

# Ex IMF CEuro: 'We Should Be Happier to Have a Job Than to Have Our Savings Protected'

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/EINPresswire.com/ -- The current European Central Bank President Christine Lagarde made a few exciting statements at a recent event before she became the head of the European Central Bank. Christine Lagarde expounded: "isn't it true that ultimately we have done the right thing to act in favor of jobs and of growth rather than the protection of savers?" It is a thought-provoking question, and it sheds more light on the world that we live in today. Lagarde is undoubtedly commenting on Mario Draghi, his fellow peers, and their role in implementing stimulus-oriented policies such as negative interest rates. These policies do not work for savers but do provide incentives to continue to possibly spend money and to invest it in assets.



## The Current Economic Environment

The problem with the current policy is that it doesn't indicate signs of a healthy economy. Financial luminaries such as Ray Dalio, founder of Bridgewater Associates, have made comments on this matter and continue to talk about the increasing chances of a recession, the effects of such policies, and the drawbacks that it will have on the economy moving forward. But why is the economy like this, and how will it recover to a good standard? It is a bit easier to answer the former aspect but challenging to answer the latter point.

The world economy is in a state of varying levels of distress. A critical factor continues to be rising levels of debt in the United States and abroad. Governments run up deficits, corporations take on debt at staggering amounts, and consumers increasingly turn to personal loans and credit cards to spend. The pressing issue of government debt is one that will likely not go away anytime in the future due to structural problems within the economy.

Dalio comments that regular government operations will require "huge amounts of more debt to be sold by governments—amounts that cannot naturally be absorbed without driving up interest rates at a time when an interest rate rise would be devastating for markets and economies because the world is so leveraged long."

This notion is, indeed, perplexing. The idea is that the only solution to current debt situations is that of taking on even more levels of debt but in an unsustainable manner. Further, issuing significant portions of debt isn't feasible because of the resulting causes of higher interest rates. According to Dalio and several others, this strategy would not work because it would cause a rise in interest rates at a time when the economy can only survive with lower interest rates.

If governments need more money to continue to fund operations and must do so by issuing debt, where will they turn to raise the money and keep their obligations in order? The answer is that it will continue to come from central banks who must engage in stimulus efforts such as quantitative easing, asset purchases, and other tactics to stabilize the economy. Experts expect central banks to increase their efforts in printing money and absorbing these bonds that the

government will be issuing in the coming years.

There is a problem with the strategy in regard to sound money as these are not financially sound policies. Dalio states, "this whole dynamic in which sound finance is being thrown out the window will continue and probably accelerate, especially in the reserve currency countries and their currencies."

This note is one to pay attention to as a reserve currency is a foreign currency that central banks or other monetary institutions hold to have foreign exchange reserves.

Countries use foreign exchange reserve currencies to conduct international transactions, overseas capital allocations, and various forms of trade. Reserve currencies help to establish standards and a notion of a sense of safety. Additionally, reserve currencies serve as a hard currency, one that is trustworthy and known to be sound for a wide variety of reasons. A reserve currency is present across the world and is seen as a stable currency that is to hold and preserve value.

Only certain currencies can hold the distinguished title of reserve currency because of the trust in purchasing power stability, in the stability of politics, fiscal discipline, and the sound mindedness of the particular nations associated central bank. Governments that get this honor also regularly run trade surpluses.

Nations and people turn to safe-haven assets and currencies to minimize risk in times of uncertainty in a concept known as global risk aversion. It follows that soft currencies will act in the opposite manner in that their associated countries will have economic troubles, lack of monetary and fiscal discipline, and general instability. Also, experts see that soft currencies will go through regular depreciation.

## Reserve Currencies

The United States dollar serves as a key reserve currency, but it is one that is increasing its deficits on a fiscal and trade basis. Thanks to Bretton Woods and dollarization, the USD in high circulation is well away from having less confidence.

Factors such as further use in foreign exchange reserves by other nations, the petrodollar and other commodities denomination in dollars, and other use cases continue to provide value to the dollar.

The Euro is another currency that enjoys similar benefits of being a reserve currency, but it doesn't have the same trust and confidence like that of the United States Dollar. Eurozone nations face many economic troubles without the economic strength, soft power, and durable power of the United States.

Investors and participants within the global economy must ask themselves a simple question, where is the world heading? The facts state that the dollar, the Euro, and other reserve currencies are not in the best of health. On a relative basis, the dollar is still strong, but sound financial principles are not a vital part of the equation for it or any of these currencies due to a whole host of reasons.

## The ZB Take

Bitcoin came about in 2009, a time of considerable economic uncertainty. The digital currency has maintained its value against traditional currencies even throughout times of correction. We can see more chatter of the need for a global reset as one must pay more equities and bonds while expecting subpar returns. Cash floods the system, but signs of a liquidity crisis may be present with repo operations in the United States and banks in some regions in Asia failing. It is hard to dispute the need for a digital asset such as bitcoin that is not in league with the traditional system.

True sound money is needed in an era of lack of fiscal and monetary discipline, and the emerging asset classes tied to the blockchain are likely to help bring about new forms of value preservation, savings, and trust.

## About ZB Group

ZB Group was founded in 2012 with the goal of providing leadership to the blockchain development space and today manages a network that includes digital assets exchanges, wallets, capital ventures, research institutes, and media. The Group's flagship platform is ZB.com, the industry leading digital asset exchange. The platform launched in early 2013 and boasts one of the world's largest trading communities.

ZB Group also includes ZBG the innovative crypto trading platform, and BW.com, the world's first mining-pool based exchange. Other holdings include wallet leader BitBank, as well as exchange brands ZBM, ZBX and Korea's Bithi.

Industry intelligence and standards are headed by the recently launched ZB Nexus who embody the core values of ZB Group and open source their reports and analysis for the public.

Learn more about ZB Exchange by visiting [www.zb.com](http://www.zb.com)

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