

Funding the Future

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Trump is planning trade wars and sanctions that are bound to crash the world economy. But what he knows is that the resulting bailout will make the wealthy even more wealthy, yet again. His policy is both mad and entirely rational from his viewpoint.

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This is the audio version:

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And this is the transcript:

Can the world economy crash? The answer is that yes, of course, it can. We know it can. It did in 2008. It had another very good go in 2020 when Covid came along. So, the possibility that the world economy can crash is obviously hardwired within it. It is now something that we have to accept.

Is the possibility that the world economy will crash soon a realistic likelihood? And my answer to that is, yes, it almost certainly is. And the reason why comes down to two words. Donald Trump.

Trump has set out to crash the world economy. I really don't think there's much doubt about that. He has declared trade war, and he has said that he will also impose economic sanctions on countries that refuse to use the dollar for trade. He is, in other words, setting out to undermine the credibility of the world's reserve currency, the dollar, by threatening any country that does not want to use it. And he is threatening that any country that wants to take sanctions against the US because it is going to

impose sanctions on them via tariffs is going to suffer as a consequence.

You cannot do that if you are the world's major economic power and not give rise to the likelihood of an economic crash. Simple, straightforward fact.

So, should we be worried about this? Well, yes, of course we should be. But what is the consequence going to be? And why is Donald Trump not worried about this?

And the answer to that is that I'm afraid to say that something has also become hardwired into the world economy. In 2008 and in 2020, the world was saved with bailout money.

In 2008, quantitative easing became a feature of economic life. Before then, the possibility that the government would issue bonds to immediately repurchase them, to pretend that it wasn't actually providing direct finance to itself from its central bank to fund its programmes to ensure that the economy kept going was unknown, but that is what QE did in 2008. And let's be honest, despite all the problems it gave rise to, and it should not have been done in the way that it was, it did keep economies going during that crisis.

And it did exactly the same again in 2020.

Again, I would not have done it as the QE program was managed, and the aftermath of that programme - the quantitative tightening programme now being run by the Bank of England is completely disastrous and was, in fact, the main cause for the crash during Liz Truss's short premiership - but the fact is that the government's ability to create money to support a programme during an economic crash was proved for the second time in a little over a decade to be fundamental to keeping the world economy going.

So what is Trump doing? He's relying on another bailout. That, I am sure, is what underpins his thinking and that of those who are following him. What they know is that those two bailouts, structured as they were, were incredibly good for their own financial well-being.

They probably weren't great for your financial well-being because wages have, in effect, flatlined since 2008.

GDP growth has flatlined since 2008, and since 2020 very large numbers of people have not been able to work who previously did for all sorts of reasons, as a consequence of the fallout from Covid, and we most certainly have not been seeing growth and we are seeing austerity again. So for lots of reasons, most people in the world have suffered since 2008. But Trump and his cohort haven't.

That cohort is the world's wealthy, and they did immensely well out of quantitative easing because the way in which it was structured was to provide funds to the City of London, to the banking arrangements of New York and to the bankers of Frankfurt, and

they used that money to basically inflate the value of the world's financial assets.

Stock markets have increased in value since 2008, unsurprisingly, because lots of money - whole walls of money - have flooded in their direction.

Commercial property prices have increased.

Domestic property prices have increased.

Anything which has no productive value in itself - because let's be clear, shares are not actually a productive asset, they're a financial asset, and most commercial property is not in the sense that I am talking about a productive asset because it is used for speculative purposes, and the increase in the value of our properties is not productive in the sense that very large numbers of young people are being excluded from home ownership, and the security that it provides as a result. But there's been no increase, therefore, in productive investment, but the value of assets used for speculative purposes by the wealthy has gone through the roof.

And what does Trump expect if he creates another world financial crisis? He believes there will be a bailout. And he believes that he and his cohort, the world's wealthy, will benefit from there being vastly more money in circulation, with very little to use it on except the inflation in the value of the assets that they own.

That is what he is banking on. This is literally, I think, his economic policy. This is what he expects as a consequence of his trade wars.

He doesn't care that we suffer.

He won't care about the countries in the developing world - the vast majority of countries in the world, in fact, who have their debts denominated in dollars, who will suffer enormously as a result of their struggle to find the means to repay those debts, as, for the time being, the dollar is inflated in value and interest rates are too high.

He won't care that people are thrown out of work.

All he cares about is the inflation in asset values. And that is what the whole of the world economy is now geared to create, for the benefit of a few, at cost to the vast majority.

Trump's economic policy makes sense if you see it in this way. He runs for president on a bailout economic strategy that is going to work for him and his friends because it will result when the world economy crashes, in yet more money being made available through the central banking system to inflate the value of the assets that they own and they'll say "Thank you very much. We did very nicely out of that; when can we have another crash?"

This is the Mapify of this video:



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