The Disciplined Investor Podcast – Guest Interview Summary

Guest: Barry Eichengreen
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WHEN ECONOMICS AND MARKETS BREAK APART

Barry Eichengreen said many of the historical relationships investors once relied upon are no longer working as expected. The traditional 60/40 portfolio assumed stocks and bonds would generally move in opposite directions, but that relationship has weakened. Economics still matters, but investor psychology, behavioral biases and the growing use of market shortcuts may now be just as important.

THE DOLLAR IS SAFE—UNTIL IT ISN'T

Barry said the de-dollarization story can be exaggerated while the dollar's long-term position can still be at risk. Central banks, investment managers and governments are actively reducing their dependence on the United States and developing alternative payment systems. The dollar remains dominant because replacing the existing infrastructure takes time, but the search for alternatives is real and already underway.

WASHINGTON MAY BE THE DOLLAR'S BIGGEST THREAT

Andrew asked whether Washington now represents a greater threat to the dollar than Beijing. Barry said the danger is coming from within the United States through excessive public debt, threats to Federal Reserve independence and growing concerns about political stability, corruption and the rule of law. Foreign investors once owned most U.S. Treasury securities. Today, they hold a minority, meaning the United States can no longer assume they will finance its deficits indefinitely.

BESSENT'S INTERVENTION COULD BACKFIRE

The discussion turned to Treasury Secretary Scott Bessent's intervention in the Japanese yen and his efforts to prevent Japan from selling U.S. Treasury holdings. Barry said the message to foreign central banks may be that their Treasury reserves are not as liquid as they believed. If governments think Washington may object when they attempt to sell those reserves, the intervention could accelerate the very reserve diversification the United States is trying to prevent.

FROM ROME TO THE SPANISH PIECES OF EIGHT

Barry explained that Rome's commercial strength, military power and trusted currency reinforced one another. But when political checks weakened, government spending expanded and budget deficits grew, Rome responded by debasing its currency. He also discussed the Spanish pieces of eight, the first truly global currency, which circulated throughout the Americas, Europe, the Middle East and China—and remained legal tender in the United States until 1857.

CRYPTO, STABLECOINS AND THE NEXT PAYMENT SYSTEM

Barry said monetary leadership has historically belonged to countries that successfully adopted new financial technology. Today, that technology is blockchain and distributed ledgers. The United States is betting that dollar-backed stablecoins will strengthen the dollar's global position, while Europe and China are pursuing tokenized central-bank and commercial-bank money. The technology may be shared, but the currencies running on those new payment rails are still competing for global influence.

2026 COULD DETERMINE THE DOLLAR'S FATE

Looking 20 years ahead, Barry said historians may view 2026 and the surrounding years as the moment when the international monetary system was decided. Washington could take actions that effectively dethrone the dollar, or it could restore fiscal and institutional credibility and preserve the dollar's leadership for decades. Andrew commented that continued self-serving government and zero-sum policymaking make the less optimistic outcome increasingly possible.

QUOTES FROM BARRY

"Either Washington effectively dethroned the dollar, or the United States got its act together and stabilized confidence in the system."

"If there is a threat to the continued global role of the dollar, it's coming from Washington, D.C."

"The United States of America is shooting itself in the monetary and financial foot."

"Your Treasury holdings—your dollar reserves—are not as liquid as you thought they were."

"Budget deficits gave way to currency debasement and the end of the denarius as a global currency. We've seen this life cycle before."