

Why the world's leading central banks are implementing digital currencies.

What the "New World" will be like.

The global economy, which never recovered after the 2007 crisis, continues to fall apart. Attempts to cope with the crisis through reduction of interest rates, endless "printing" of money and uncontrolled growth of global debt have only worsened the economic situation. By the end of 2020, global GDP is expected to reach USD 84–85 trillion, having contracted by 4.9% in 2020 (IMF); global debt will rise beyond USD 260 trillion. From 2007 until present, GDP has gone up 33%, while global debt has increased 160% over this same period. In other words, global debt is growing 5 times faster than the economy. The restrictions imposed due to the pandemic only make the situation worse and knock the largest and most stable companies out of the running; some industries are now on the verge of extinction. Let's try to understand together why coronavirus has become a cornerstone factor and what fundamental changes humanity should expect in the next few years.

Historically, to overcome a global crisis and reset the global financial system, large-scale wars have been started. However, in our age of high military technologies, countries will not willingly go to war. The Second Nagorno-Karabakh War gives us good reasons to believe that a war in which advanced technologies are used will be lightning fast and cause enormous destruction. The Azerbaijani armed forces, which are significantly more technologically advanced than their adversary, literally crushed it and, in just a few weeks, liberated most of the territories lost over the course of 4 years. Since the 1990s, the terrorist regime supported by Armenia after the collapse of the USSR has occupied 20% of Azerbaijan's territory and has been reinforcing its defense in a hard-to-reach mountainous area. Considering the current capabilities of the global nuclear arsenal and modern high-precision military technologies, a large-scale war is most likely an exception. After such a reset, the global economy would most likely return to the Middle Ages; consequently, a large-scale war is not an option.

But how can we reset a world financial system over-encumbered by debts and balancing on the edge if war is an exception? But now the coronavirus pandemic has conveniently cropped up and the "money masters" are taking full advantage. In other words, if the pandemic had never happened, they would have made it up. And it seems that the pandemic with its various mutations will be with us for a while yet. Continuous lockdowns will only add suffering to a global economy that has already been brought to its knees. The indestructible coronavirus is an endless source of reasons for politicians to seek new loans instead of solving real systemic economic issues. Nevertheless, the reality is that no one is going to fix a system that has already exhausted its capabilities—it is being squeezed dry.

At the same time, the world is entering an age of high technologies, digitalization and automation, in which the role of the ordinary citizen is gradually being reduced to nothing. Robotics and automation keep pushing people out of practically all industries. The need for human labor is decreasing and super-computers are already doing things even geniuses

cannot do. Such progress is rapidly leading the world into an age of digital economy and virtual living. The COVID pandemic is just a catalyst for this process, taking humanity further and further away from "physical reality." Generally, demand for the products of people's minds and labor is going down, making such products a ball and chain for the "new world."

Meanwhile, governments that have dug the global economy and financial system into a "deep hole" have largely discredited themselves. A simple proof of this is the fact that global debt is over 3 times the size of the global economy (GDP). At the same time, inequality in the world keeps getting worse: 1% of the world's richest people hold twice as much wealth as 6.9 billion people. In the conditions of the pandemic, growing unemployment and deepening economic crisis are forcing governments to go to extremes, e.g. by pursuing a "helicopter money" policy. Governments take out loans they are unable to repay in order to gratuitously support their populations. It is not a bad thing to help citizens, but, unfortunately, most of the countries taking out loans for this purpose are either not creditworthy or will very soon become so. For example, since early 2020, the national debt of the USA, the world's largest economy (around 25% of the world's GDP) and the country of the leading reserve currency, has grown by 20% to over USD 27 trillion and the country's GDP fell to USD 21.2 trillion. Nevertheless, the panic-stricken eurozone, UK, Japan, China and other leading countries keep approving incentive packages in the trillions in order to keep the world economy from "flatlining." But the world's economy cannot be restored through ever-increasing loans, just as it is not possible to fight the fire with gasoline.

And it seems that the "money masters"—the central banks—are trying to end this madness. In the past few years, the "money masters" themselves have been the main buyers of leading economies' state debts. From 2007 until present, the balance of the world's five largest central banks (the Federal Reserve, the ECB, the Bank of England, the Bank of Japan, and the National Bank of Switzerland) has grown over sixfold to almost USD 26 trillion. The central banks do not plan to humbly finance this outrage and are taking the bull by the horns. As they say, he who pays the piper calls the tune. That is why the central banks are urgently implementing digital money. For example, the US Federal Reserve plans to issue digital dollars, which will allow it to directly provide citizens with financial support without involving governments and commercial banks. In other words, the US Government will not need to pilot an incentive package through Congress and take out new loans to do this. Accounts for citizens will be opened directly with the Federal Reserve and they will be filled with digital dollars without any intermediaries. The People's Bank of China has already launched a digital yuan and other leading central banks are on the verge of issuing their own digital money.

Digital money will enable the central banks to become the absolute masters. However, one should keep in mind that "Power corrupts and absolute power corrupts absolutely." Being independent from governments, central banks can issue infinite amounts of unbacked digital money. And no one can guarantee that the central banks will not act in the same way as governments, which brought the world's economy to its dire state. As long as it is possible to issue unbacked money, be it conventional paper or digital money, the world's economy will not know sustainable growth and stability. Digital money is not a panacea; it will only enable

a change in the power balance and delay the inevitable. The temptation to solve problems the easy way by issuing unbacked digital money will inevitably lead to inflation growth and economic depression. As a result, governments will lose whatever trust they still have and the central banks will realize that neither paper nor digital money can replace a real economy and real gold-backed money. As long as we live in a physical world, a carefree life, digital money and a virtual world will remain concepts which have not fully materialized.

Of course, no one knows the future, but its shape is already visible. Uncontrolled debt growth, implementation of unbacked digital money and other easy ways will not let us build a sustainable economy and a stable financial system. The countries that are able to build a just society and rely on the real economy and real money (physical gold, that is) will enter the "new world" on a firm footing. In the past two years, rapidly growing global debt has made the price of gold increase by 50% to a historical maximum (USD 1,900–2,000 per troy ounce). The 50% growth of the price of gold means that the world's leading currencies will keep losing their purchasing power and the implementation of unbacked digital money will only accelerate this process, bringing the "system reboot" closer. According to the forecasts of the USA's leading banks, by 2021, gold will cost USD 3,000 per troy ounce and that is just the start. The "new world's" monetary system will inevitably be based on gold-backed money that cannot be created endlessly. After all, in the past 5,000 years, no government and no bank has managed to "print gold." Common sense and real gold-backed money will win out in the end.

This article is not a piece of investment advice; before investing, each investor should consult a specialist or conduct their own analysis.

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