

## ***GLOBAL MONOPOLY***

### **REAL MONEY column for The Santa Fe New Mexican**

**By Rob Rikoon**

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Think of the current debt crisis in Europe as a game of monopoly. Let's hit the pause button, figure we're at half time, step back and take in the big picture. First, there are two tiers of players, those taking turns now rolling the dice, using what's left of their paper money along with a few houses/hotels already on the board, and those in the background, holding the stash of free money and unaccounted for currency. The numbers are so big that to give a useful perspective, I am going to simplify to the nearest Trillion, (with a big 'T'), which is a thousand billion.

Here's an overview of the players and their positions. First, countries that are in the hole with how much they owe (in Trillions): Iceland(  $-1/100^{\text{th}}$  ), Ireland(  $-1/10^{\text{th}}$ ), Portugal (  $-1/10^{\text{th}}$ ), Greece (  $-\frac{1}{2}$ ), Spain(  $-\frac{3}{4}$ ), Italy (  $-1\frac{1}{2}$ ), France(-4), USA(-15) . There are others, such as the British, Belgians and Eastern Europeans but for the moment, they are irrelevant and on the sidelines. The players with real cash surpluses are: Middle East Oil Producers +6, China + 3, Corporate America +2, U.S. Banks +1.5(this is what they are supposed to be using for loans), International Monetary Fund +1, and the European Central Bank +1/2. All we hear about in the news, relative to the European crisis, are the latter two, the IMF and the ECB, who are both minor players in the scheme of things.

Some facts to ponder: Greece will never ever be able pay off its IOUs; European politics will not allow Germany to abandon helping countries it decimated during WWI and WW II, and the total amounts owed by European governments and institutions listed above, not including Italy, will wipe out the money already put aside to contain the problem. Here is how our monopoly game gets played out: since Europe is incapable of growing its way out of its malaise or of cutting its budgets enough to make a difference, the IMF can and will get more money from China and the Middle East in order to support the ECB but only by ceding some control to those nations who hold the big pot of money. The IMF and other international conduits for funds to bail out Europe will become proxies for the game's current winners, just as they were, until recently, vehicles for US foreign policy. To the victor go the spoils. In this case, Europe's travails will pave the way for continued expansion of OPEC and China's desire to buttress their military and natural resource gathering capacities. How China and OPEC got to be the winners is another subject but it ain't complicated: they produce and sell stuff which we buy. Their surpluses just about exactly match the size of our deficits.

While China has a homegrown military, the oil producing nations do not. Therefore, they must buy our protection and they do so by funneling their excess capital to fund our deficit which now stands at close to 15 T. We are down in the game, like Europe, but we have a special card to play, our "get out of jail free" asset, which is the US military capability. Our budget hole is getting deeper, to the tune of 1 to 2 T per year. This is the same amount as our annual military budget and ironically, it is also the size of the yearly profits of the oil producing nations. Whether or not any of us philosophically agree with spending money on defense and security, it is the reason why we get to keep playing at the table while racking up more debt. The US dollar is the world's currency not because we back it up with gold but because we do so with guns. The stability that the US military presence brings to the world stage is not unlike that of bouncers at bars or casinos; it enables the game to go on.

An orderly transition from a European confederation to a United States of Europe may take place without bloodshed but not without some degree of suffering. Our progression from being the undisputed leader of the world to acknowledging the fact that we are now one of several “co-operative” partners on the world’s power stage will also, I hope, happen relatively peacefully. It’s hard to maintain a good attitude when you lose, be it at a board game, in the stock market or in the more important matters of life. With some variety in our sources of self-esteem, I believe we can make a good go of it.

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