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What is Happening to the Dollar? **Faber and Rogers VS Bernanke and Krugman**

I have to admit an unpleasant secret. Although I possess a master's degree in economics, I do not understand much about how the money system works. Sure I have learned some macro economic models, but I simply don't buy them.

When I deal with problems that are beyond my reach, I instead look for experts to listen to. In other words; I analyze those who analyze.

As a good starting point comes reading **Marc Faber's** *Tomorrow's Gold*. Faber, also known as Doctor Doom, obtained a PhD degree at age twenty four and after skiing for the Swiss national team, he made an investment career in Hong Kong. He is famous for his contrarian views. In his book you can read plenty of examples from history where going against the crowd has paid off. Faber is highly critical of the Fed, and believes the US dollar will lose much of its value within few years. Interviews can be found on YouTube.

As you watch Faber's interviews, you should also check out **Jim Rogers**. He's frequently commenting the global economy on Fox and CNBC. Rogers was George Soros' partner in the Quantum Fund, which is legendary for

extraordinarily high returns – but also for “breaking” the Bank of England, forcing it to devalue the pound. Rogers anticipated the current commodity bull market when most investors were still throwing money after dot-com stocks. He is also a world traveler, and on a motorcycle trip around the world, he even made it to the Guinness Book of World Records. Rogers shares the same views as Faber on the US economy. He finds it unbelievable that the Fed's chairman **Ben Bernanke** can make mistake after mistake and still remain in his position.

Bernanke is, naturally enough, of the total opposite opinion. His solution to avoid another 1930s like depression is by issuing more money. The Fed failed to do so eighty years ago, and deflation, among other problems, paralyzed the economy for years to come. Bernanke is by the way an excellent academic. He studied at Harvard, got his PhD from MIT, and has later been associated with numerous top universities. He is among the top fifty most published economists in the world, and his expertise is in on exactly what's important not to repeat: The Great Depression. His critics nick named him *Helicopter Ben* for his use of Milton Friedman's idea of “helicopter dropping” money to fight deflation.

Among his supporters is Nobel prize winning economist **Paul Krugman**. Krugman is unquestionably of an extremely high intellectual caliber. Apart from the The Nobel price; he has written numerous books, articles and columns, he was appointed to the Reagan administration, and his political opinions today have many followers.

His views are more liberal than those of most economists.

Inflation or Deflation?

I'm naturally inclined to listen to those who have succeeded in the real world. Although all the four above certainly have done that, only the two investors have proven the ability to forecast the economic future.

There is a selection bias though, which I need to keep in mind. Imagine that nine out of ten world class investors agree with Bernanke and Krugman (I have no idea what the actual ratio is). You would never hear from these nine. Who would watch a CNBC interview with some investor who says that everything the Fed does is ok? It's far more entertaining to listen to a Doctor Doom! Faber and Rogers also want to sell their books, which probably wouldn't reach the shelves if they weren't provoking. And even if they did reach the shelves, they would certainly never leave them. I will also point out that I suspect them of exaggerating their points for the sake of getting attention.

If Krugman really were that good an economist - and with good I mean having the ability to forecast - I would suspect him to have made a fortune on investing. A problem with economic thinkers, how I see it, is that they are prone to be politically biased. Someone good at making mathematical models can prove almost anything. Someone good with words can convince anyone, given that this anyone wants to be convinced. Since political beliefs are almost as strong as religious ones, there is no doubt that a liberal prophet is out there and that his

name is Paul Krugman.

For all I know, Bernanke is a brilliant economist of excellent character. But he suffers from the same problem as Krugman; what can he show for outside the university walls? Bernanke, I fear, has a Great Depression bias. He knows the 1930s in and out, but today is certainly different. Sure history rhymes, and there's no doubt lessons can be drawn from previous mistakes. But I am afraid that he is in a corner. If he were to believe in inflation, he would not print money, and perhaps not have helped the banks in 2008. Maybe then a 1930s like deflation would have repeated itself? Instead he is so focused on not repeating that particular mistake that he instead makes a new one - which ends up making the dollar worth nothing more than thin air? Time will show.