



Moving Monetary Tectonics

The currency landscape in a changing world

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GQG Research

Key Takeaways

- > Significant changes in the monetary landscape, driven by digital currencies and skepticism about the current fiat system, indicate that global monetary shifts are likely underway
- > Over the past two decades, unprecedented levels of debt and unorthodox monetary policy have led investors to look for alternatives to the US dollar, like gold and Bitcoin
- > Historically, significant monetary tectonic shifts have occurred at global crossroads, which were generally marked by debt accumulation, currency debasement, and war

Few things are used more in our daily lives than money. Money is at the heart of a modern global economy and is basically one-half of *everything we do* in commerce. Yet, despite money's familiarity and everyday use, it is arguably one of the most misunderstood aspects of society.

Without proper money, all asset prices become far more difficult to price. And if we break the money, we break a lot of things. Like crossroads in the past, we are seeing tectonic shifts—not in the physical continental drift sense—but rather in the monetary realm.

These shifts are not simply occurring in one area either; they are occurring on both a technological front, given the rise of digital currencies, but also on the behavioral front, where recent events have called into question the reliability of the current monetary order that has existed for at least 100 years.

We believe investors need to have a good understanding of the current landscape in order to prepare for the changes that may be coming.

| A BRIEF HISTORY ON THE ORIGINS AND PROPERTIES OF (SOUND) MONEY

Generally, money is the most liquid and marketable of all commodities. Its primary value comes not from money itself, but in its usefulness as a medium of exchange for other more desirable goods.

Aristotle laid out a framework for proper money circa 350 BC, stating that money should be **durable, portable, divisible, and intrinsically valuable.**¹

It makes sense that gold became money, given that it not only meets all of Aristotle’s characteristics, but also one that is missing: scarcity. Proper money is also scarce and cannot be conjured up out of thin air. Notice that we said *proper* money, not to be confused with *paper* money.

| DEBT AND INFLATION

Even though money, debt, and inflation are all related, there are some key distinctions worth pointing out. First off, money is not debt. Debt can temporarily be a money substitute, but it is a claim on the delivery of *future* money or value.

Second, prices do not inflate, but money supplies do. Rising prices can often, but not always, be a *consequence* of inflation but are not inflation itself. This is critical and in contrast to the modern use of the word “inflation,” which often is substituted for a rise in prices.² Historically, big monetary tectonic shifts have occurred at global turning points, which were generally marked by debt accumulation, currency debasement, and war—with the debt accumulation and debasement often being directly related to war.

Looking back nearly 500 years, we have observed that the average primary reserve currency duration typically lasts about 100 years. The US dollar crossed its 100-year mark a few years ago. Fast forward to early 2025, and we are seeing global conflicts, debt accumulation, and monetary debasement—similar shifts to those of the past with one major exception.

Other than a temporary break of the UK during WW1, no prior reserve currency moved to an entirely fiat system—defined as having no convertibility into a commodity—like we see globally today. Even after WW2, the Bretton-Woods system created a gold-convertibility standard for the US dollar, whereby governments could exchange gold for US dollars, even though individuals could not. Once Nixon closed the gold window in August 1971, the US dollar was no longer backed by a commodity but by the vast economic importance of the US combined with overall trust in US institutions.

| PAST, PRESENT, FAD OR FUTURE: GOLD VS. DIGITAL GOLD

With the US dollar as the world’s reserve currency for more than a century, it is natural to focus on the US landscape. However, given the complexities of the global economy and the general nature of a global fiat system, there are a lot of forces at play outside of the US that impact the overall monetary system.

Major World Reserve Currency Periods

Country of Primary Reserve Currency	Begin	End	Number of Years as Primary Reserve Currency
Spain	1530	1640	110
Holland	1640	1720	80
France	1720	1815	95
United Kingdom	1815	1920	105
United States	1920	Present	104
Average			99

Source: Economic Reason. Data through 2024.

Taking us to the present day, one cannot ignore the shifts and cycles that have occurred since the global financial crisis, including unprecedented monetary policy, multiple rounds of quantitative easing, zero interest rates, and even negative interest rates. But one of the most profound shifts during this nearly two-decade period is the rise of digital currencies.

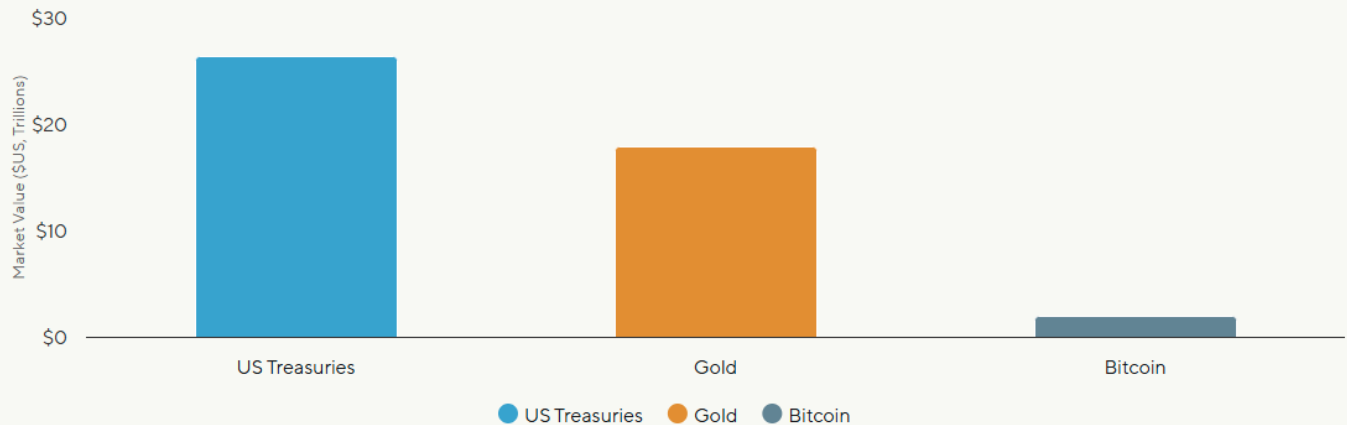
Given unprecedented levels of debt³ combined with unorthodox monetary policy in a purely fiat world, people have looked to alternatives to the existing structure in both old and new form. Old being commodities like gold, and new being digital currencies, such as Bitcoin. Bitcoin's rise is rooted in its original proposition as being a fully de-centralized, peer-to-peer digital cash system.

Bitcoin also meets many of the criteria set out by Aristotle, making it a much harder form of money than our current paper system. It also coincides with a boom in technological advancements and an exponential rise in computing power over the last few decades.

Because of this, Bitcoin has been adopted at an incredibly high rate since its launch in January 2009, with a market cap approaching nearly US\$2 trillion as of December 2024.⁴ While Bitcoin pales in comparison to both gold and US Treasuries, its meteoric rise from fringe computer digits to mainstream player cannot be ignored. It's become so popular that President Trump established a Strategic Crypto Reserve that will treat Bitcoin as a reserve asset, much like the US's Strategic Oil Reserve.⁵

Bitcoin's Rise in Market Capitalization

Market Value



Source: FRED. MacroMicro Data as of 31 December 2024. US Treasuries data refers to the market value of marketable treasury debt. Gold and Bitcoin data refer to market cap.

The rise of digital currencies and the resurrection of gold are in stark contrast to the debt-based monetary system of the past 50 years. It is also in contrast to the potential system of Central Bank Digital Currencies (CBDCs), which would arguably be even more inflationary than the current system, given that CBDCs not only have unlimited supply but also have the potential to have an expiry date.

Rising prices "arise" from too much money chasing too few goods. What would cause this quicker than a currency that "expires" tomorrow without an ability to create more goods overnight?⁶

THE TIMES, THEY ARE A-CHANGIN'

We cannot overemphasize how important it is to prepare for a variety of outcomes on the monetary front. What stands out to us is that the US federal debt has grown at a faster rate than just about anything else—US stocks included, before dividends. However, notice that gold has held its own, while US consumer prices have risen the least despite large increases in both the money supply and the debt. We believe this is one of the reasons definitions matter and economic complexities are non-linear.

The US Federal Debt Has Grown Faster Than Anything Else

Metric	Q1 2025	Q4 1971	Compound Annual Growth Rate
US Federal Debt (In Billions)*	\$35,465	\$424	8.7%
Gold	\$2,820	\$35	8.5%
S&P 500 (Before Dividends)	\$5,882	\$85	8.2%
US Money Supply M2	\$21,561	\$698	6.6%
US Nominal GDP (In Billions)	\$29,719	\$1,100	6.3%
US Median Home Price	\$396,900	\$24,900	5.3%
US CPI	319	41	3.9%

Source: FRED. Data from 1971 through March 2025. You cannot invest directly in an index. PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS. *Indicates the latest data is through Q3 2024.

As with all cycles, there exists a beginning and an end. Given the high probability of a monetary regime change, and the possibility of long-standing trends being upended, it behooves us to try and figure out where the blurred lines exist from one ending to a new beginning. In our view, that picture becomes clearer by balancing the long-wave tectonic shifts of history with fast-twitch incremental economic data. Because the monetary system is the base layer of all financial transactions, impacting purchasing power but also the value of earnings and cash flows, we do not believe these monetary movements can be ignored.

While we are not certain of where we are going, we are quite comfortable with where we have been. Hopefully, with some help from the data and an open mind to remain adaptable, we can better navigate these changing trends.

END NOTES

¹ BullionVault. "Aristotle's Good Money". 01 May 2009.

² Hulsmann, Jorg Guido. "The Ethics of Money Production". 2008.

³ Congressional Budget Office. "The Budget and Economic Outlook: 2025 to 2035." January 2025.

⁴ CoinMarketCap. "Bitcoin Market Cap."

⁵ The White House. "Fact Sheet: President Donald J. Trump Establishes the Strategic Bitcoin Reserve and U.S. Digital Asset Stockpile." 06 March 2025.

⁶ Elston, Thai-Binh. "China is Doubling Down on its Digital Currency". Foreign Policy Research Institute. 02 June 2023.

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