

Funding the Future

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A number of people have asked me to comment on the explanation for what Trump is doing provided by the Dutch economist Joeri Schasfoort, who runs a YouTube channel on political economy. This is what he has said:

<https://www.youtube.com/watch?v=1ts5wj6OfzA&t=870s>

To summarise the video, the argument is:

1. Other states in the world have no choice but to sell to the USA. This is a market they must serve. That is why most run trade surpluses with it.
2. Trump is not actually presuming that other states will tolerate US tariffs for long. He believes that they will queue up to negotiate.
3. The goal for Trump is that the conditions for tariff release must include:
 - acceptance of dollar hegemony as a reserve currency, including by pegging their currencies to it, i.e. effective dollarisation of the world
 - acceptance of US political power so that its agenda might be imposed on vassal states
 - that countries agreeing to this pay a fee or tribute - the form is not clear - for use of the dollar.

The problems I see with this argument - which could be the plan, because who knows? - are:

- a. This presumes that countries must sell to the States. Maybe that is not necessary.
- b. The world could, as I suggest, agree to create a new reserve currency and a new international economic architecture.
- c. There is a little thing like democratic accountability in the supposed vassal states to consider - and giving it away may not be acceptable or electorally viable in many places.
- d. The suggested end of sovereign currencies by pegging to the dollar, implicit in this

plan, may be way beyond what is politically viable or desirable in many states. Effectively abandoning economic control of their economies to the US is something very few states are going to do.

e. This whole scheme would require that the world trust Trump's USA.

From point (e) backwards, none of this is viable.

This might be Trump's plan, amongst the many interpretations, including my own, that are available. But if it is the plan, it is bizarrely wrong-headed. The conditions for its acceptability might exist with Starmer and his Labour cabinet (and in the broader cabinet, I would not be sure), but not in the UK as a whole. In other countries, it has not a hope.

The reality is that all versions of Trump's plan suggest just one thing, and that is that chaos is going to result. This is why the rest of the world has to align to work around the States, turning their back on it, the dollar, and all it stands for in the process, in my opinion. They are being given no choice, even if the short-term cost is high.

In summary, this video might summarise the Trump plan. That does not mean it will work.