Twitter Thread by George Selgin



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"At the start of 2020, the dollar’s run had endured 100 years. That would have been reason to question how much longer it could continue." This crude instance of the gambler's fallacy is one of many reasons why I find Ruchir Sharma's FT piece unconvincing:

Another is his suggestion that, although "When the pandemic hit, the US dollar was as mighty as ever," the pandemic has changed that. To paraphrase Mark Twain, rumors of the end of the dollar's "exorbitant privilege" are much exaggerated.

In fact the demand for dollars rose to exceptional levels early in the crisis; if it has declined somewhat since, it is only from that unusual peak: https://t.co/0kUWbMDI8v

Then there is this glaring non-sequitur: "US officials were thus confident that...they could print the dollar in limitless quantities without undermining its reserve currency status. ...But a new class of contenders is emerging: cryptocurrencies."

But? The rise of cryptos has practical no bearing on how many dollars the Fed can create without undermining the dollar's int'l appeal or otherwise resulting in its "debasement." Sure, many Bitcoin fans _think_ the dollar is going to crash. But that hardly means it will!

In short, it simply isn't true that "The pandemic has made those crypto-pitches sound less like pure digital hype." The only change is that the FT is now adding to that hype!

Ruchir then appeals to growing U.S. indebtedness."The dollar’s reign is likely to end," he says, "when the rest of the world starts losing confidence that the US can keep paying its bills." It's enough to make this MMT skeptic think, where's @StephanieKelton when we need her?"

If he take Prof. Kelton's word for it that the world isn't about to quit paying its bills, Mr. Ruchin ought to read @dandolfa's more mainstream treatment of the limits of U.S. indebtedness: https://t.co/1p02e9dp0p

Ruchir assures us that "Bitcoin is also starting to make progress on its ambition to replace the dollar as a medium of exchange." Well, if you watch a snail long enough, you will see it "make progress on" circumnavigating the globe.

For a recent, down-to earth assessment of Bitcoin's (very limited) medium of exchange progress, I recommend this @jillruthcarlson essay: https://t.co/2xABXBdpfO

Finally, like too many Bitcoin enthusiasts, Mr. Ruchir seems not to appreciate the powerful "network effects" that make it exceedingly difficult for any upstart would-be monetary standard to pose any great threat to the bad-old USD: https://t.co/BiSBAnhsGA

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