



**The
Solid
Ground**

The New World Order

The Legacy Of The Non-System, Two New Systems,
Inflation and Capital Controls

The End of The Global Monetary Non-System



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- China's exchange rate policy depressed global inflation and also , through PBOC bond purchases, the risk-free rate.
- A seeming structural gap opened between the risk-free rate and the growth rate producing higher equity valuations and also higher debt levels- very good news for 'growth' assets
- This monetary policy no longer works for China and forces it into a debt deflation
- What follows is a float of the RMB and action elsewhere to prevent the closing of the gap- financial repression & national capitalism

The New Global Monetary Systems



- Aim is to inflate away debts while funding massive investment to diversify supply chain risk
- Two systems- one centered on the USD and the other the RMB
- Financial repression- involves control of savings, higher inflation and restrictions on cross border capital flows
- The debt differential between France and Germany is exposed

The Legacy Of The Old & Birth Of The New



- The key legacy is excessive levels of debt that have to be reduced via financial repression
- The new system is very unlikely to include China and its allies
- Capital controls in some form are necessary in the the new system to control the flow of savings
- Elevated bank credit growth and money creation are key to solving this problem- this is the Warsh/Bessent return to normalcy

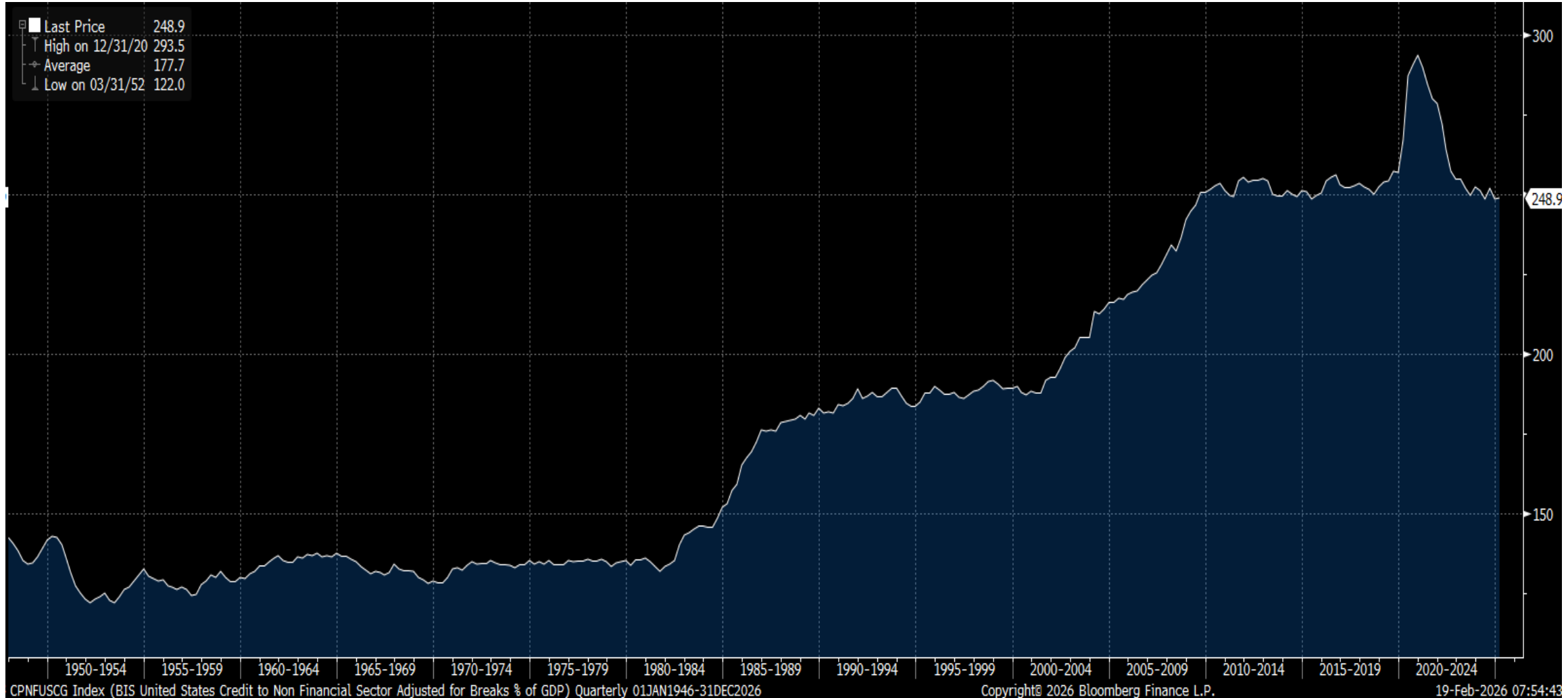
Capital Controls Are Already Reappearing



- The boss of Lloyds Banking Group has likened forcing pension funds to buy UK assets to “capital controls”, describing it as a “difficult slope” for an open economy... “Mandating allocations of pension funds is a form of capital control. I have spent 10 years of my working life in China and many jurisdictions where there are capital controls,” Charlie Nunn told the Financial Times. “That is a different model and that is a difficult slope for an economy that believes it is an open economy.”

Charlie Nunn in FT article July 2025

US Total Debt to GDP 1947-2024



Friday, 12 June 2026

Reducing High Debt – Repression & Capital Nationalism



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- Austerity- usually post war but now we have social spending, where will the private sector growth come from?
- Default- BOE estimate a 7% decline in GDP: painful for Greece
- Real Growth- needs to be well above historical productivity growth
- Hyperinflation- 1944-50 France public debt to GDP 180% to 50%
- Repression- push inflation/nominal GDP growth above interest rates and force savers into government debt and deposits, UK government debt-to-GDP 238%-50% 1945-1980

Legacy: World Non-Financial Debt To-GDP



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	4Q 2019	3Q 2025
• Japan	383%	357%
• France	324%	325%
• UK	268%	219%
• China	240%	296%
• Italy	261%	232%
• USA	257%	250%
• Canada	309%	314%
• Germany	202%	197%
• India	162%	181%

Legacy: World- Private Sector Debt Service Ratio September 2025



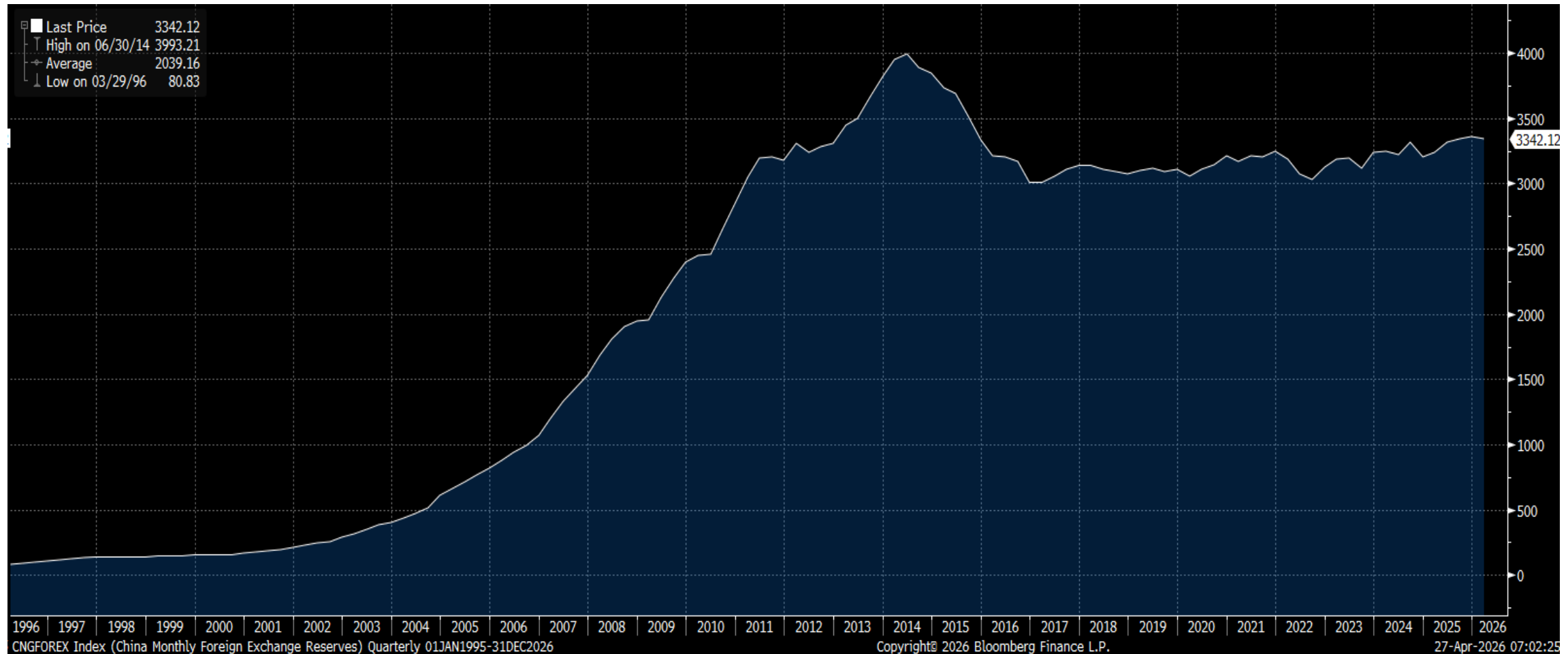
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• Japan	15.3%	Australia	20.1%
• France	20.5%	Brazil	28.0%
• UK	13.0%	Denmark	23.2%
• China	18.8%	South Korea	19.8%
• Italy	9.1%	Netherlands	25.9%
• USA	14.1%	Norway	28.0%
• Canada	25.3%	Switzerland	19.6%
• Germany	12.4%	Sweden	28.7%
• India	11.7%	Turkey	31.4%

China- The End of Exchange Rate Management- Foreign Reserves 96-26



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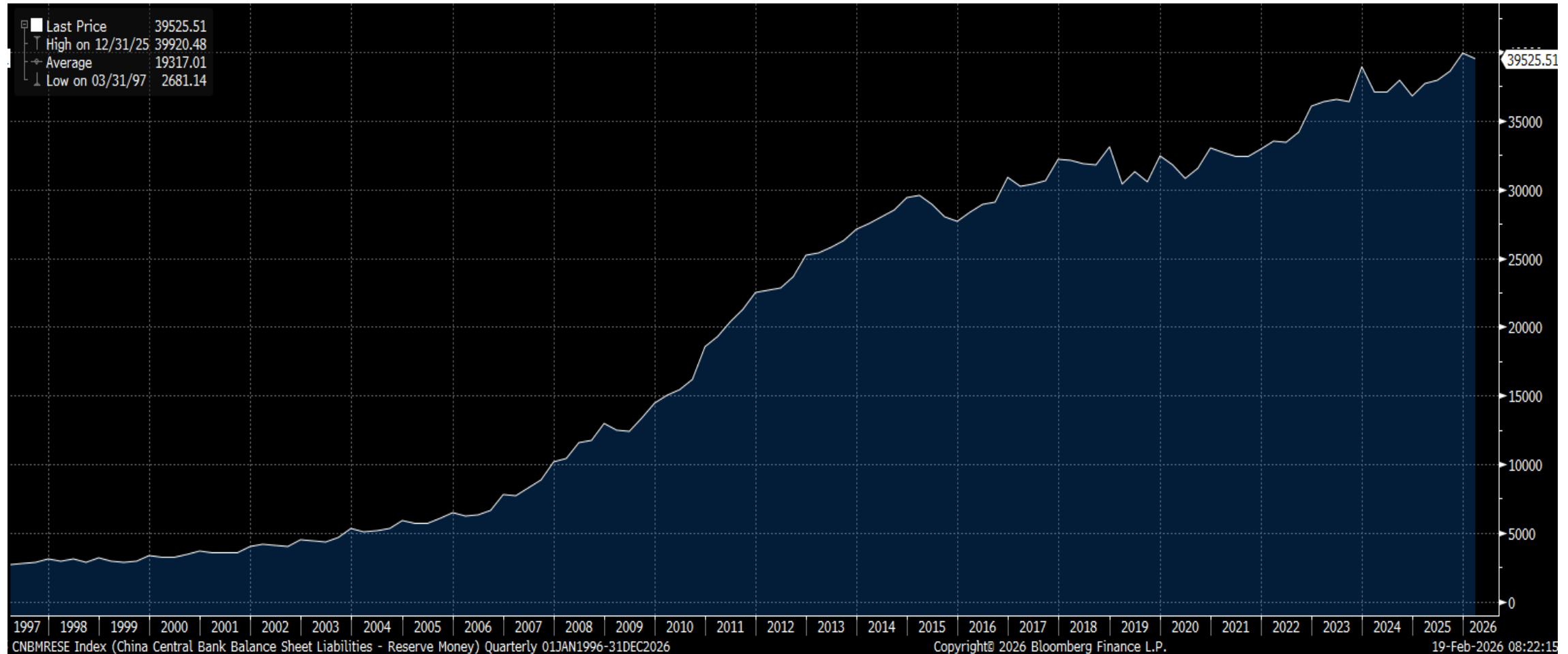
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China- The End of Exchange Rate Management- Reserve Money 96-25



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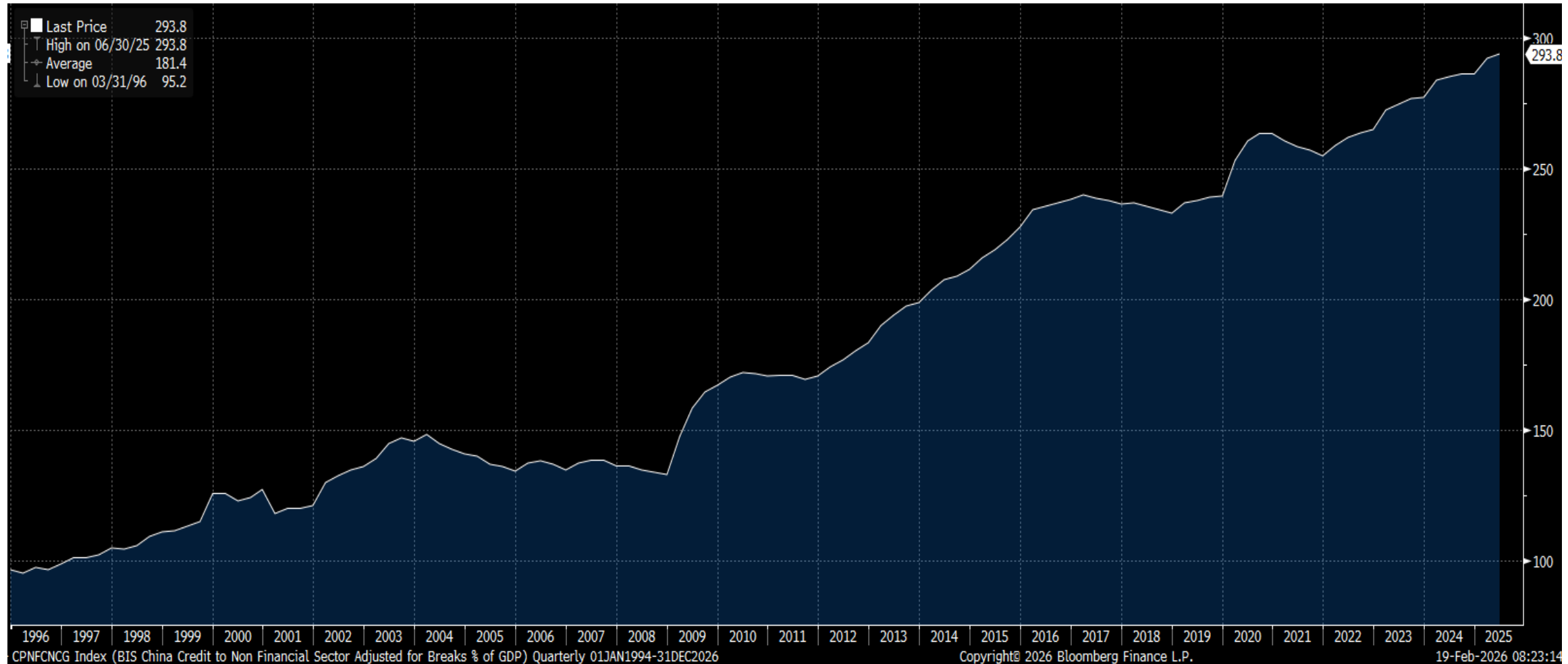
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China : Total Non-Financial Credit To GDP 1996-2025



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