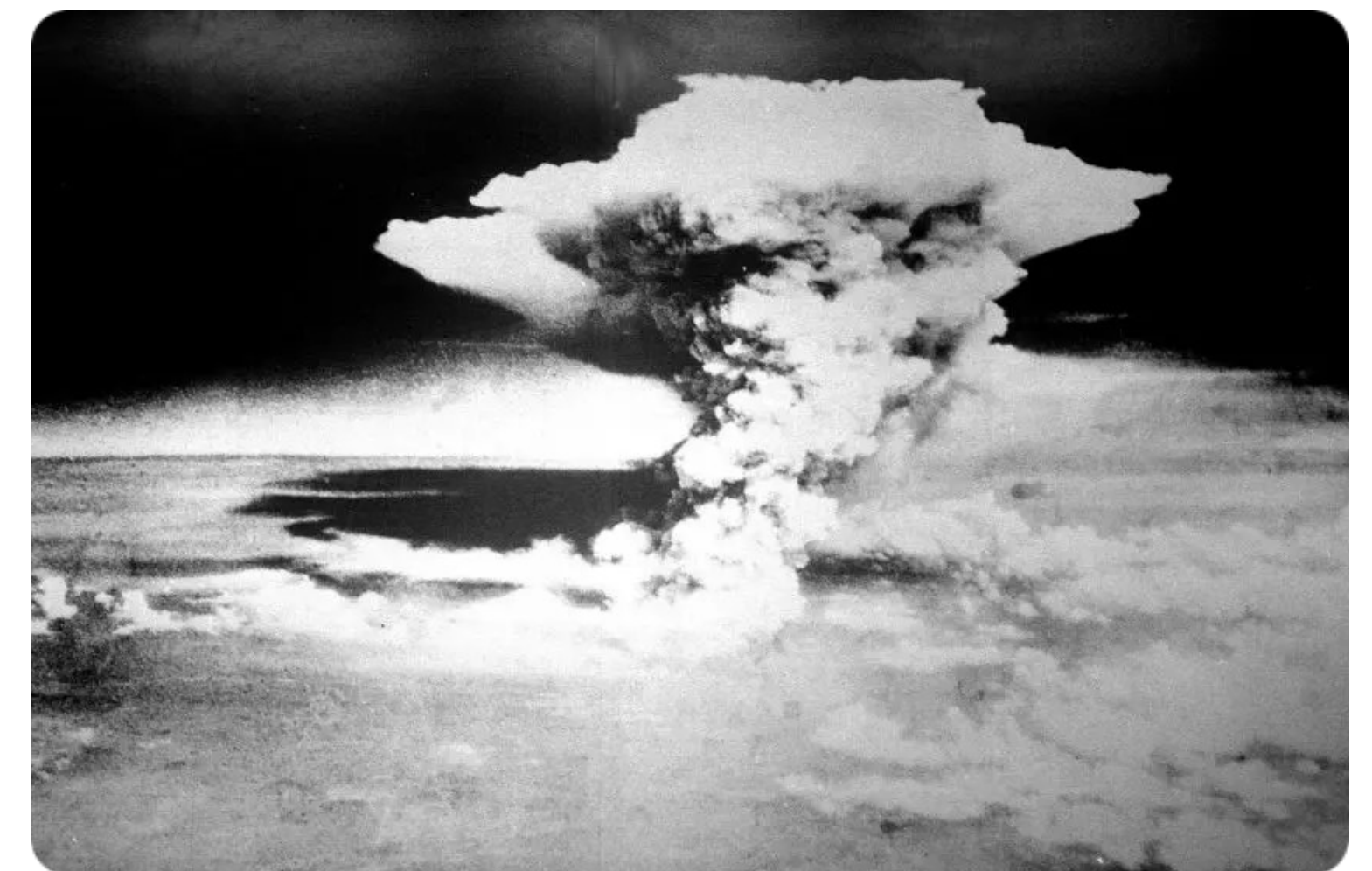


Wars and Their Economic Repercussions: WW2 and US Hegemony

WWII Casualties as % of Total 1939 Population

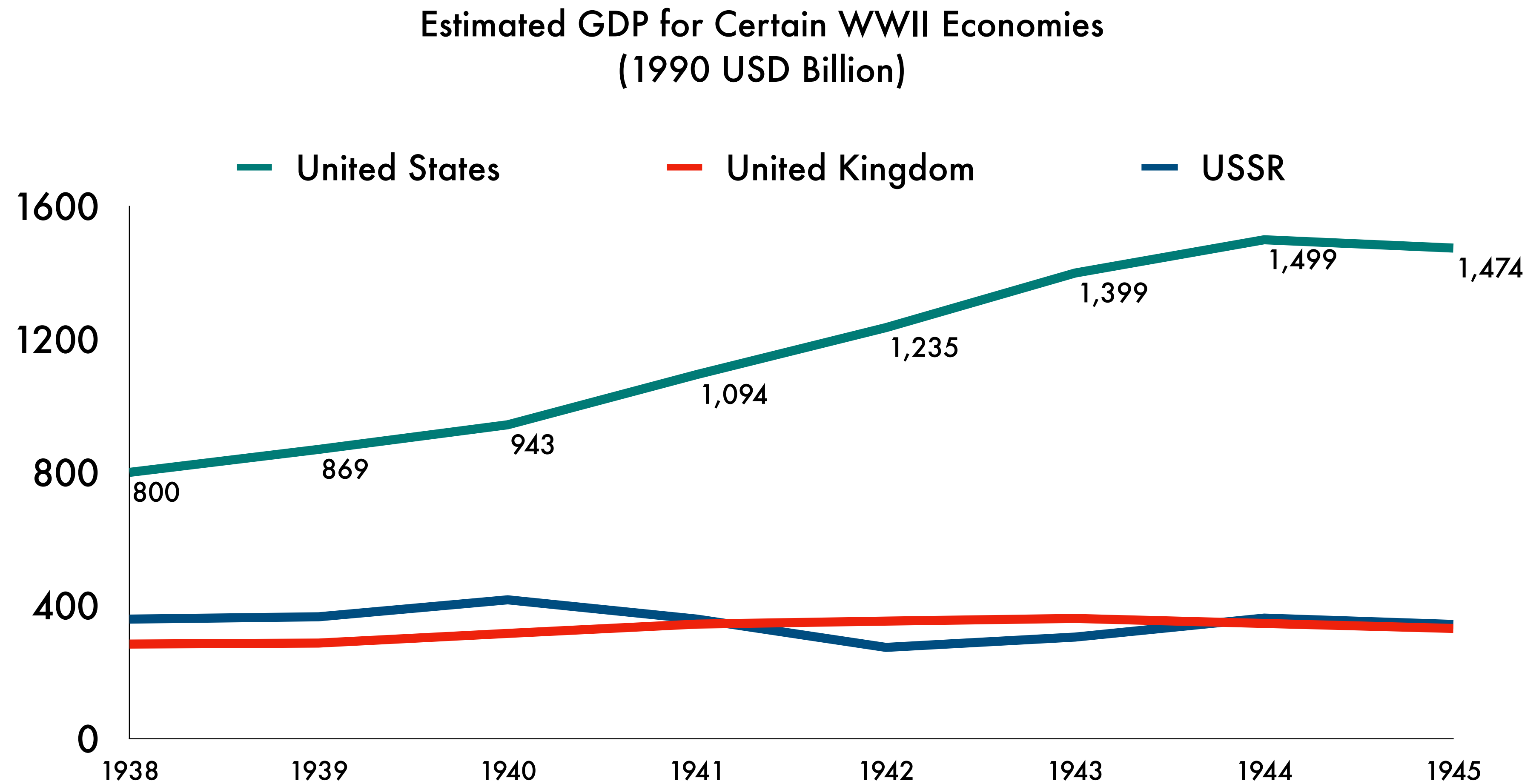


Source: World Population Review / World War II Casualties by Country - Total Casualties (Military + Civilian)





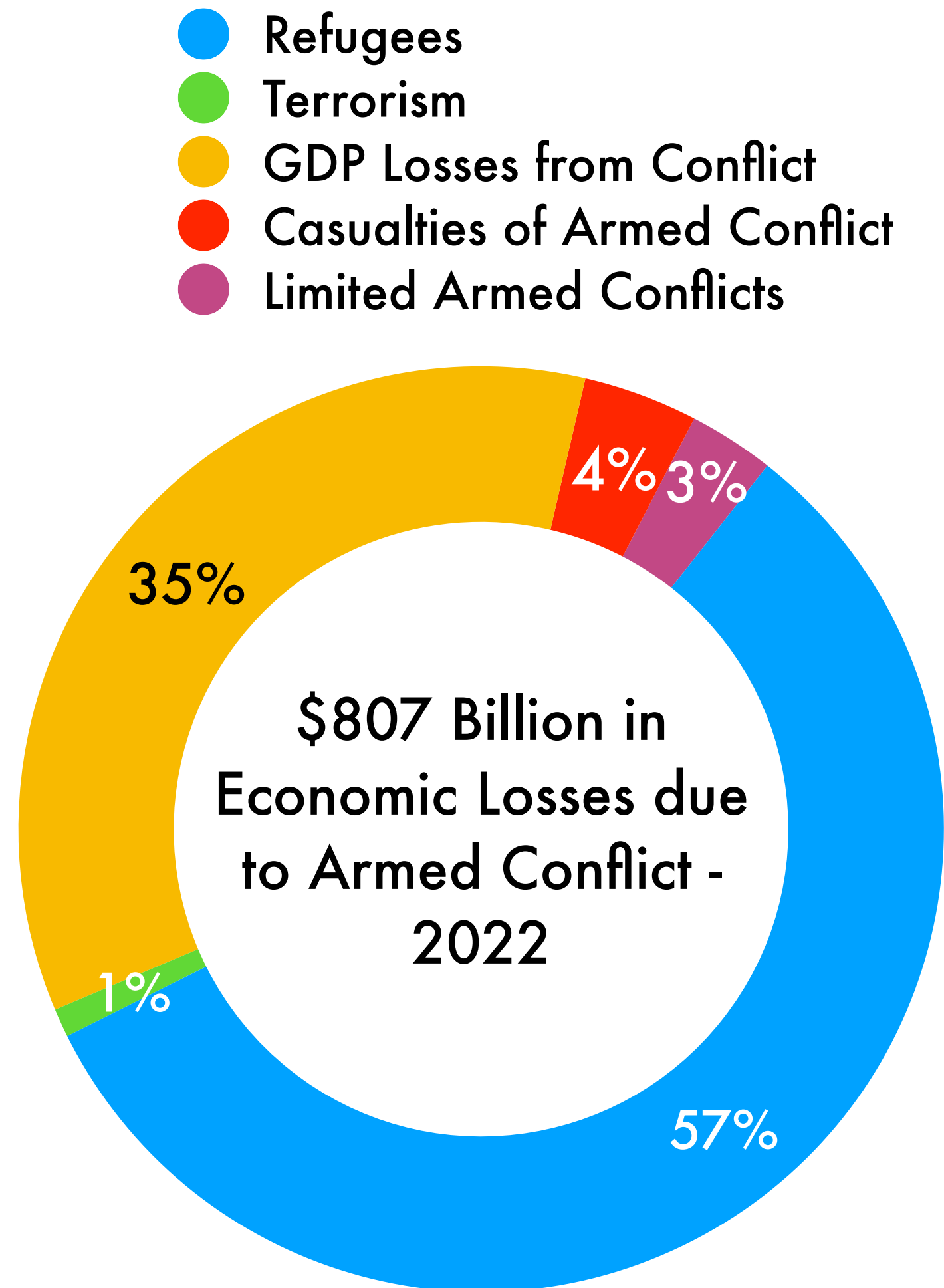
Wars and Their Economic Repercussions: WW2 and US Hegemony



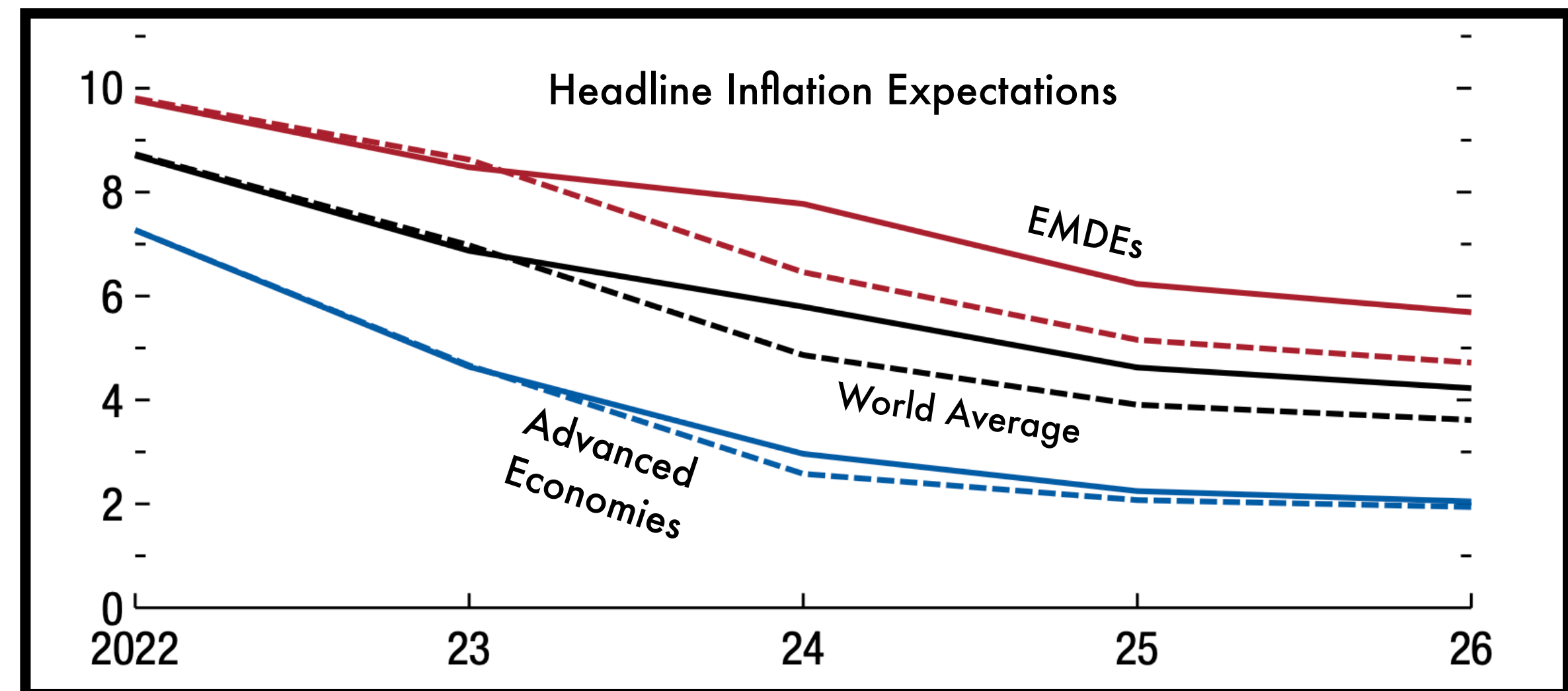
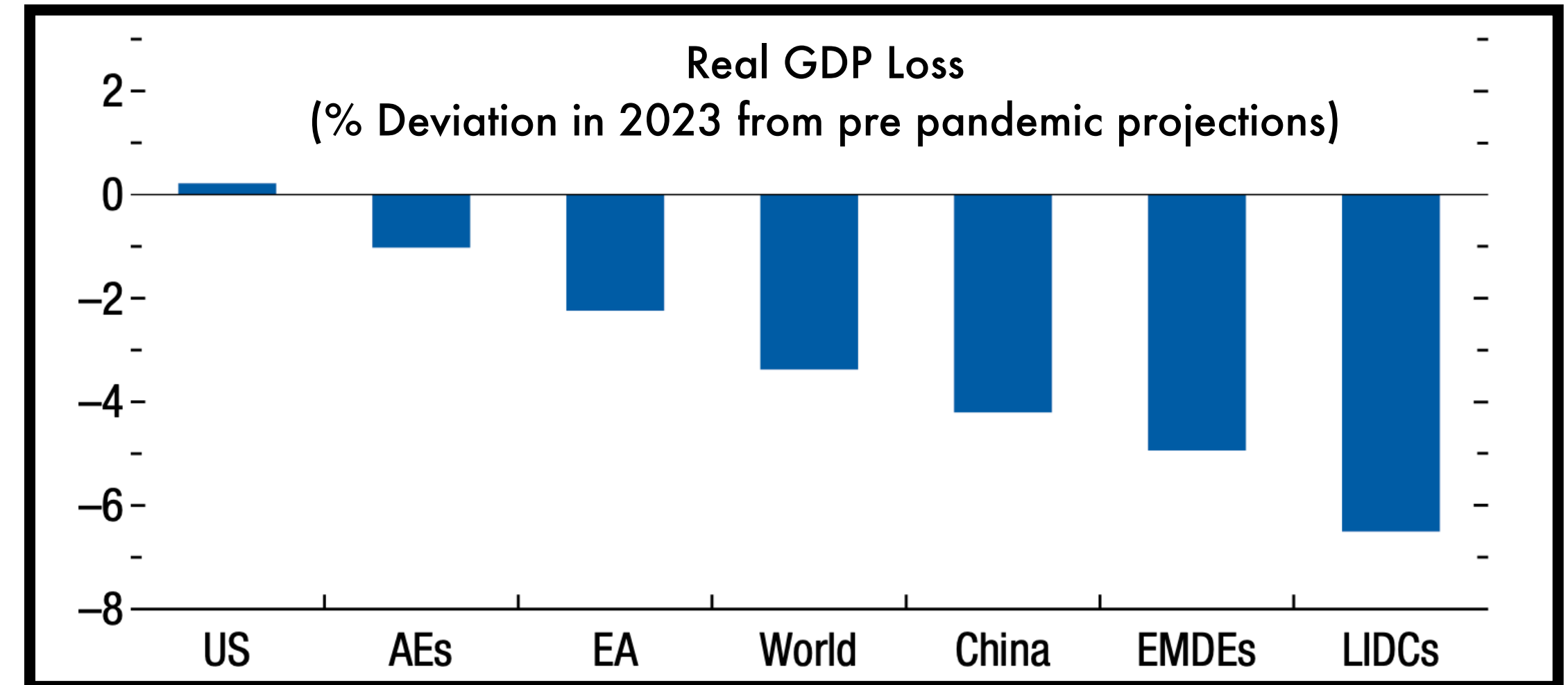
Source: Angus, M. (2003). Development centre studies the world economy historical statistics: historical statistics. OECD publishing.



Wars and Disruptors: Rise in Conflict



Source: Institute for Economics and Peace - Global Peace Index 2023

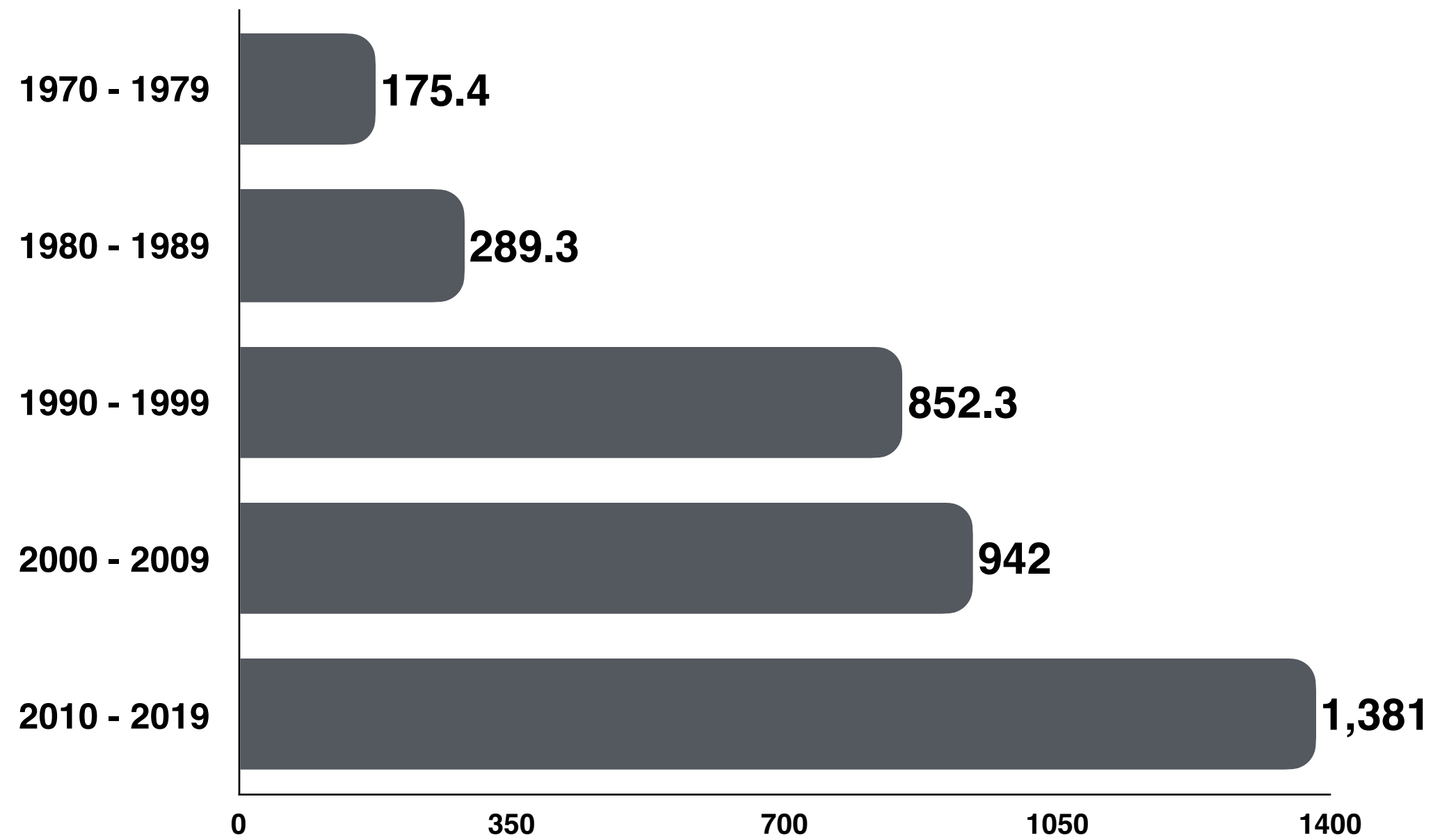


Source: International Monetary Fund - World Economic Outlook 2023

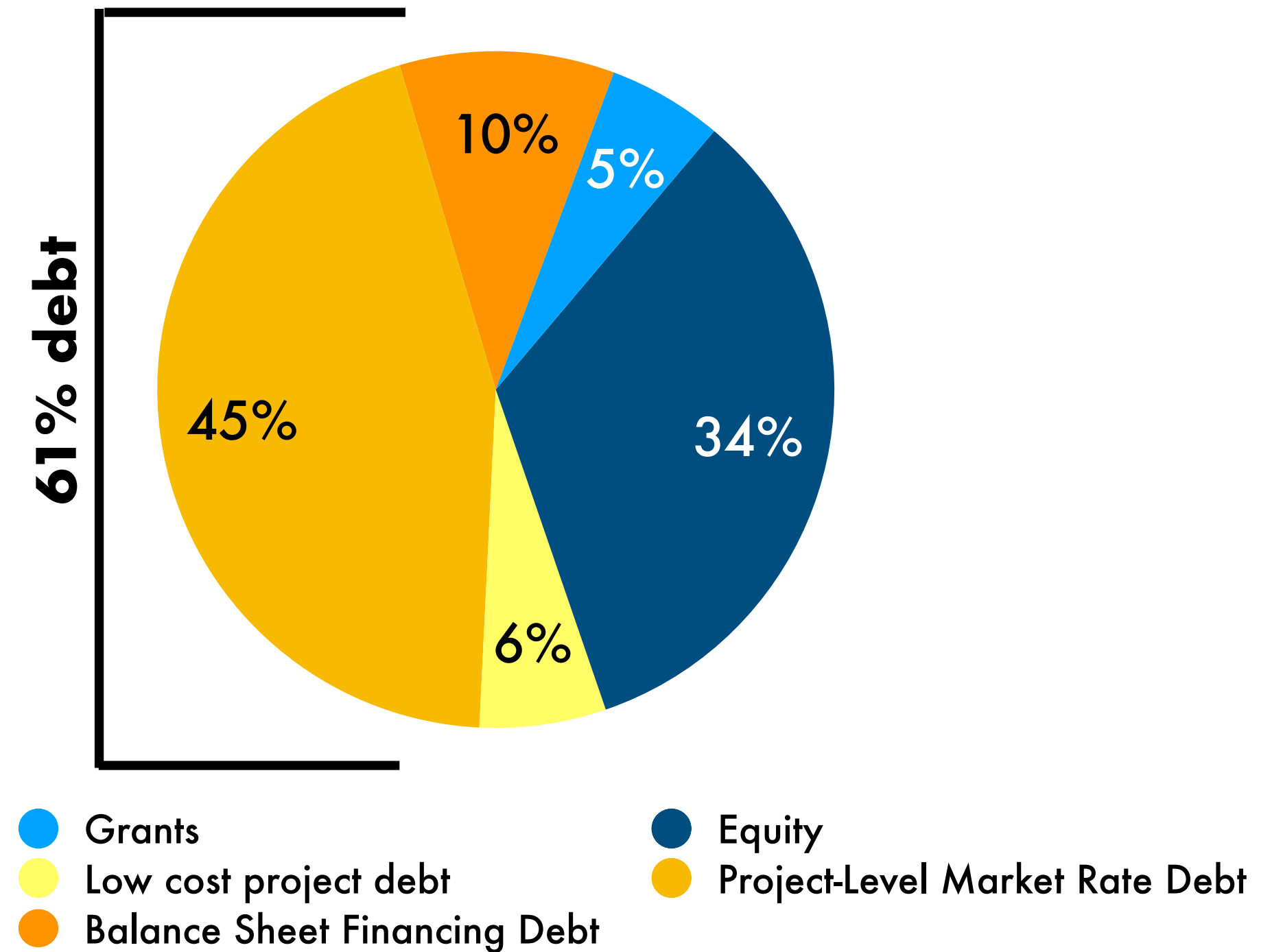


Wars and Disruptors: Climate Change

Economic losses from climate related events 1970 - 2019 (USD Billion)



Source: World Meteorological Organization, 2022

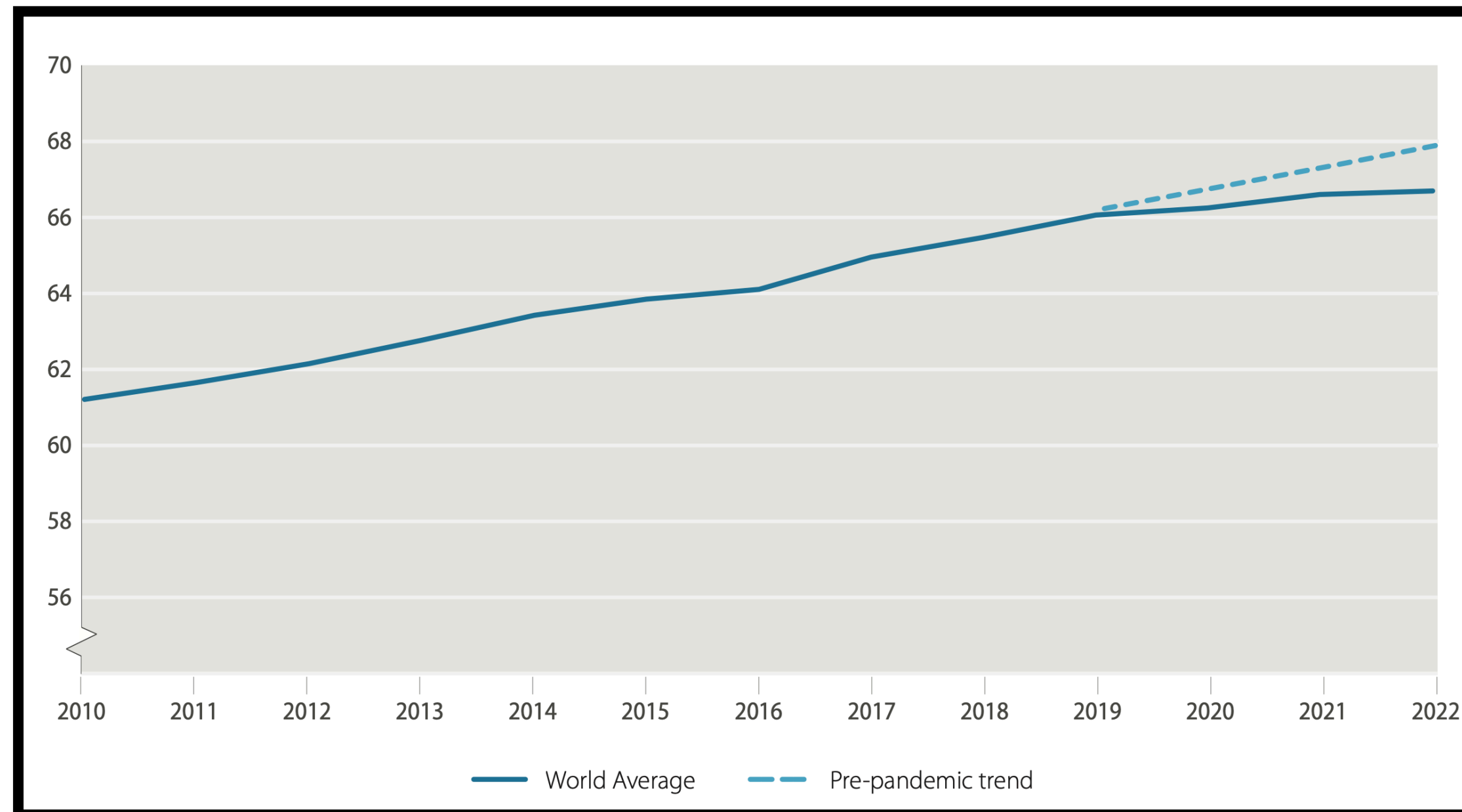


Source: Climate Policy Initiative Global Landscape of Climate Finance 2023 - November 2nd, 2023

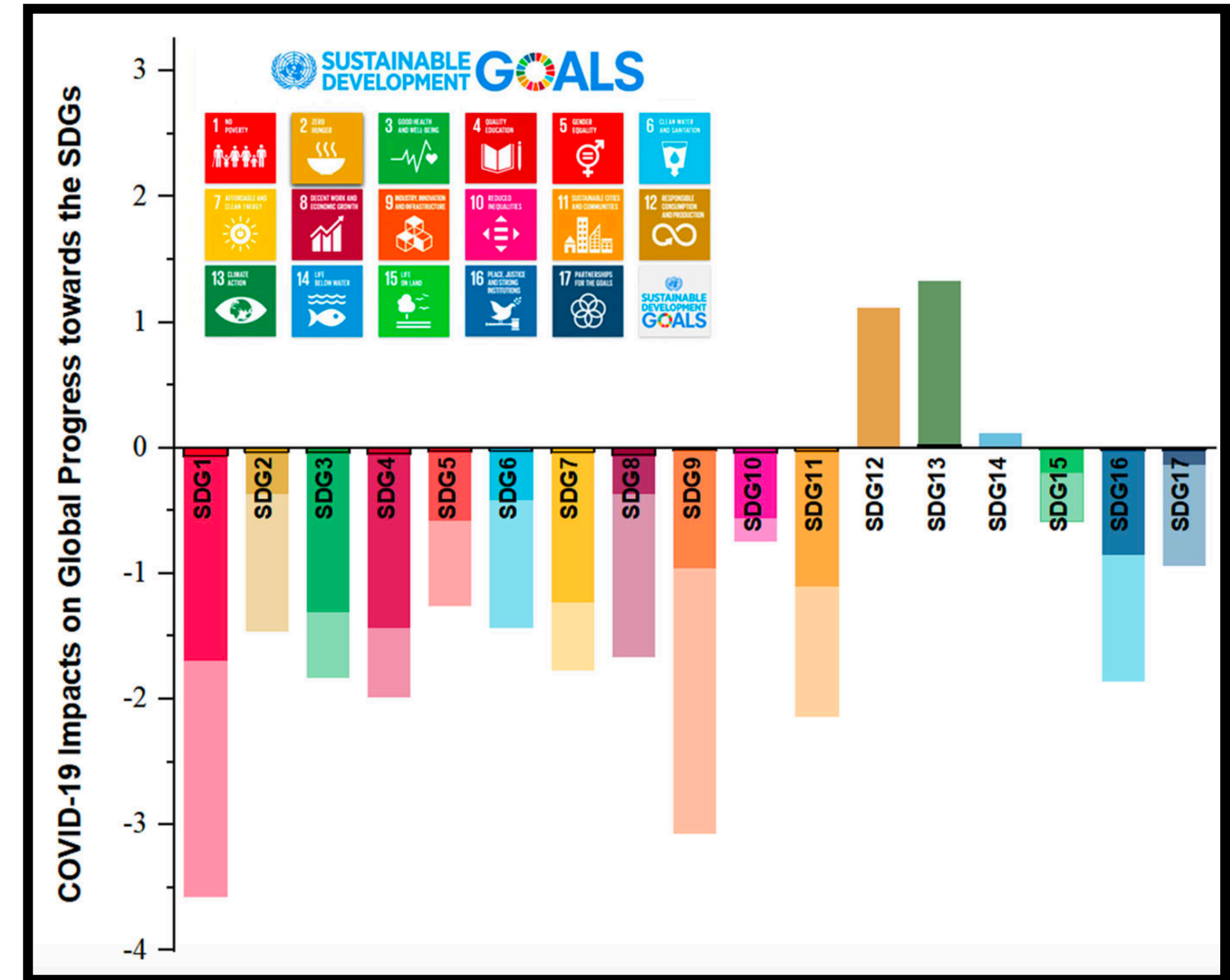


Wars and Disruptors: The COVID-19 Pandemic

SDG Index World Average 2010 - 2022



Source: United Nations - The Sustainable Development Goals Report 2023 - Special Edition

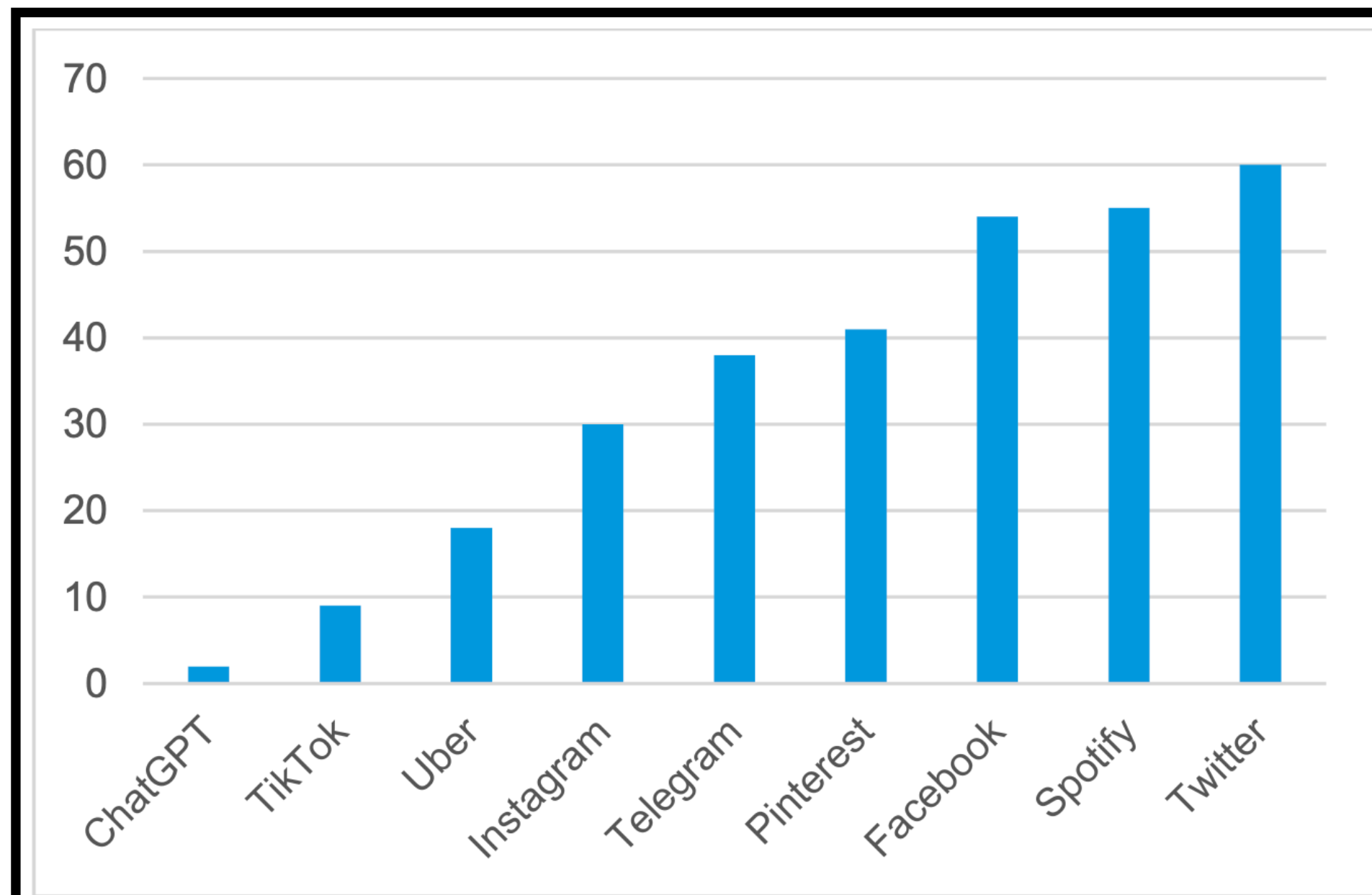


Source: Yuan, H., Wang, X., Gao, L., Wang, T., Liu, B., Fang, D., & Gao, Y. (2023). Progress towards the Sustainable Development Goals has been slowed by indirect effects of the COVID-19 pandemic. *Communications Earth & Environment*, 4(1), 184.

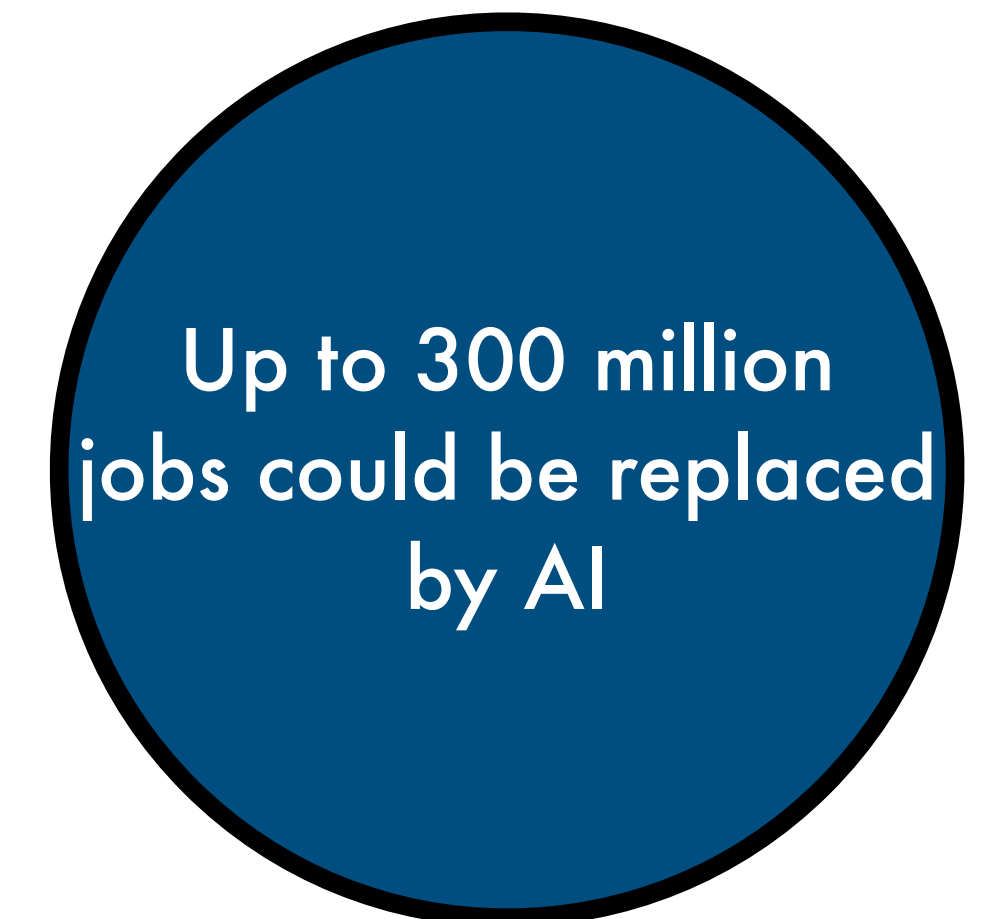
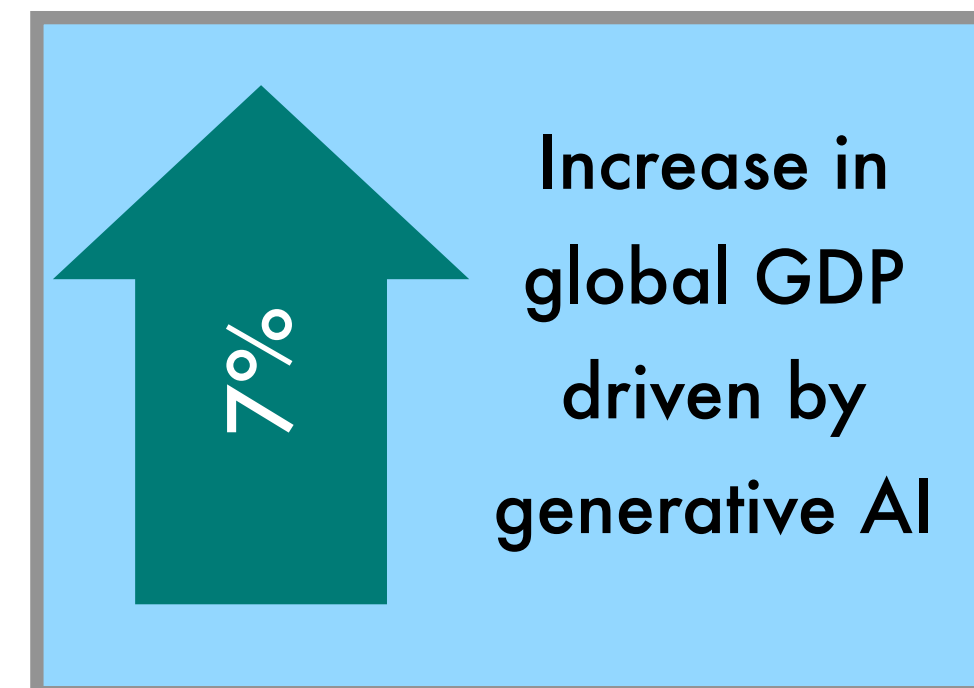
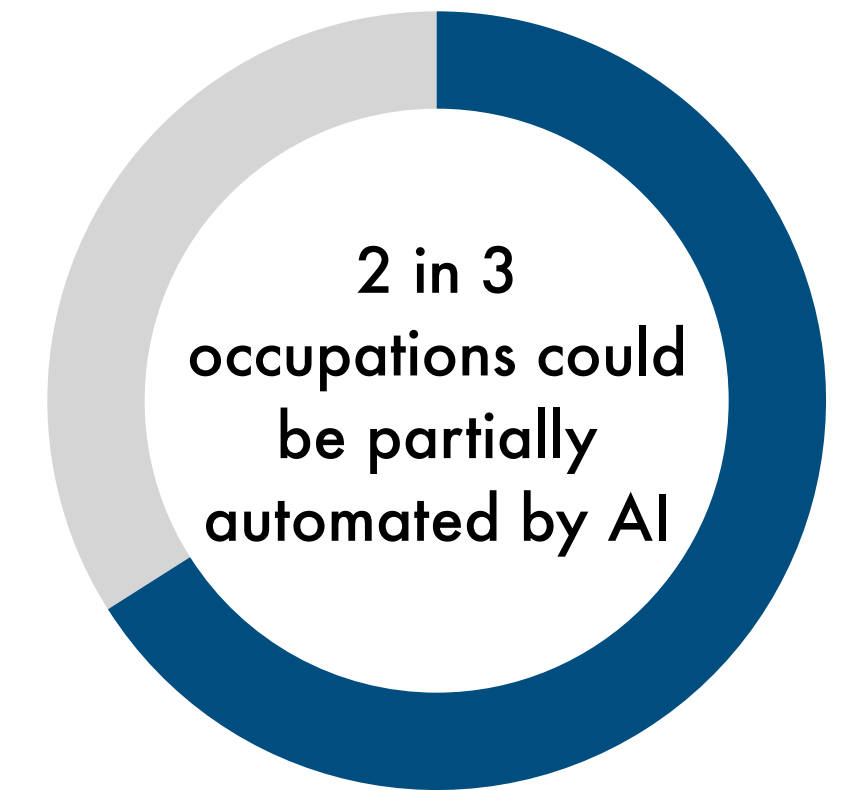
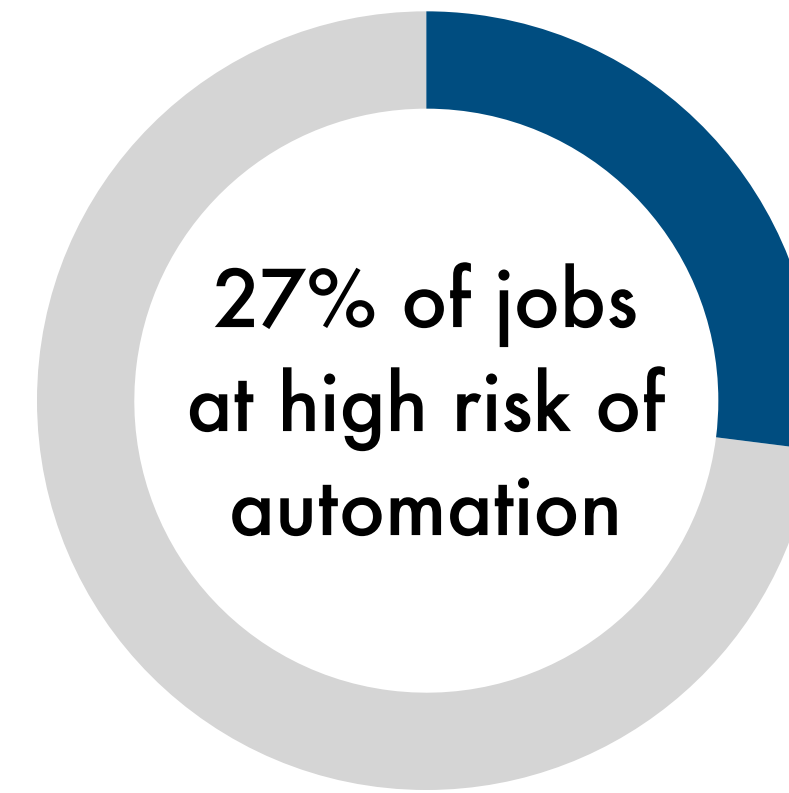


Wars and Disruptors: Digitalization and Artificial Intelligence

Months to reach 100 million users



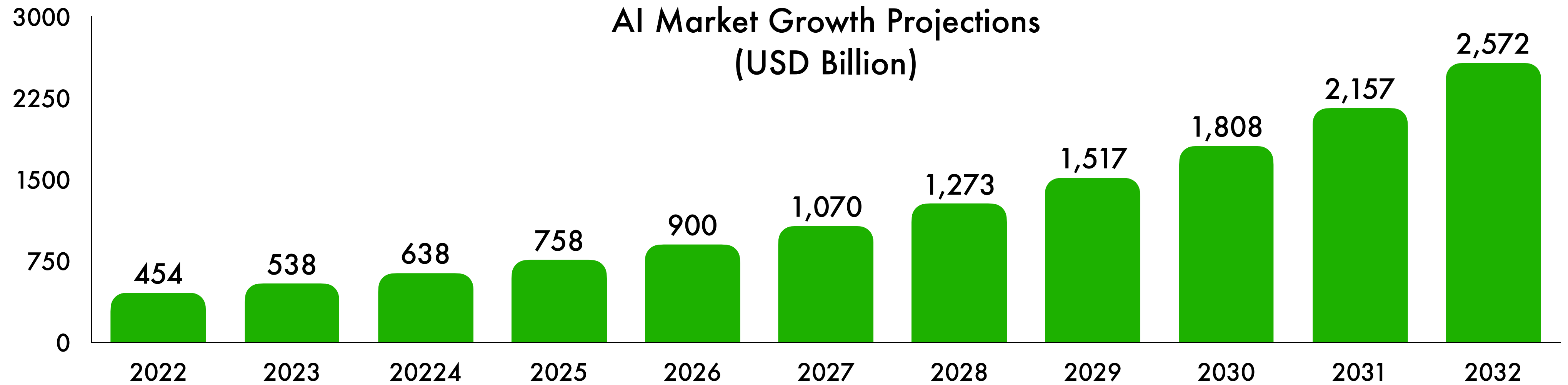
Source: IMF staff calculations based on data from company websites.



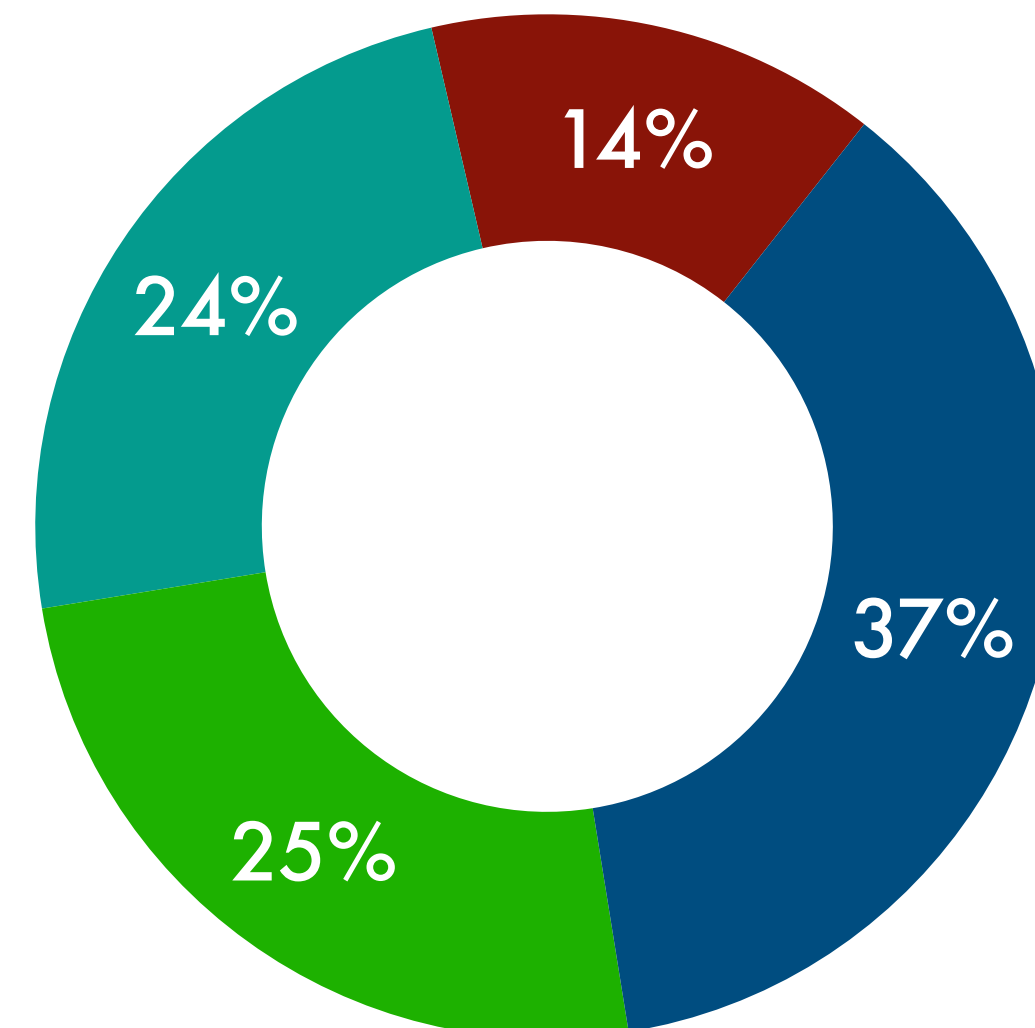
Source: Future Investment Initiative Institute, "AI and the Future Impact" 2024 citing Goldman Sachs, OECD and University of North Carolina



Wars and Disruptors: Digitization and Artificial Intelligence



- North America
- Europe
- Asia and Pacific
- Latin America and Middle East



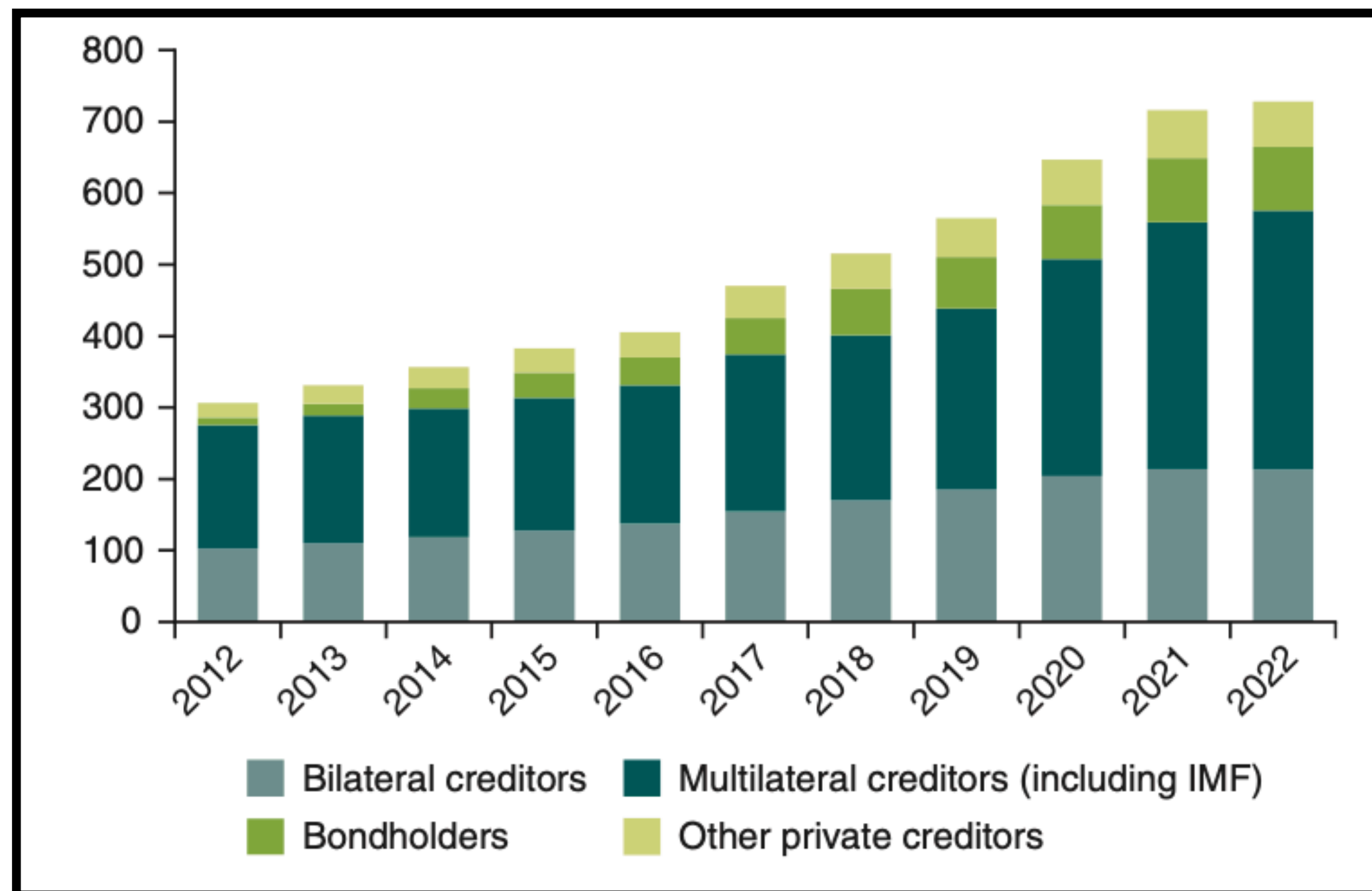
AI Market Share of Different Regions (2022)

Source: Artificial Intelligence Report by Precedence Research, issued October 2022

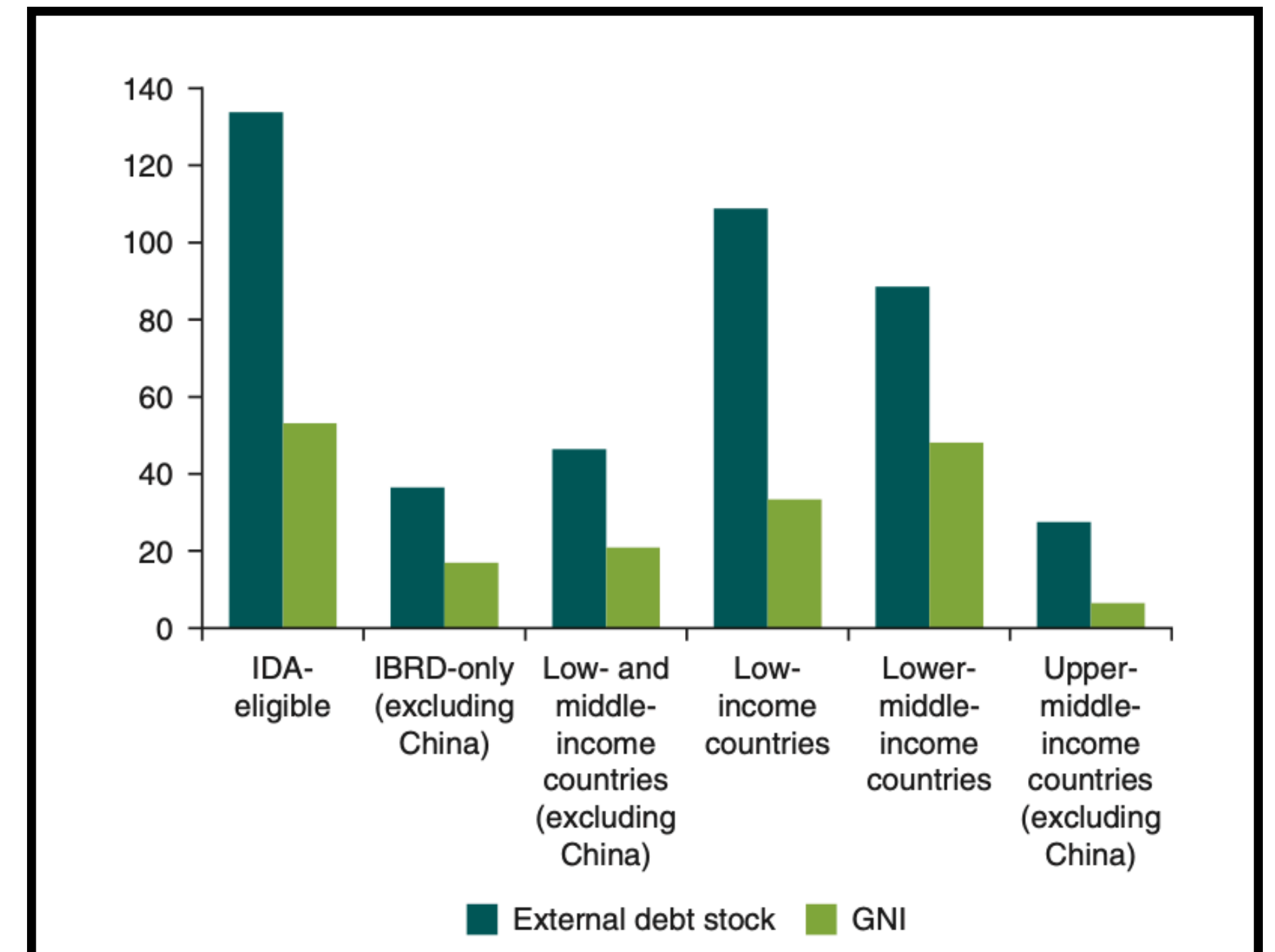


Wars and Disruptors: Debt

Creditor Composition of Long-Term Public and Publicly Guaranteed External Debt for IDA-Eligible Countries, 2012 - 2022 (USD Billion)

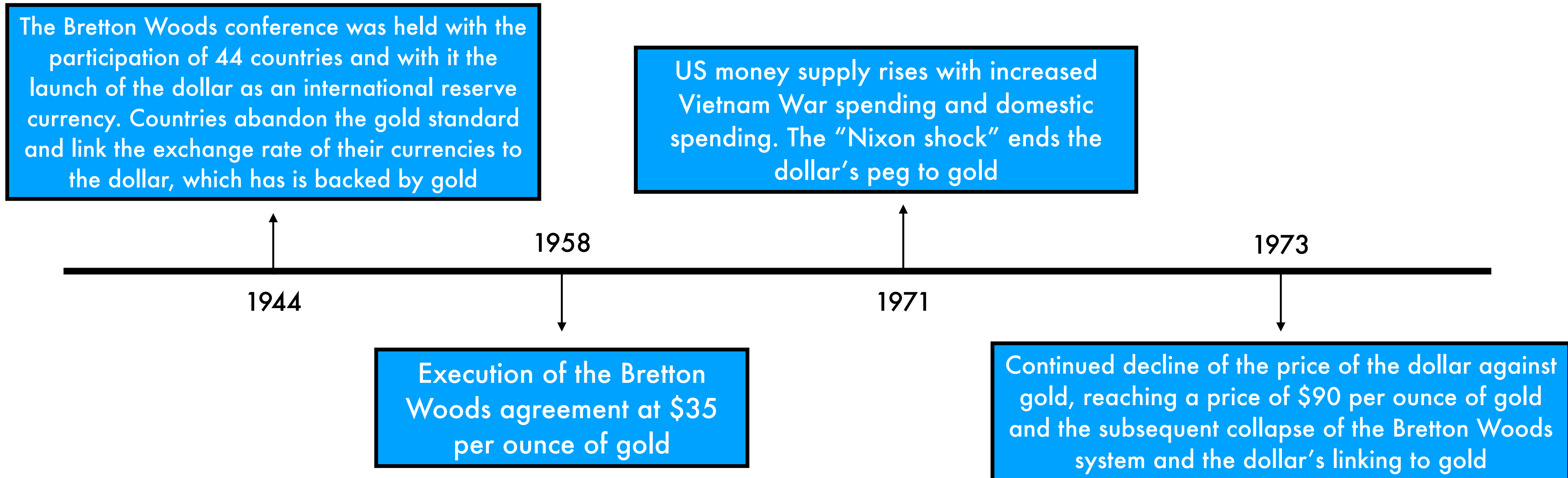


Change in External Debt Stock and GNI, by Income and Lending Group, 2021 - 2022 (%)





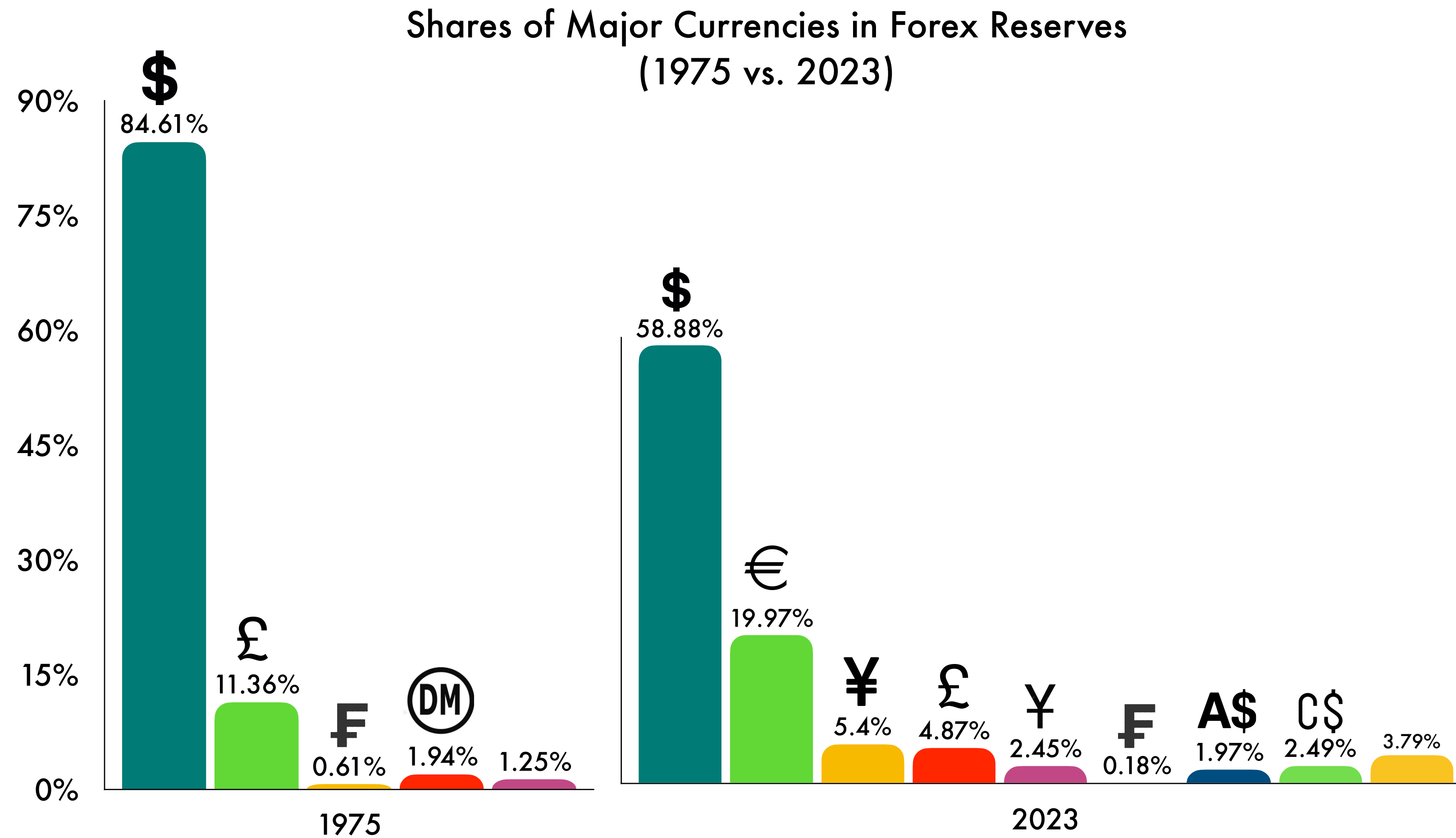
Dollar Dominance: The Beginning and the End of Bretton Woods



Source: Visuals Prepared by researcher based on: Bordo, M. D. (1993). The Bretton Woods international monetary system: a historical overview. In *A retrospective on the Bretton Woods system: Lessons for international monetary reform* (pp. 3-108). University of Chicago Press.



Dollar Dominance: Evolution of Forex Reserves

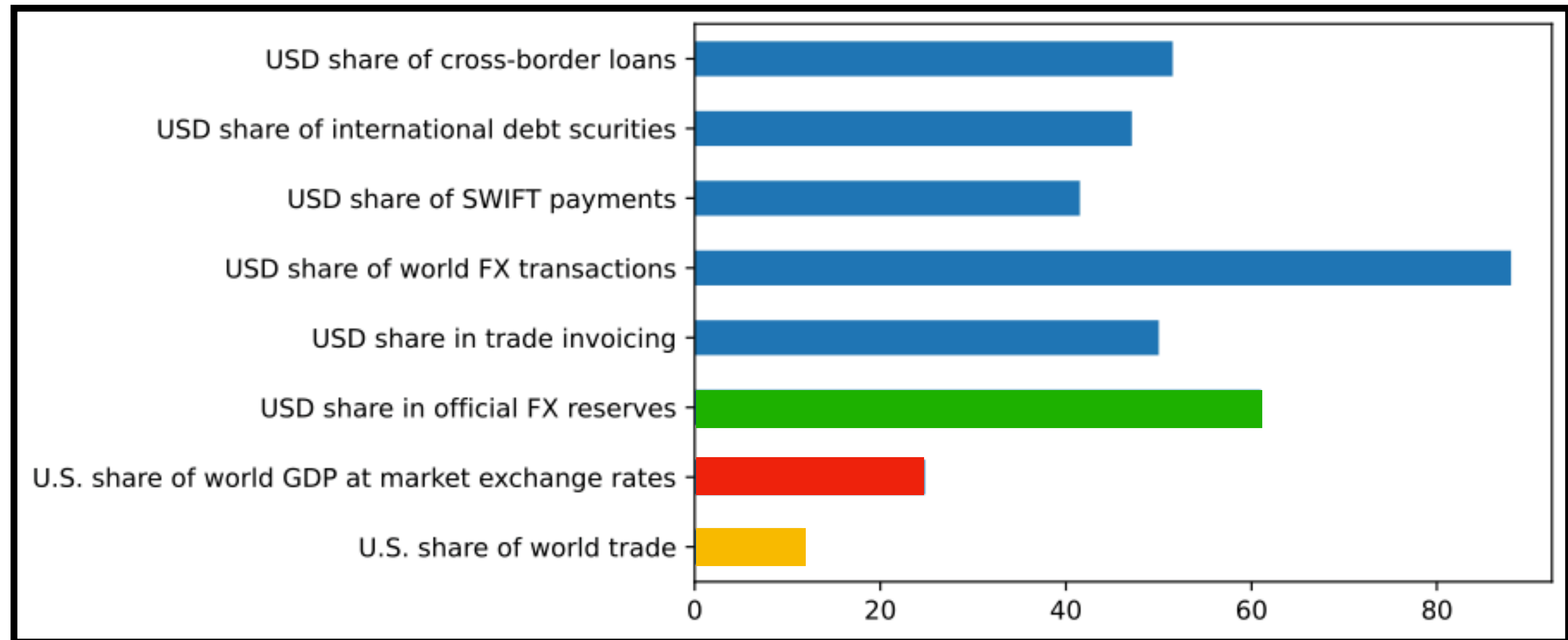


Source: International Monetary Fund - Foreign Exchange Database



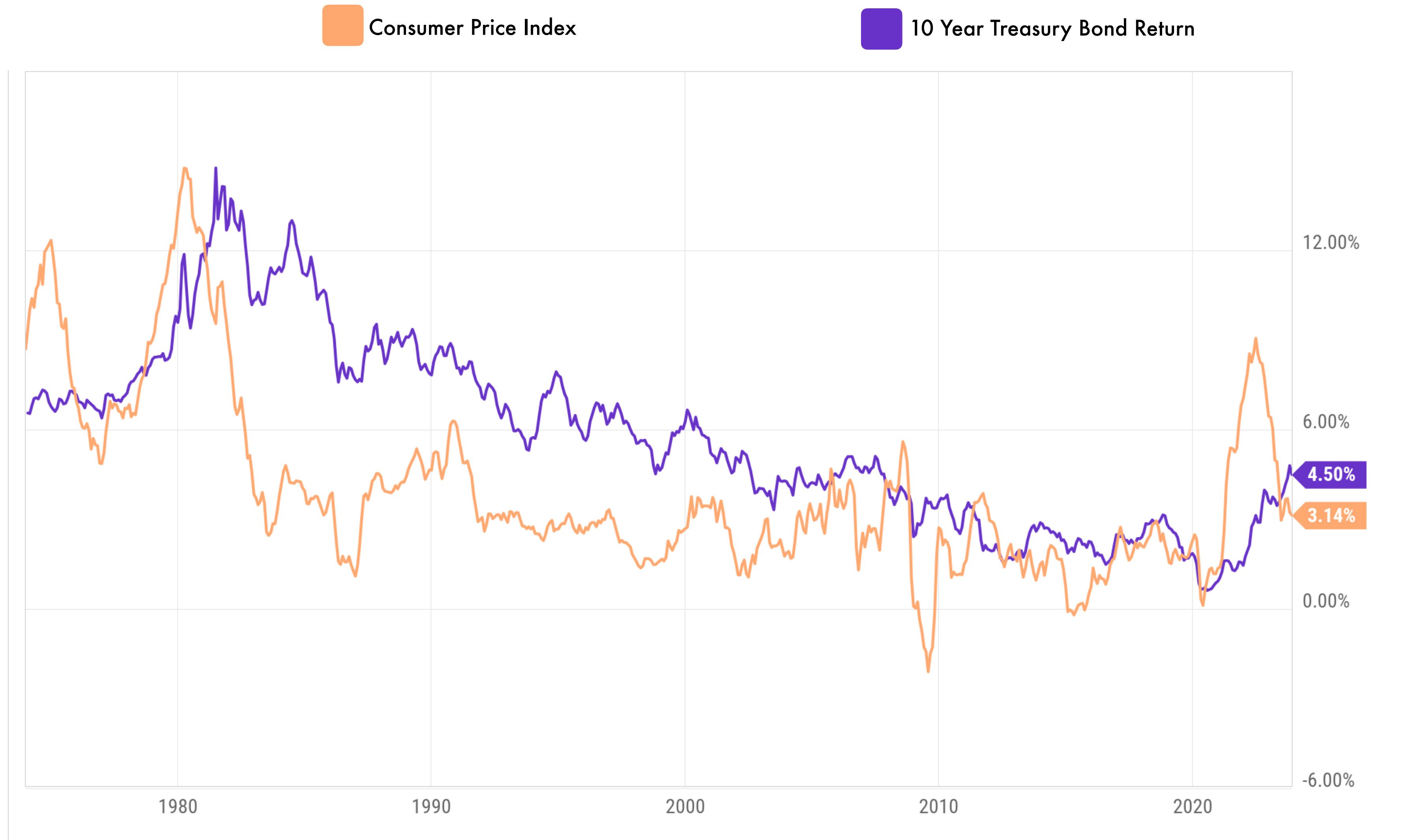
Dollar Dominance: The Dollar's Share in International Transactions

The US dollar's Share in International Transactions (2020)





Dollar Dominance: Has the Decline Started?



Source: St. Louis Federal Reserve



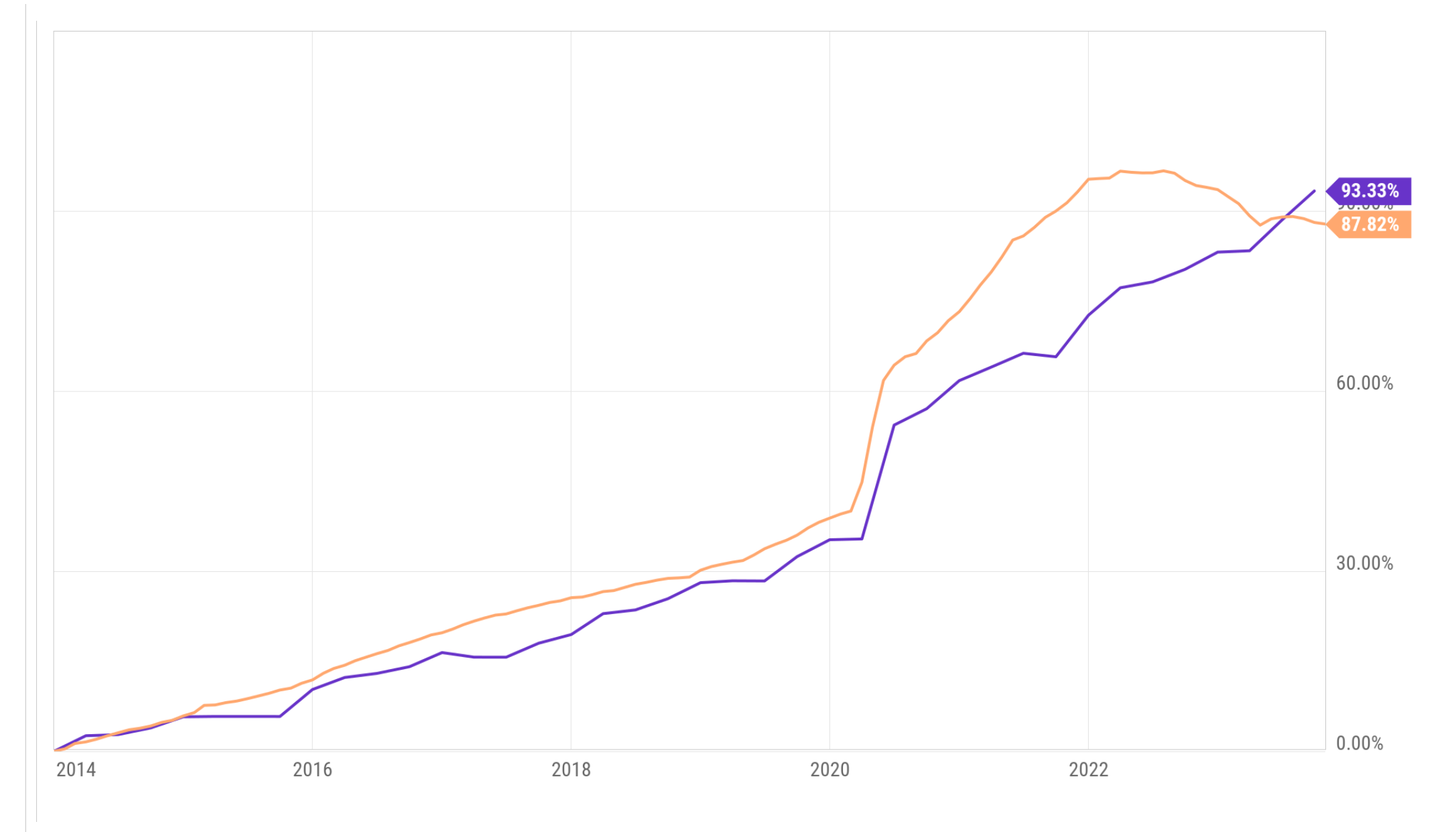
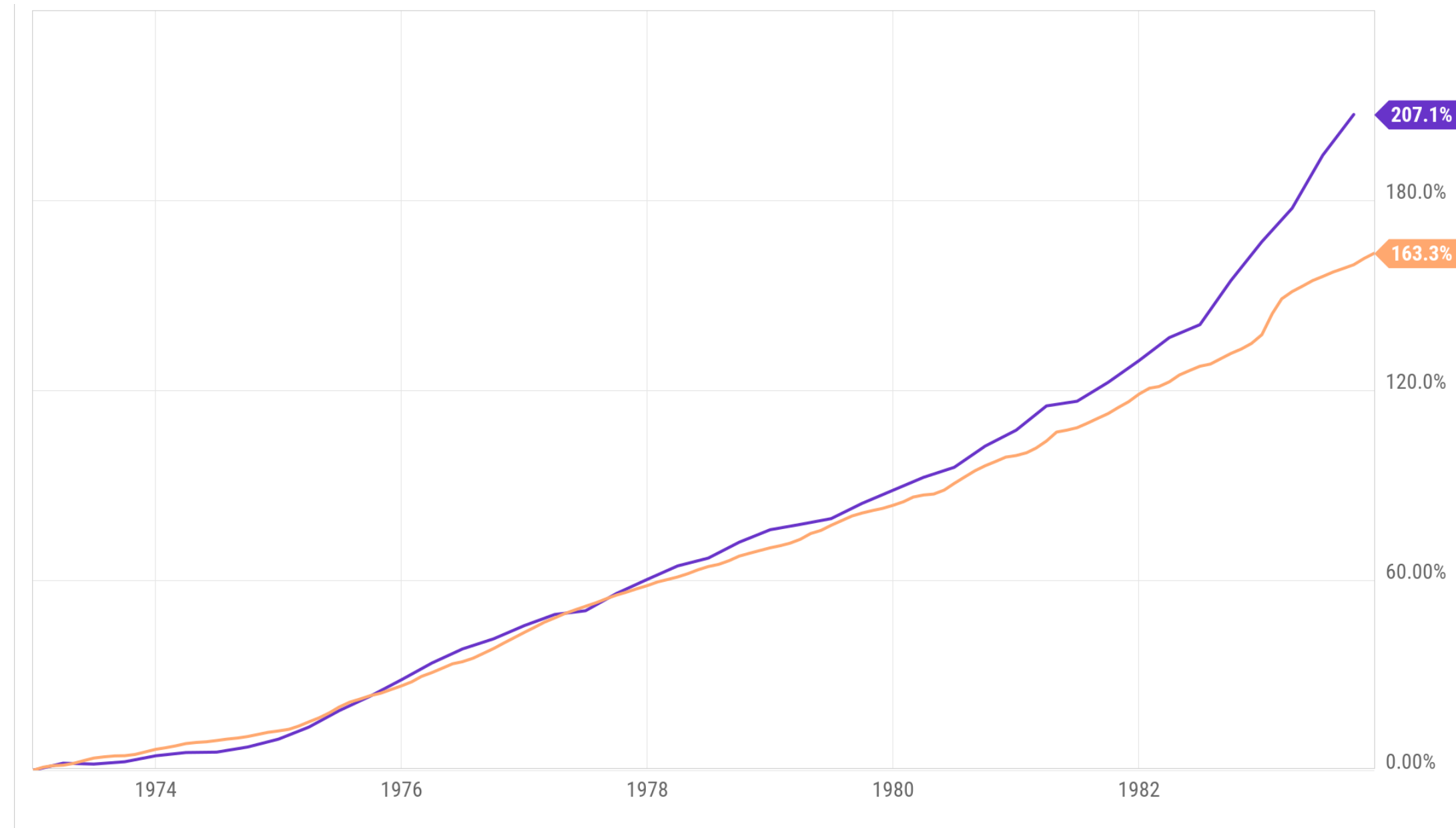
Dollar Dominance: Has the Decline Started?

M2 Money Supply Growth Rate

US Public Debt Growth Rate

1973 - 1984

2014 - 2023

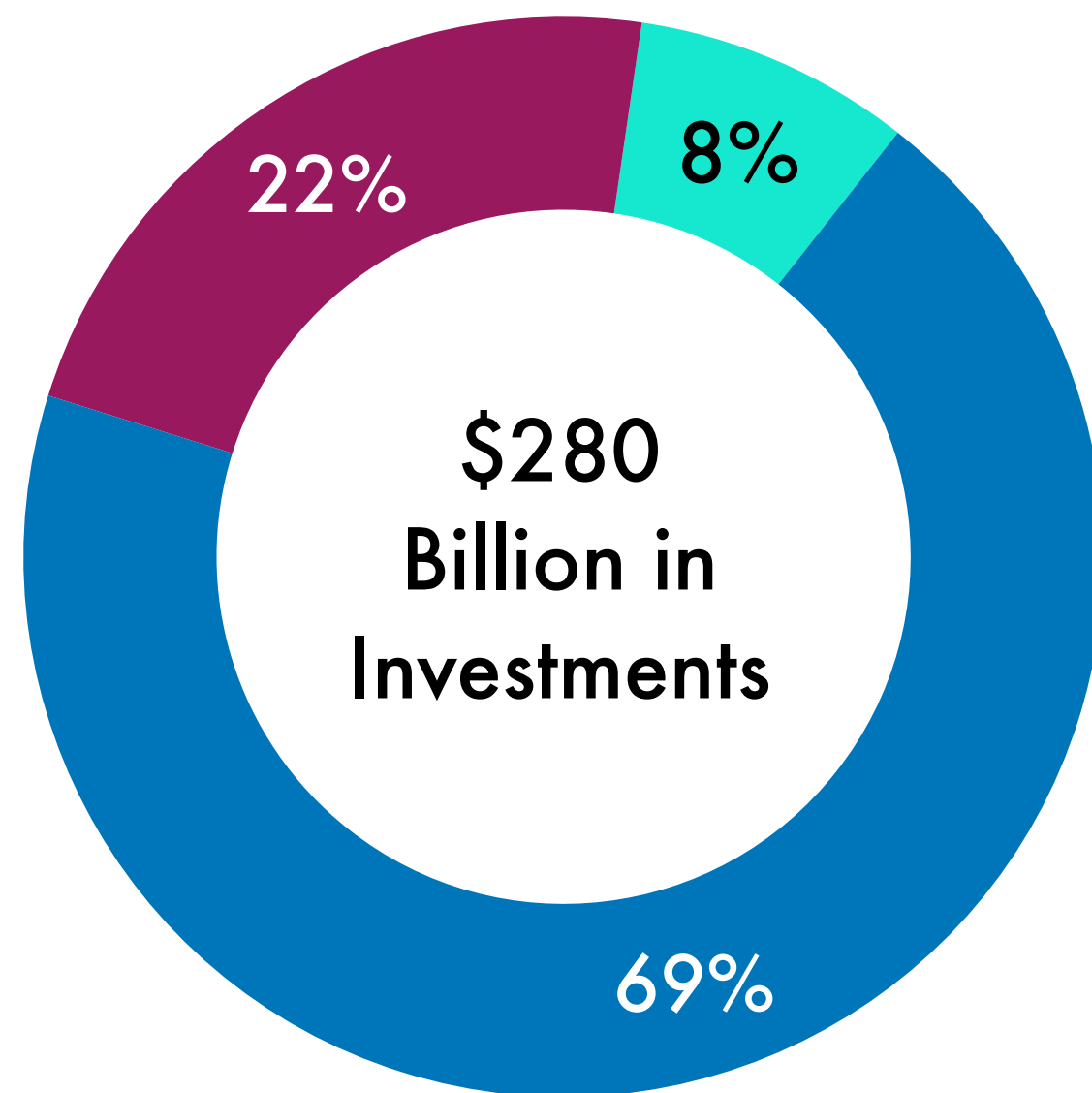




Dollar Dominance: Economic Stimulus and the New Industrial Policy

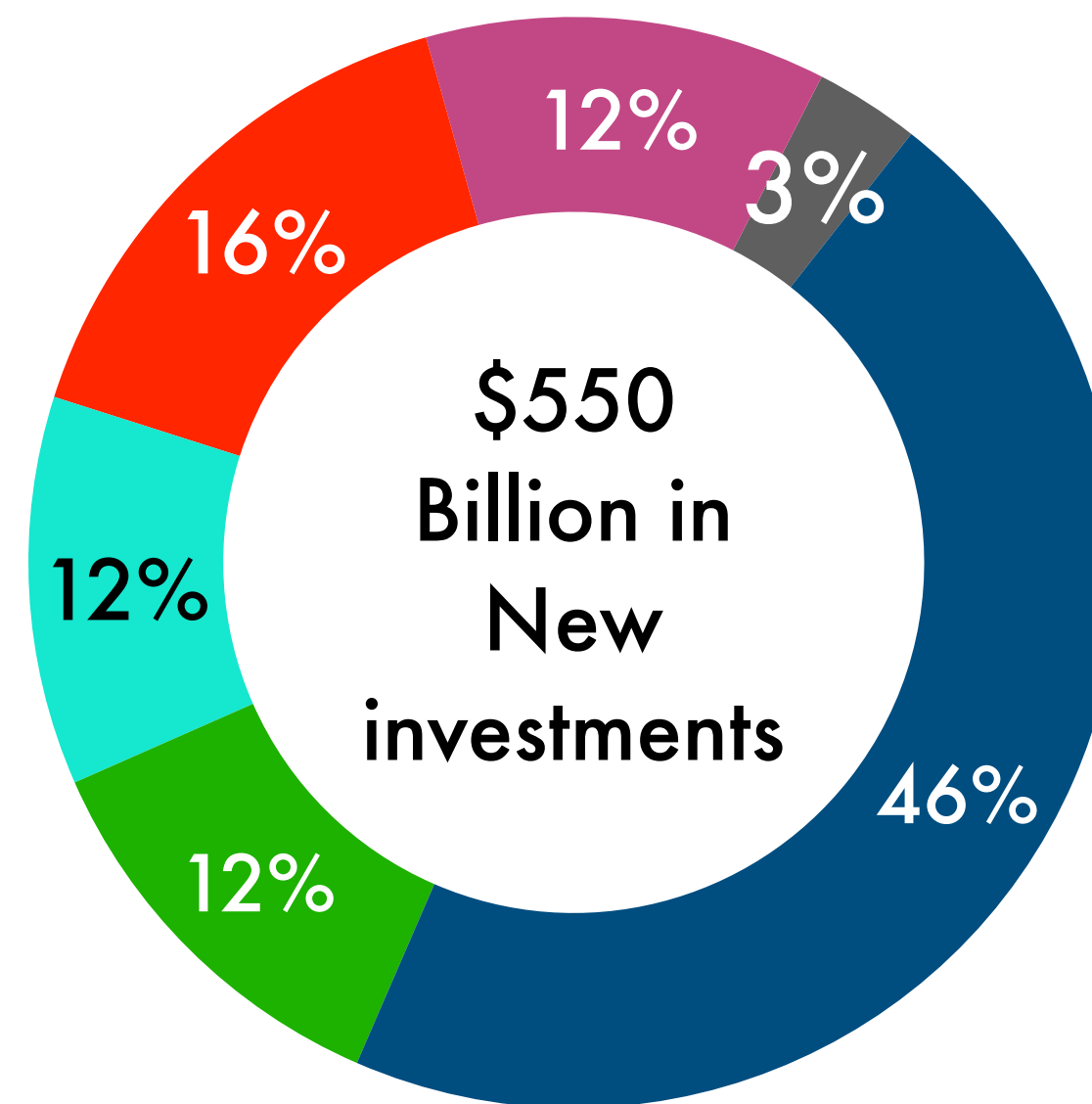
CHIPS and Science Act

- Scientific Research
- Semiconductors R&D
- Tax Credits for Semiconductor Manufacturing



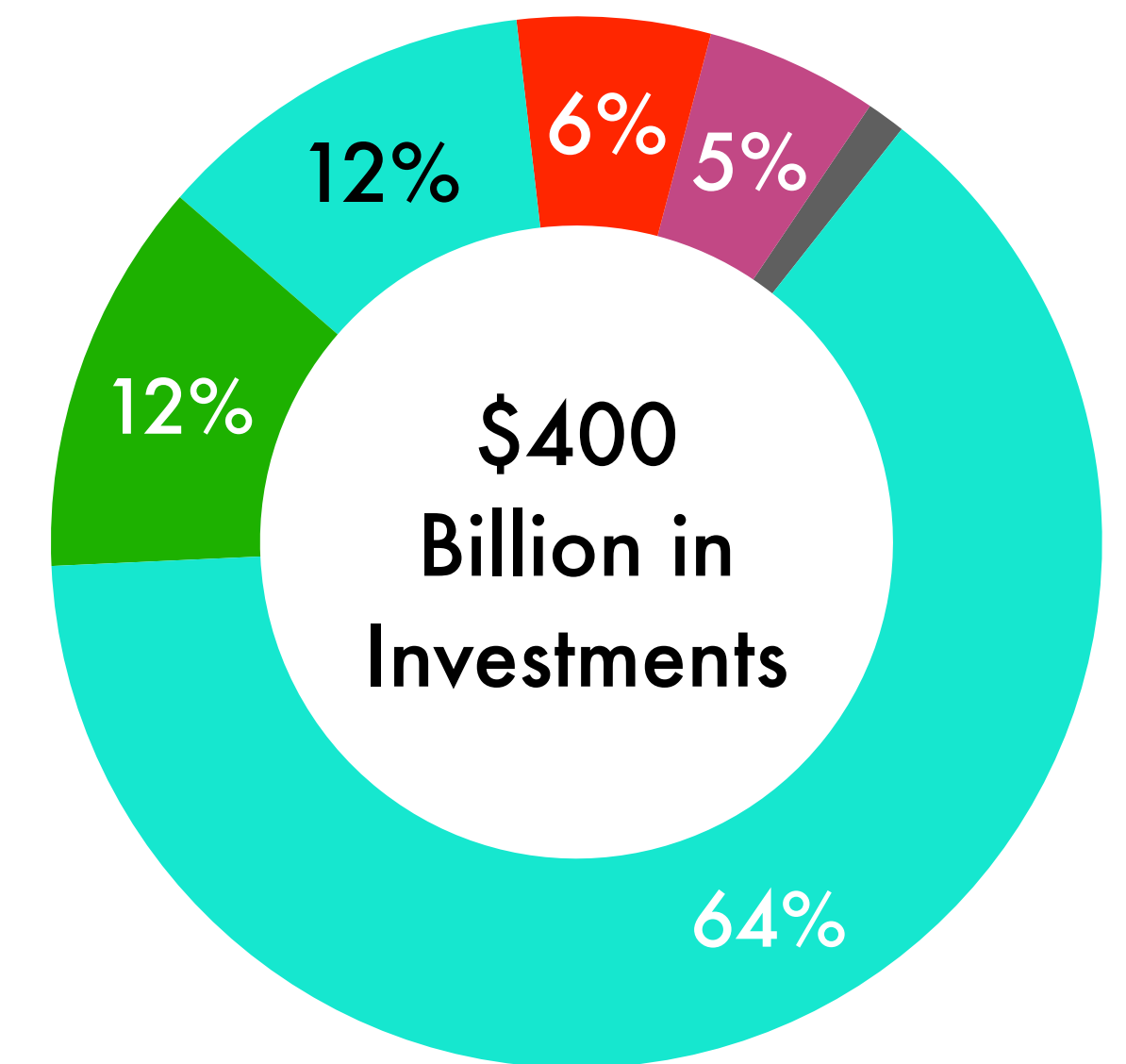
Infrastructure Bill

- Transportation
- Energy
- Water
- Green Transformation
- Communication
- Other



Inflation Reduction Act

- Energy
- Environment
- Agriculture
- Industry
- Transport
- Water



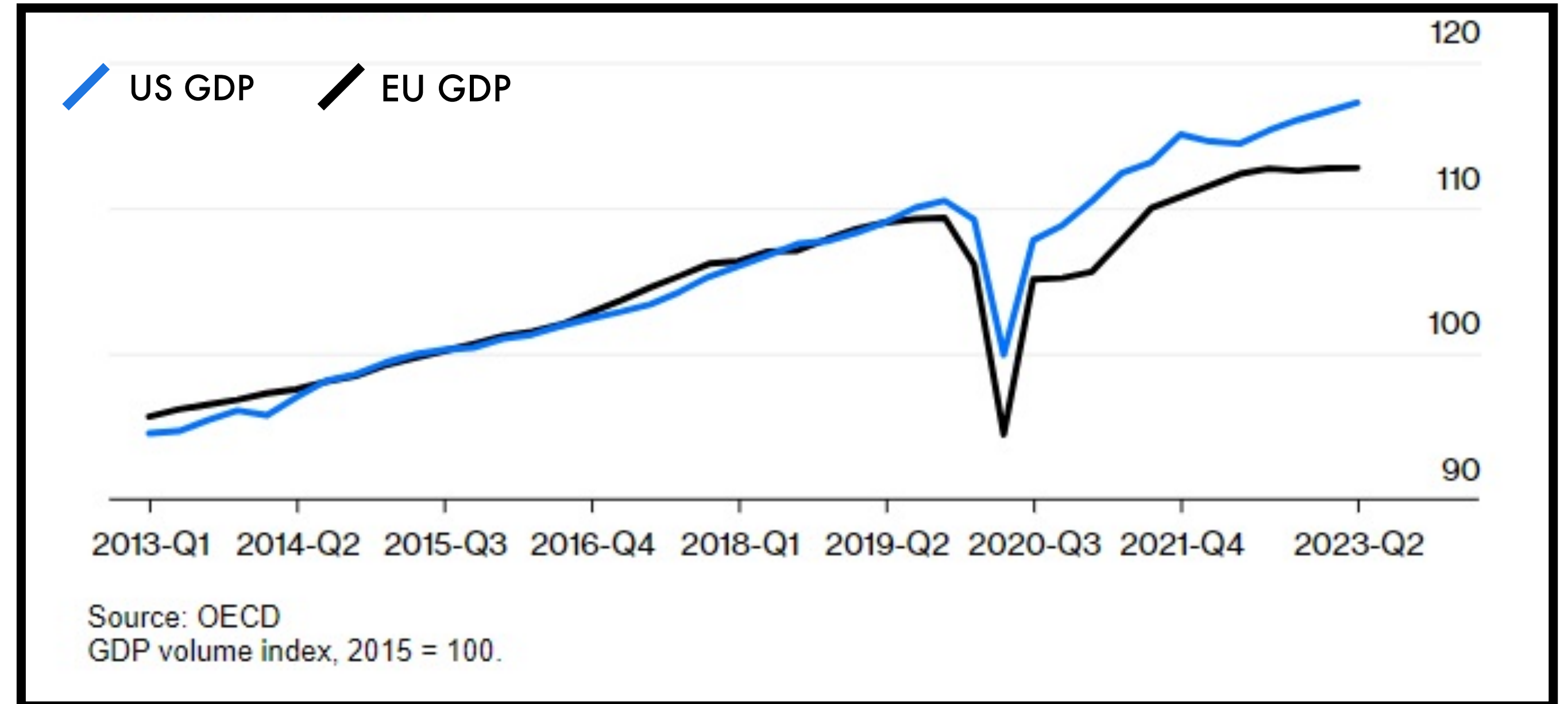
Source: White House - Official Congress Resolutions



Dollar Dominance: Potential Alternatives - The Euro

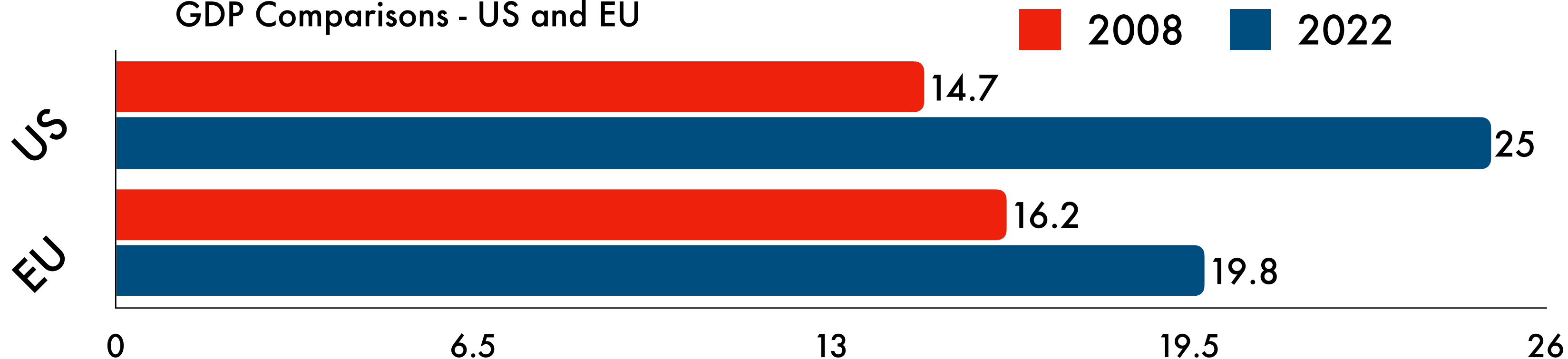


Source: The EU's plan to regain its competitive edge - Financial Times, November 5th, 2023



Source: OECD
GDP volume index, 2015 = 100.

GDP Comparisons - US and EU



Source: Europe is Falling Behind America and the Gap is Growing - Financial Times, 19 June 2023



Dollar Dominance: Potential Alternatives - Remninbi

Locally Accepted Currency

Strong acceptance at the local level:

Unit of account in transactions
Accepted medium of exchange
Store of value

International Currency

Free capital flows

“Deep, liquid, open capital markets, rule of law and long and deep financial markets”

Strong property rights

Renminbi's Future as a Reserve Currency?

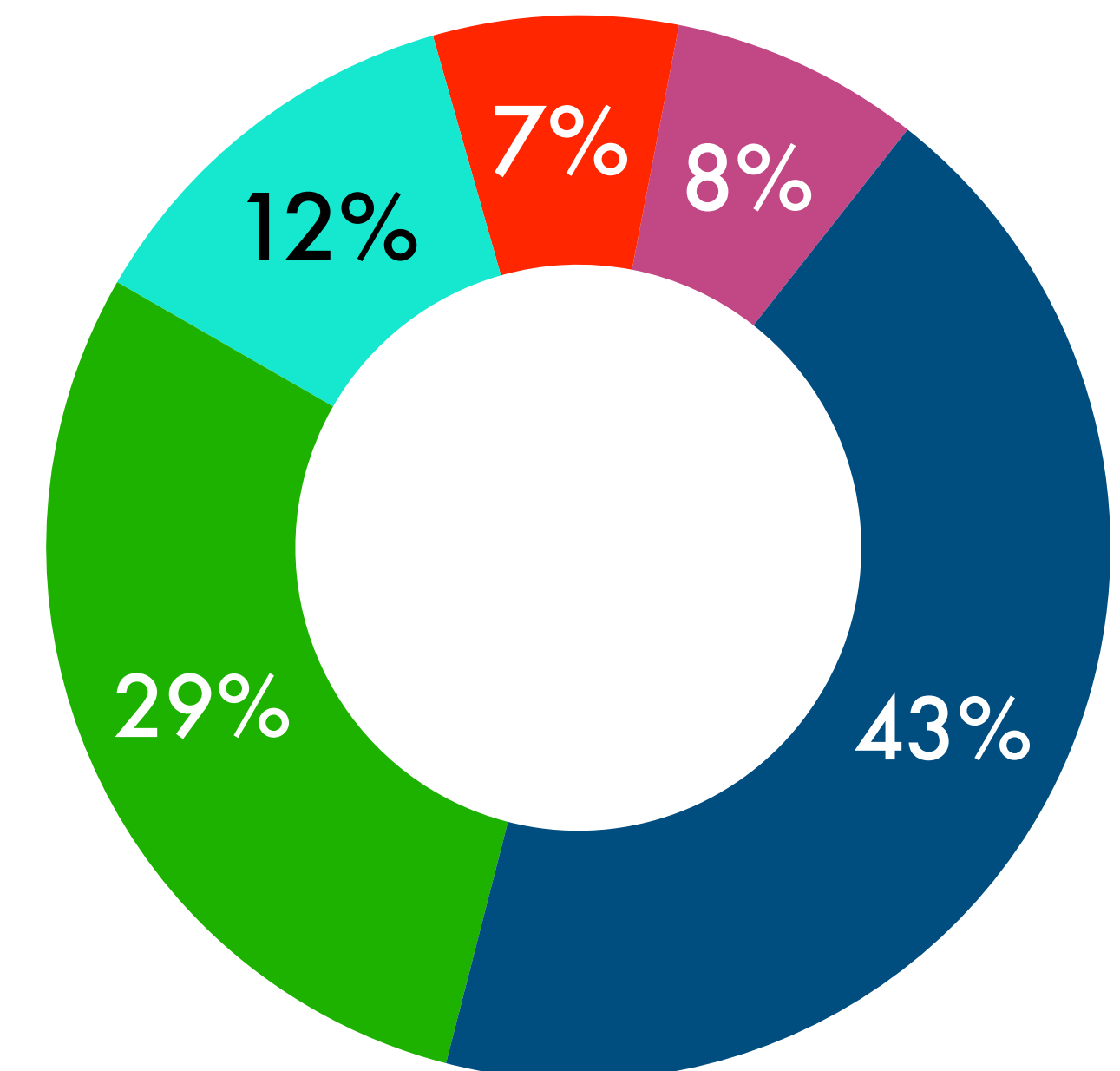
Active in international trade (Exports) with consistent capital flows

A consistently stable and growing economy

Internationally accepted for settling cross-border payments

Shares of Currencies in IMF Special Drawing Rights basket

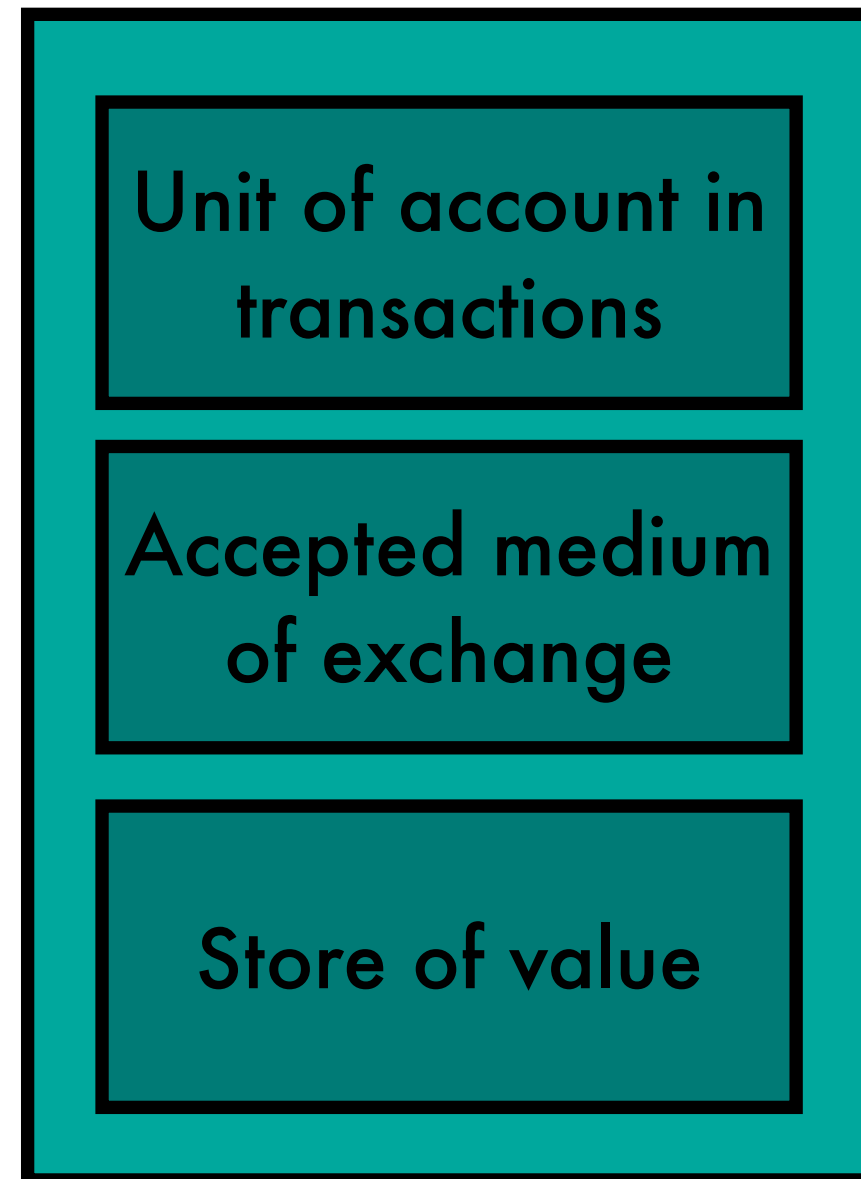
- USD
- Euro
- Remninbi
- Pound Sterling
- Japanese Yen



Source: IMF Special Drawing Rights Info



Dollar Dominance: Potential Alternatives - Cryptos

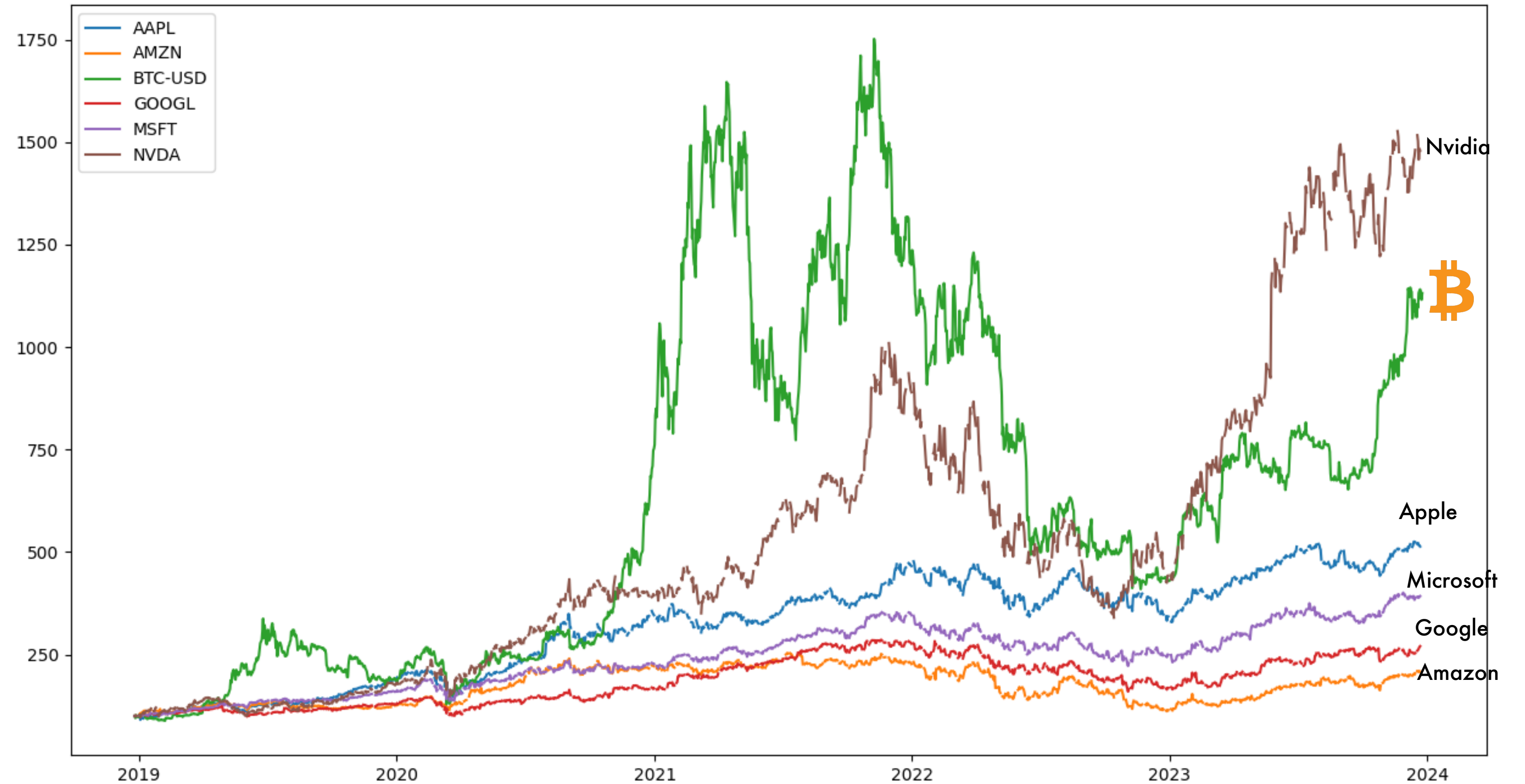


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Relative Returns Between Bitcoin and Top S&P500 Stocks

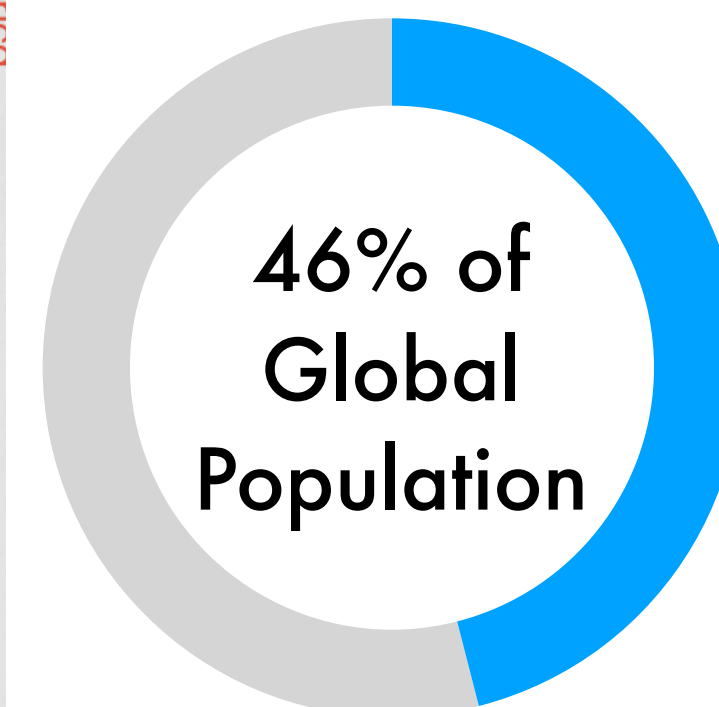
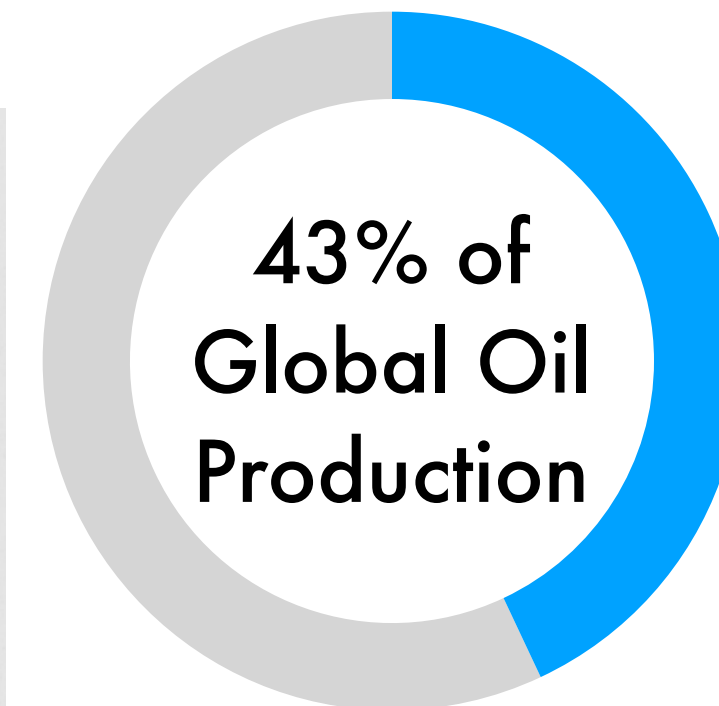
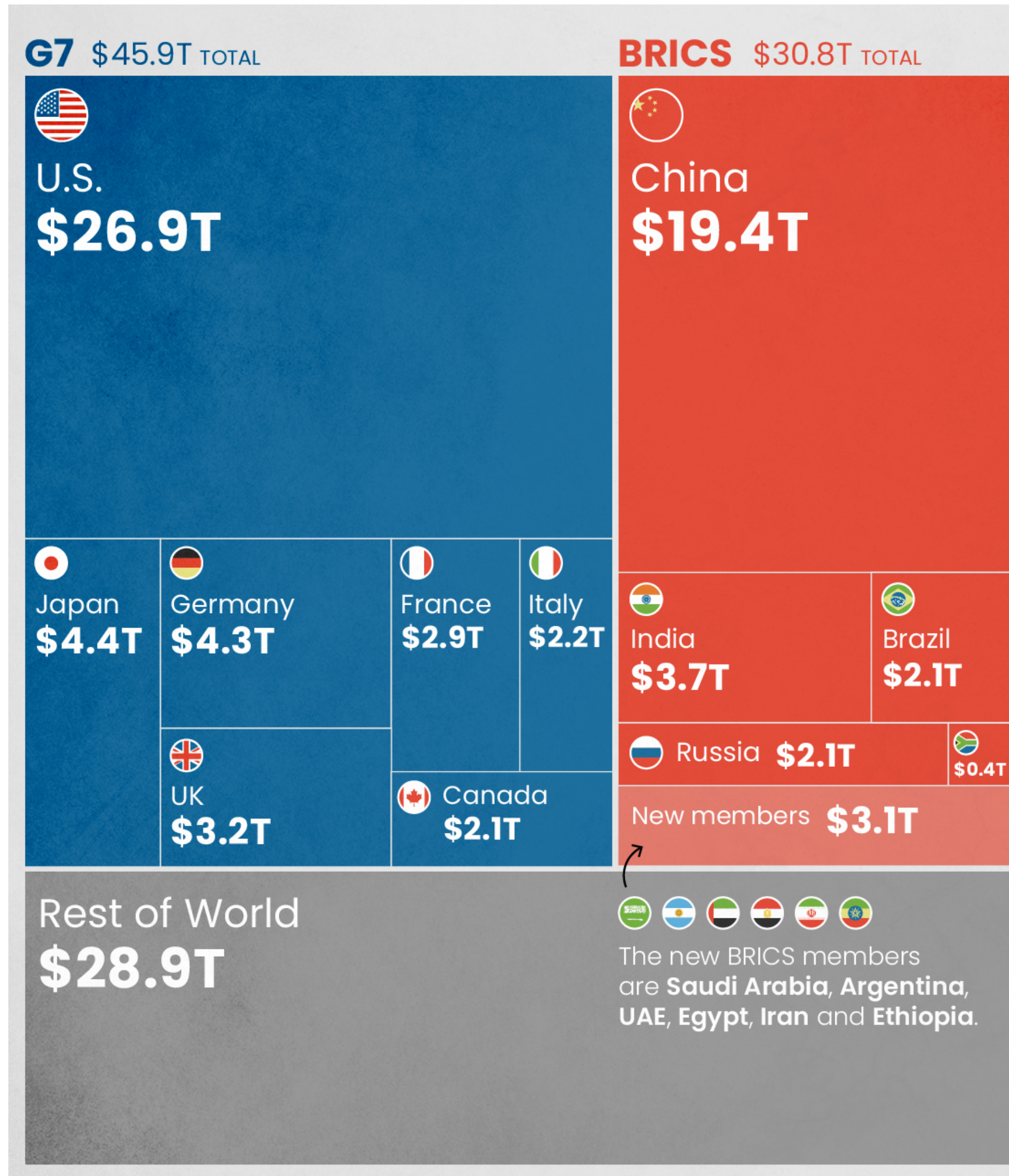


Source: Yahoo Finance



Dollar Dominance: The BRICS Alliance and a New Monetary Union

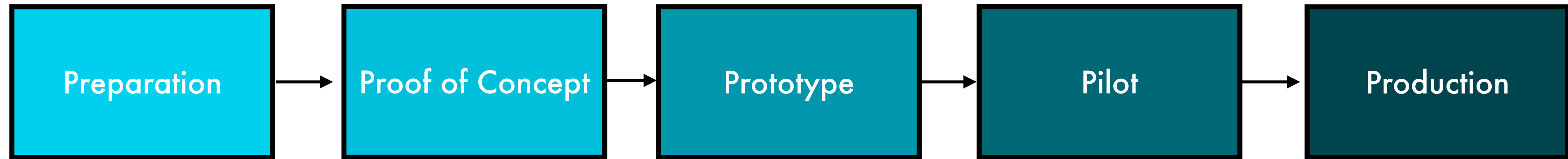
BRICS vs. G7 GDP Comparison



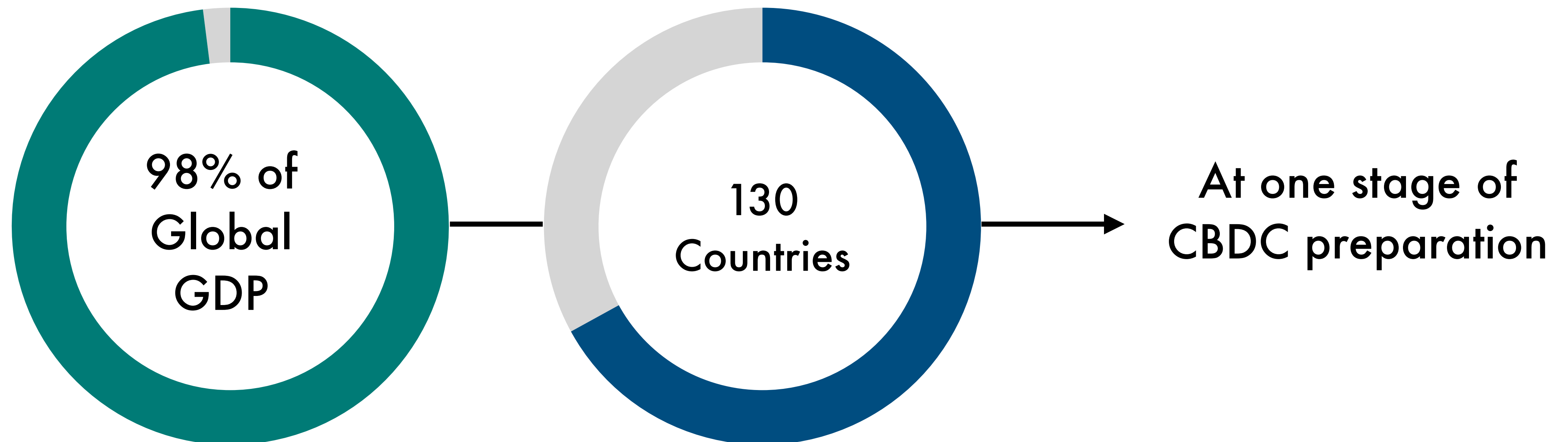
Source: Visual Capitalist - Comparing the GDP of BRICS and the G7 Countries - October 23rd, 2023



Dollar Dominance: Central Bank Digital Currencies



Source: International Monetary Fund - CBDC Virtual Handbook



Source: The Economist, December 23rd 2023 Issue



Economic Management During Risk and Uncertainty: OECD Performance

| | Price changes between October 2022 and October 2023 | Share of product categories with an annual price increase of more than 2% | | % Increase in employment between Q4 2022 and Q2 2023 | National Stockmarket indices, adjusted for inflation |
|-------------|---|---|---------|--|--|
| | Inflation (%) | Inflation Breadth (%) | GDP (%) | Employment (%) | Stock Market (%) |
| Greece | 3.4% | -13.3* | 1.2% | 1.1% | 43.8% |
| South Korea | 3.2% | -13.3% | 1.6% | 1.1% | 7.2% |
| USA | 4.0% | -18.8% | 2.3% | 1.3% | 4.3% |
| Luxembourg | 3.7% | -26.7% | 0.5% | 4.1% | -0.8% |
| Canada | 3.7% | -15.4% | 0.7% | 1.6% | 0.2% |
| Chile | 4.8% | -6.7% | 0.5% | 2.4% | 7.6% |
| Portugal | 3.5% | -6.7% | 1.4% | 0.9% | 1.3% |
| Spain | 3.8% | 13.3% | 1.3% | 2.4% | 14.6% |
| Poland | 8.0% | -6.7% | 2.9% | 0.4% | 24.4% |
| Japan | 2.8% | 17.6% | 1.4% | 0.3% | 17.7% |
| Mexico | 5.0% | 0 | 2.6% | 0.7% | 4.7% |
| France | 3.1% | 6.7% | 0.6% | 0.7% | 9.3% |
| Australia | 5.1% | 0 | 1.2% | 1.5% | -0.2% |
| Netherlands | 4.6% | -6.3% | -1.1% | 0.9% | 7.6% |
| Norway | 5.8% | -6.3% | -0.8% | 1.4% | 2.2% |
| Germany | 4.2% | 18.8% | 0 | 0.7% | 9.0% |
| UK | 5.6% | -6.3% | 0.5% | 0.4% | -0.5% |
| Finland | 6.6% | -6.3% | -0.4% | 0.5% | -12.0% |

Source: The Economist, December 23rd 2023 Issue

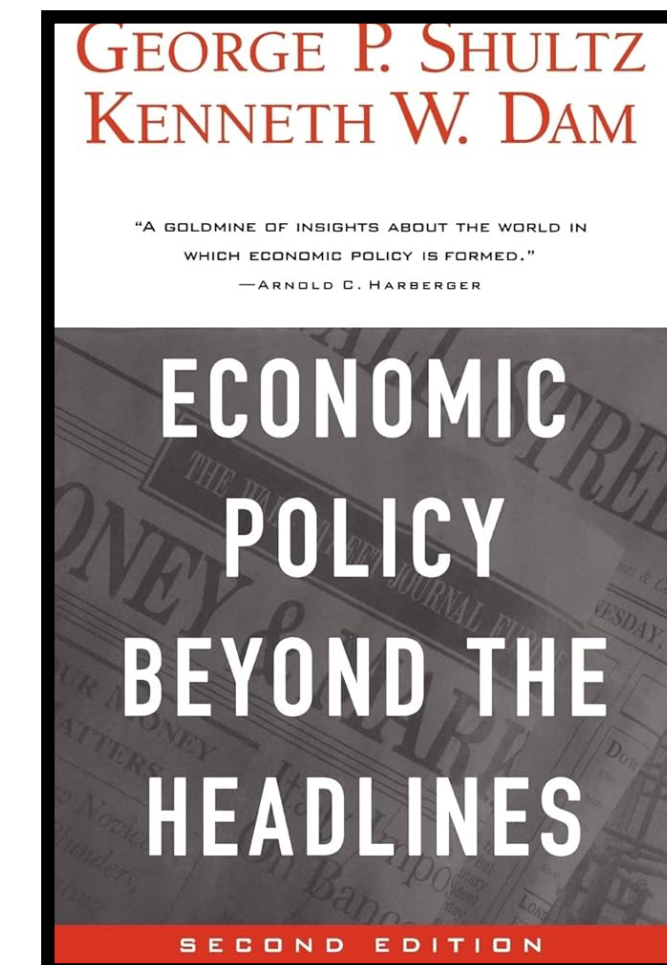
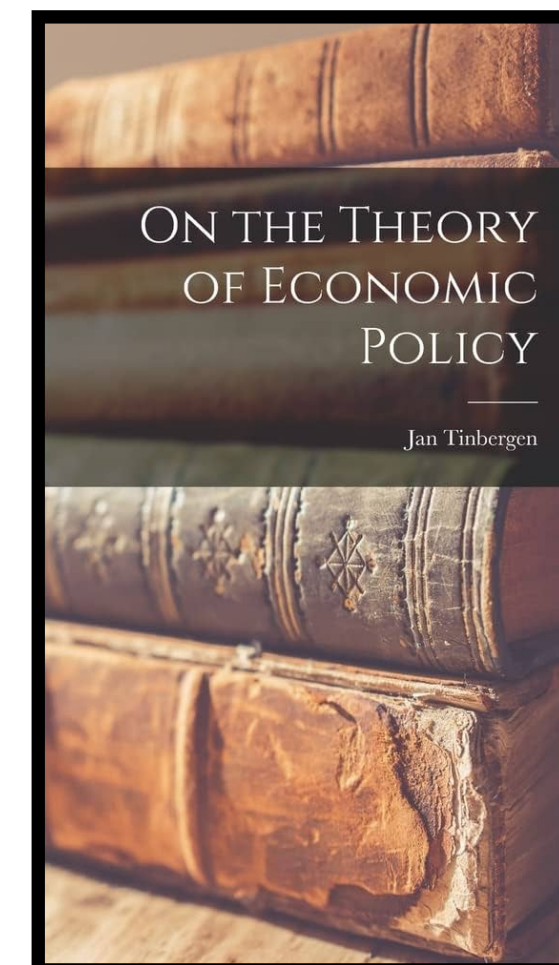
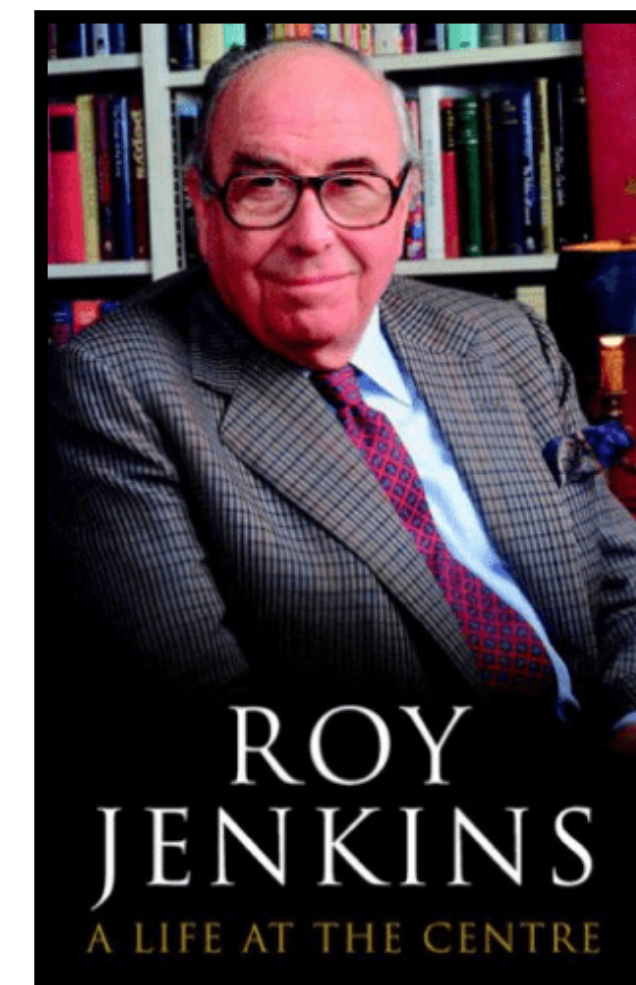
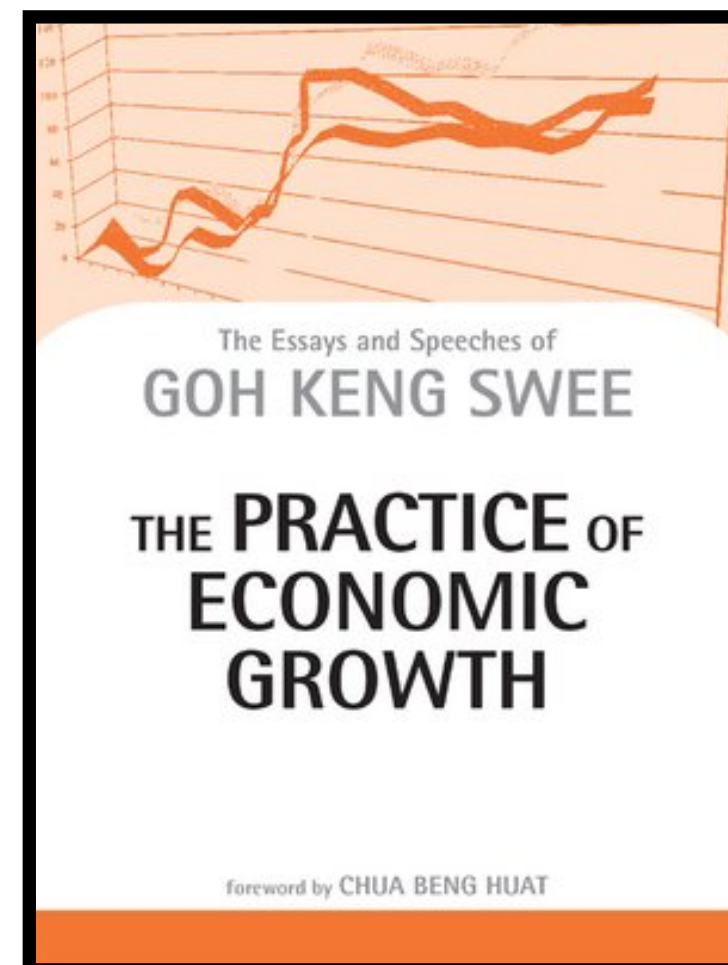
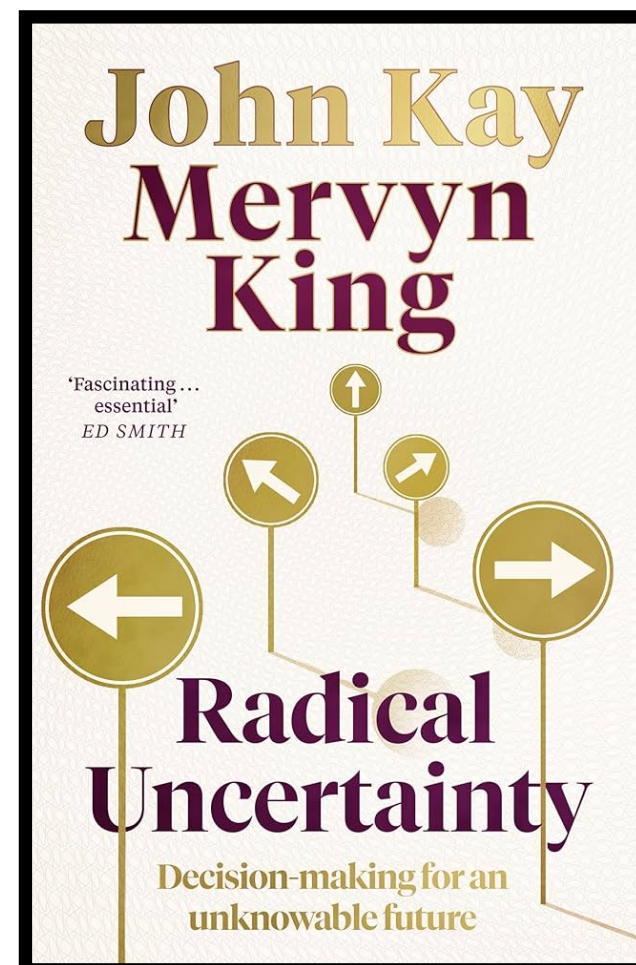


Basis of Managing Public Policy: A Strong State and Flexible Policies

The importance of differentiating between variables and constants

Distinguishing between hopes, wishful thinking and achievable objectives

Politics and public policy objectives and its intermediate goals, tools and instruments



Thank you.



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