

Friday, 3rd February, 2016

Dear Mustafa,

There are very few times in Karachi that I have needed a jersey and a fire pit rather than a t-shirt and air conditioning - but January and February are great months to visit. The distance from London also provides a perspective from which to assess current developments, and with Don I we are now provided with a new episode of dubious entertainment every day!

In the El Escorial postcard you referred to the connection between interest payments and tax revenue; a few years back we also wrote about the relationship between interest payments and military spending. When interest payments make up too a large proportion of tax receipts and also exceed military spending the empire in question is effectively over. We saw this inflection occurring in the USA but thought it would happen slowly, however, we did not anticipate the rise of the tycoon.

The American Empire has approximately 800 military bases worldwide and is able to reach any country in the blink off an eye. Empires are about control - businesses are about money - empires are about power - businesses are about profit. Any empire viewed through the lens of a business eye is a lousy investment.

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Hence the glib policy of 'America First' is a perfect example of an empire wanting to shrug off its imperial burden. Don I is unknowingly dismantling the empire which the USA itself benefits from the most. So what will be the consequences with the US stepping back?

Critically, the US\$ will lose pre-eminence. The 'hangers on' of empire, those countries who are linked to the US\$, namely the Arab Gulf nations, China and certain Latin American nations, will have to 'reset and reorganise'. Some will be able to do this better than others.

These core countries, so used to an American order, are in for a rude surprise. Those blocs on the periphery, such as Africa and the Sub-continent - almost half the world - will have a greater freedom of action. 'America First' is the first 'free-for-all' in a long time! This brings massive opportunity and instability in the same breath.

See you on return next week - Chris