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'Princes Of The Dollar': Why QE Is Over



BY TYLER DURDEN

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Authored by Kane McGukin via Bombthrower,

What the G20, Werner, and Warsh tell us about America's new monetary playbook

In every transition, there are road signs along the way. Matt Dines has been one of the more accurate minds of late on the monetary and geopolitical transition we are living through.

His and Camron Otsuka's commentary earlier this month on Mine Print Hash, post the G20 meeting in North Carolina, sheds a lot of light on major sticking points that will pave the way for both future policy and monetary frameworks. This will not happen overnight, but at the same time we'll likely look back and say, "man, the world changed fast."

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A few highlights that matter:

1. The Financial Stability Board (FSB). Just as Great Depression meetings brought new entities for the next cycle, G20 meetings post-GFC brought the FSB for the same reason. New rules to pave the way for stability in a new economic era (2009 Pittsburgh summit). According to Dines FSB brings AI into the mix, plugging it into the Basel Accords, the last of which, Basel III, an update required because of the financial behaviors and shortcomings that caused the GFC.

As Dines points out, all we need now is a final agreement so all parties can play nice around the new rails, i.e. stablecoin/Bitcoin/SOFR rails. Global stablecoin arrangements will take final shape after the announcement of a **Bretton Woods 2.0.** Something I've discussed many times over, and something that feels nearer and nearer by the day. The most important point? Bessent has basically championed this from day one.

As Werner's model suggests (see point four), Bessent opposes the state picking winners directly, but supports guiding private capital toward strategic ends. Video referenced in Samson's post.

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2. Bringing forward the private sector as a way to grow our way out of this. What's critical to understand here is that during the GFC, entities and individuals were overleveraged. To combat this, the central bank expanded its balance sheet to take on all the underwater debt. Today, the script is flipped. The private sector is relatively unlevered, and the central bank is overlevered. This is important because the only way to grow an economy is to guide credit towards productive use cases. Regardless of opinion, this has been the underlying basis of the early-stage beginnings of all successful economies and empires for centuries (see Werner). For those keeping score at home, these are the breadcrumbs we've been given to better understand where monetary and fiscal policy are going (Office of Strategic Capital).



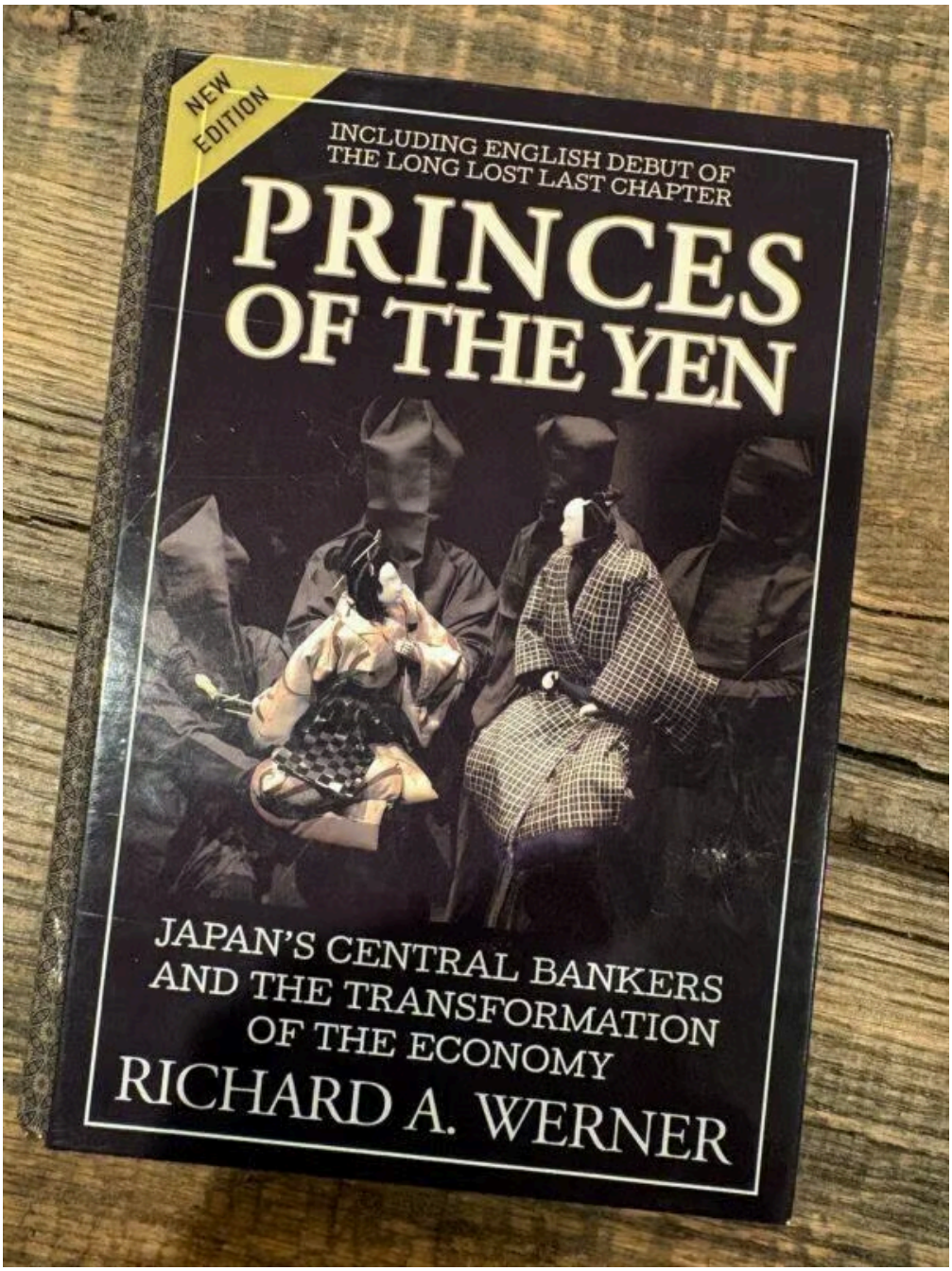
3. G20 is bringing in banks and private institutions, which is a paradigm shift in how credit allocation works. This is the announcement. We are going to run a different playbook for our monetary framework from now on. This is the only way out. The only way back to some state of "normal". This is exactly what Werner lays out in the Princes of the Yen. An in-depth study of Japan and other great banking empires. Our "new approach" will be [redacted] that has succeeded many times in the past. Including during the creation of America. Why? Because this style best achieves rebuilding the US' industrial capacity - think modernization of infrastructure. Today's

infrastructure and infrastructure for the 21st-century is inherently digital. That's why capital formation is being directed and pointed at all things AI and digital. This is why all these related industries are points of "national security". This is what is meant by "Hamiltonian policy", a notion we've discussed before.

In short, exactly as Dines pointed out, you're going to have to pick sides - US or China. This is what is meant by the new multi-polar world. Believe it or not, for the first time in more than two decades, "we're actually trying to accomplish something".

4. Credit expansion is the only way to get growth (PofY), which is why Main Street over Wall Street matters. See the Foundry School to better understand the government's refocus on centralizing and deploying capital into productive use cases. Centralize the steering of credit, decentralize who receives it.

The key to the entire process is Matt's highlighting of Richard Werner's work. Richard wrote the Princes of the Yen, which outlines not only the rise and fall of the great Japanese financial system, but more importantly, the foundations of how dominant banking and financial systems work. A means by which the US economic system has drifted far away from over the last thirty to fifty years.



In simple terms, the keys are state-directed capital and credit allocation to productive uses. That's all that matters for a budding or dominant economic system. Without it, one dies. Without it, one meanders toward financial engineering practices that eventually kill the entire system. Proper credit allocation (capital formation) is representative of early-stage and highly successful/functioning economic systems. Financialization is the sign of an aging or failing financial system. If you strip out all the complexity and jargon, it's as simple as this.

As Werner points out, the Quantity Theory of Credit is the origin of all successful banking models that have worked for thousands of years. It started in early Asia before moving through Europe, Germany, Japan, the US, and now back to China. It was the basis of China's rise as they've built out the Belt and Road system over the last decade-plus. It has allowed them to pull economic power and global sway away from the US by way of state-directed capital aimed at globally and systemically important supply chains. By doing so, China created a vast decentralized product and manufacturing hub for the world; for anything and everything at a low price. On the contrary, the US chose the more deadly path. Centralization, consolidation, and a reduction in the number of banking entities. All the while increasing the amount of financialization, leverage, and risk in the fewer and fewer nodes within the system.

> WOW. The # of banks in the US, by era, as presented by @MaxfieldOnBanks. I had never thought of it this way. Once you see it you can't unsee it… pic.twitter.com/CJQJdIZEYv
>
> — Caitlin Long 🔑 ⚡ 🔴 (@CaitlinLong_) September 15, 2026

The core thesis, unlike what we've seen in the US over the last two decades, is decentralization. In short, you have the combination of centralized capital flows towards a decentralized private sector, which forms the basis of growth. You conquer, so to speak, in numbers.

This is a major paradigm shift from what we've become, but it is what we are finally seeing the US wake up to and begin to move back towards.

That's why it feels so chaotic and out of sync. It's different than anything we've seen in the last 70 to 100 years or more. It is what Hamilton implemented in the US to found our great and successful American experiment. It is what we reimplemented in the 30s to 50s to extend US dominance. But it is what we moved away from post-1971 with the creation of petrodollars and a heavy reliance on financialization and incentivization of lack of productivity (service). It is what stablecoin dollars, Bitcoin, and a SOFR based system are meant to hopefully replace. The brokenness of petrodollar and eurodollars. These steps are an attempt to revert back to something that works - productivity.

Instead of growth, for decades, we've implemented policies that promote fewer and fewer entities in industry and banking. The exact steps that choke off growth and kill economic systems. It also leads, as we've seen, to a vicious cycle of bad policy design that encourages less competition. All of which only exacerbate the problem.

Eventually, you end up right where we are. In an unproductive and overly financialized economy without the ability to provide because you've outsourced everything for the sake of profits, quarterly numbers, and inflated margins for analysts to bicker over. At some point, you wake up and realize the amount of power you've given away to others by centralizing your resources and profits into fewer and fewer hands. That's when you realize those providing to you have decentralized their resources, profits, and state-directed capital into real economic power that eventually unseats you from number one.

For a financial system to work, the entire system must depend on the quantity of credit, as Werner lays out, and if you follow the Japanese story, which I believe we are only 25-30 years

behind, then **Kevin Warsh is no different than the last Central Bank prince whose specific role was to change the regime**. Unfortunately, if we choose to extend, the only option is to become the carry trade for others to piggyback off of. As we see, that game can unproductively go on for decades.

As Dines notes, the QE period is over. The only move to sustain is to provide credit to those who have capacity (Main Street) and guide it into productive use cases (21st-century infrastructure).

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