

Guest Column| The Great American Circus: Debt, gold and tariffs

Central banks don't stockpile bullion for fashion. They do it because they see the cycle turning. The circus is not Trump's. The circus is America's debt. And in this circus, the loudest act may be the most honest one: The businessman-president who knows the tent is on fire.

Donald Trump has been caricatured for years as erratic, impulsive, even reckless. Yet beneath the theatrics lies something more elemental: The instincts of a businessman. Where politicians cloak reality in rhetoric, a businessman looks at the balance sheet. And America's balance sheet today is sobering.

US President Donald Trump wearing his 'Make America Great Again' cap. Trump is, in his own disruptive way, a patriot. He senses what others deny: That America is over-leveraged, under-disciplined, and at risk of eroding the very trust that built its empire. (AP file photo)

The United States carries more than \$35 trillion in sovereign debt. Interest costs alone are racing toward parity with defence spending. Ratings agencies have quietly chipped away at the myth of American perfection, cutting US sovereign credit from AAA to A. The dollar's aura of invincibility looks more fragile with each passing quarter.

Trump's tariffs, bluster and "America First" slogans may sound like circus acts, but they reflect an underlying recognition: The empire's finances are wobbling, its paper promises are devaluing, and the world is losing patience.

For decades, US treasuries were the ultimate reserve asset, safe, liquid, unquestioned. That era is ending. China and Japan, once the largest foreign holders, are trimming their positions. Others are following quietly.

At the same time, global central banks are buying gold at record pace. In 2023, they added more than 1,000 tonnes, the highest in modern history. For the first time since 1996, sovereign gold reserves exceed their holdings of US government bonds. This is not a coincidence. It is a conscious decision to exchange paper promises for a metal that cannot default, cannot be sanctioned, and requires no act of Congress to preserve its value.

Gold does not yield coupons or dividends. It simply sits. Yet in a world where fiscal credibility is eroding, its silence speaks louder than American rhetoric.

Tariffs, twists and turns

Trump's preferred tool has been tariffs, levied not just on China but on India, Russia and allies alike. Economists call them crude and self-defeating. But in Trump's logic, they are an immediate lever: Punish competitors, tilt trade balances, raise revenues.

In practice, these tariffs have done something Washington never intended. They have pushed Asia's powers closer together. China, India and Russia, three nations with long histories of rivalry, now find alignment in resisting American economic pressure. What could not be achieved through decades of summits, tariffs achieved in months: Consolidation. This is what one might call a platonic shift. Not just tectonic in scale but philosophical in meaning. By wielding tariffs against all, Trump forced his rivals into each other's arms, accelerating the very counterweight America feared.

Project forward. By 2035, the global landscape may look inverted. The West, which has defined the economic order since 1945, could find itself in the position Asia once occupied: Reactive, defensive, playing catch-up. The complexion of power, the dialogue of trade, the contrast of influence could all flip.

Unless the US enacts miraculous fiscal reform, an act of political courage or divine intervention, the trajectory is clear. Empires rarely admit decline. Rome didn't. Britain didn't. America is no different. Supremacy is cyclical, and the cycle is turning.

Barometer of trust

Gold's rise is not about inflation hedges alone. It is about trust. When sovereigns accumulate bullion instead of treasuries, they are saying in plain language: We do not fully trust America's solvency.

That is why 95% of central banks surveyed plan to increase their gold reserves in the coming year. That is why even at record prices, the metal keeps climbing. And that is why investors, from retail savers to sovereign funds, are treating gold not as a hedge but as a core holding.

Gold has become the barometer of confidence. Each tonne bought is a silent vote against US fiscal discipline. Each uptick in price is a reflection of paper's decline.

Seen in this light, Trump is not merely a showman. He is, in his own disruptive way, a patriot. He senses what others deny: That America is over-leveraged, under-disciplined, and at risk of eroding the very trust that built its empire.

His tariffs, his slogans, his dramatic gestures may not fix the problem. They may even worsen it. But they are attempts, however clumsy, to rejig the puzzle before America's creditors do it for him.

Ironically, in trying to protect America, the US President may have hastened the arrival of a new order. Asia is more consolidated. A West more indebted. A world more golden than Dollar driven.

The Closing act

The headlines say gold is at record highs. The truth is deeper: The world is buying insurance against the United States.

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For the next half-century, the axis of power may tilt East. And gold, once dismissed as a relic, is once again the reserve of first resort.

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