

# Viewpoint: The end of monetary trust

## The strategic case for strategic pre-emptive fiscal expansions

By Yves Choueifaty, 05 September 2025

*The founder of TOBAM sets out a case for rational, long-term intent behind the massive fiscal expansion of Trump’s One Big Beautiful Bill*

At its foundation, the global economy operates on a substrate of trust. Trust underlies every contract, every liability, and every exchange of value. Monetary systems, in particular, derive legitimacy not solely from legal mandate, but from real and perceived credibility – credibility to preserve purchasing power, enforce convertibility, and uphold intertemporal consistency.

Historically, the anchoring mechanism of this trust was metallic: gold and silver functioned as monetary cornerstones for centuries. Their relative scarcity, physical durability, and resistance to debasement provided a rudimentary yet effective guarantee of long-term value preservation. They were the cornerstone of trust. However, their practical limitations – illiquidity, audit opacity, volatile and unreliable availability, and transport inefficiencies – rendered them incompatible with the demands of modern, digital, globalised finance.

In the aftermath of the Second World War, the US dollar emerged as the de facto global monetary standard. Initially tethered to gold through the Bretton Woods system, and subsequently sustained by US institutional stability and economic, financial, and geopolitical dominance, the dollar replaced metal as the principal medium of trust. For several decades, the system functioned. Dollar-denominated assets were liquid, enforceable, and considered safe. The US dollar became the new cornerstone of monetary trust.

However, the structural trajectory of US public finances undermines that role now. With federal debt exceeding \$35trn (€30trn) and long-term fiscal consolidation politically untenable, the US has entered a regime in which gradual currency debasement aligns with sovereign interest. Persistent inflation reduces the real burden of nominal liabilities, while a weaker dollar enhances competitiveness, postpones default risk, and reduces the fiscal cost of entitlement programmes. Within this framework, monetary credibility has shifted from being a policy objective to a tradable asset – one that can be sacrificed in pursuit of macroeconomic expediency.

This dynamic is not unique to the US. Fiat currencies, by design, are unconstrained by issuance limits and subject to political influences. They are therefore structurally prone to erosion. The decline in fiat currencies’ credibility is not a theoretical risk but a statistical certainty, reflected in the long-term deterioration of inflation-adjusted monetary aggregates. Friedrich Hayek anticipated this outcome in *The Denationalisation of Money*, warning of the inherent instability of monopolistic fiat currencies regimes.

The relevant question, then, is what could credibly replace fiat currencies as the anchor of monetary trust – and how such a transition might be managed.



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*Yves Choueifaty, TOBAM’s founder and CEO*

Before addressing that question directly, it is useful to clarify the interpretive lens applied here. Rather than defaulting to cynicism or attributing macroeconomic decisions to political opportunism, this analysis adopts a hermeneutic\* framework: the generosity bet. It assumes that institutional actions, even when unconventional, may reflect long-term strategic coherence. This lens enables a more nuanced understanding of policy shifts that traditional models may overlook.

From this perspective, recent US fiscal developments warrant reinterpretation. The passage of the sweeping One Big Beautiful Bill – widely dismissed as a populist stimulus – may in fact represent a deliberate, rational response to monetary exhaustion. Consider the scenario in which a rational, forward-looking US policymaker concludes that the dollar’s capacity to function as a long-duration store of value is approaching its limit. This policymaker might also foresee the emergence of a programmatically scarce, decentralised alternative – such as Bitcoin – as the next credible monetary reference.

Within that context, the optimal sovereign strategy becomes clear: issue as much long-dated debt as possible while the dollar retains credibility, and deploy the proceeds into productive assets that enhance real economic capacity and strategic optionality. Measures that reduce corporate taxation and limit welfare-based labour disincentives can then be understood not as ideological moves, but as efforts to reallocate capital and labour toward tradable sectors. As liabilities are inflated away, the real cost of borrowing declines.

What may appear externally as fiscal recklessness is better understood as pre-emptive adaptation. It is not irresponsibility, but a planned, rational monetisation of residual trust before that window closes.

A further confirmation of this framework lies in the expanding role of stablecoins as indirect instruments of sovereign debt monetisation. As demand for tokenised dollars grows, particularly in offshore markets, issuers such as Tether and Circle increasingly allocate reserves to short-term US Treasuries to maintain peg stability. This creates a persistent, decentralised bid for public debt, effectively enabling the US government to refinance itself through crypto-native infrastructure. What began as a peripheral payment innovation has become a structural mechanism of fiscal absorption. In this context, stablecoins do not merely reflect trust in the dollar – they accelerate its monetisation via programmable financial rails, blurring the boundary between fiat issuance and digital asset collateralisation.

In parallel, the growing number of US initiatives related to Bitcoin can also be reinterpreted through this lens. These are not simply expressions of market enthusiasm, but elements of a sovereign strategy aimed at appropriation. By fostering institutional adoption, regulatory clarity, domestic mining capacity, and accumulation by both public and private US entities, the US may be seeking to position Bitcoin as a parallel, de facto American reserve asset. If successful, this strategy could simultaneously deal with the sovereign debt issue and entrench US dominance in the emerging post-dollar monetary order. In such a scenario, substantial Bitcoin holdings would function not only as macro hedges, but as pillars of enduring geopolitical leverage.

Using the tool of the generosity bet matters – not to endorse the strategy, but to illuminate it. Not to justify outcomes, but to interpret intentions. In an era where trust is dissolving, the ability to decode long-term incentives may be the way to anticipate what comes next.

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\*From Hermes, the messenger of gods. Hermeneutics is the theory and methodology of interpreting meaning, or the field of study exploring how meaning is derived and understood.