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### My Article in The International Economy Magazine with Matt Sekerke: "An Alternative Operating Model for the Fed"



The latest issue of The International Economy has just been released. It contains an essay that Matt Sekerke and I coauthored, "An Alternative Operating Model for the Fed." Our article is a follow-up to Treasury Secretary Scott Bessent's critique of the Federal Reserve. We share Bessent's dissatisfaction with the Fed. Our article, which was hand-delivered to Secretary Bessent, argues that the Fed should "discard its interest rate targets and implementation strategy in favor of a regime that targets a Divisia broad money aggregate." As Secretary Bessent continues to think about how to rewrite the rules of the financial system, we encourage him to consult our new book, *Making Money Work*, published by Wiley earlier this year.

[Click here to read my article in the International Economy magazine](#)

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### My Interview with Jennifer Sor in Business Insider: "A renowned economist says these are the 2 big issues keeping him up at night"

This week, I was interviewed by Jennifer Sor in Business Insider. Below are my answers to her queries:

**Q1:** What's keeping you up at night when you look at the state of the U.S. economy? What about in the stock market?

**A1:** What is keeping me up at night is the idea that the Fed is going to be unable to hit its inflation target in 2026. The Fed is data-dependent and flying blind. Surprisingly, one piece of data that the Fed fails to pay attention to is the money supply. For me, that is the most important metric. At present, everything points to a loosening of monetary policy and an acceleration in the growth rate of the money supply.

Indeed, there are four specific policy changes that will tend to loosen monetary policy and result in accelerated growth in the money supply, which will eventually result in higher inflation rates. First, thanks to pressure from President Trump, it looks like lower Fed funds rates are baked in the cake. Second, the Fed is putting a halt to quantitative tightening this month. Third, the elimination of the Enhanced Supplementary Leverage Ratio will take effect in April 2026. This means that commercial banks that produce 80% of broad money (M2) will have a lot more firepower to increase loans. As a result, the money supply will increase. Fourth, fiscal deficits are running around 6% of the U.S. GDP. This deficit is being financed with, among other things, a surge in the issuance of T-bills. These are being vacuumed by money market funds. As a result, the money supply will increase. So, part of the deficit is being monetized.

As far as the stock market is concerned, my Dr. X's Bubble Detector is sitting at an all-time high, indicating that we are in a bubble. The problem with bubbles is that you never know if they are going to pop or if the air will just slowly dissipate. Nor can you ascertain the timing.

**Q2:** In the past, you've warned that AI could result in a stock drop similar to what was seen after the dot-com bubble. What would you say is the biggest warning sign that suggests that fate?

**A2:** As far as the warning signs concerning the course of an AI bubble, you will never know when you will realize a Wile E. Coyote moment.

**Q3:** Nvidia CEO Jensen Huang has been adamant that AI isn't in a bubble, and others on Wall Street have said the rally in tech stocks has room to go higher over the short- to medium-term. Do you agree? How will investors know when it's the right time to get out?

**A3:** See my answer to question 2.

**Q4:** What do you think is the smartest thing to do right now in your portfolio?

**A4:** Given the huge bull market run in the stock market, it is probably a good idea to rebalance your portfolio.

**Q5:** Has your recession outlook changed recently? Did the economic data blackout or the September jobs report make you more bearish on the outlook for the U.S. economy?

**A5:** No. I have swung to being less bearish because it looks like the money supply is going to be goosed, if not over-goosed.

**Q6:** What are you expecting in terms of rate cuts going forward/how many more cuts can markets expect?

**A6:** See my answer to question 1.

[Click here to read my interview with Business Insider](#)

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**My Interview with Michael Farris and Dave Collum on Coffee and a Mike:  
"NYC not London Rules"**



This week, I joined Michael Farris and Dave Collum on Coffee and a Mike. We discussed (with timestamps):

- 01:29 – Gold: calling the top, re-entering, and why \$6,000 is the secular target
- 03:02 – Silver and platinum: scarcity, positioning, and supply-side risks
- 05:42 – Why reliable information has collapsed since 2015
- 07:07 – The long-term financial outlook and rising systemic risk
- 08:02 – Is the City of London really running the global financial system?
- 10:07 – Why New York — not London — dominates global capital markets
- 13:45 – Who actually “runs the world”: Mr. Market
- 15:13 – Market concentration in New York and whether dominance signals a bubble
- 16:12 – Debunking the idea of a valuation premium from listing in New York
- 18:14 – Why economics isn’t like chemistry, physics, or engineering: limits of models and data overload
- 20:14 – First-order vs second-order thinking in economics and markets
- 21:00 – A lesson from the 1986 oil collapse: the power of simple models

[Click here to see my interview with Coffee and a Mike](#)

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## My Interview with Janet Alvarez on The Business Briefing (SiriusXM)



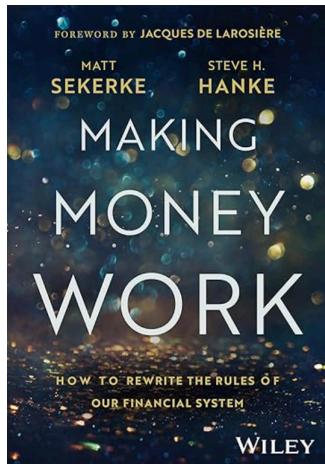
This week, I joined Janet Alvarez on The Business Briefing (SiriusXM). We discussed:

- The US pivot from sanctions to a full blockade on Venezuela
- Dollarization as the fastest path to restoring economic stability in a post-Maduro Venezuela
- Given the way PDVSA exploits Venezuela's oil reserves, they are effectively worthless due to an unbelievably low depletion rate
- Inflation and the bolívar currency collapse are accelerating under the blockade (bolívar down ~86% YoY; inflation at 642%/yr)
- Sometimes blockades work to force regime change, whereas sanctions almost always fail
- Markets are pricing in a good chance for regime change. This is evident in a sharp rally in the value of defaulted PDVSA debt
- With the election of José Antonio Kast in Chile, it signals a political rightward shift in Latin America, and a move back toward free-market economic orthodoxy

[Click here to listen to my interview with Janet Alvarez](#)

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## My Two Most Recent Books: *Making Money Work* and *Capital, Interest, and Waiting*

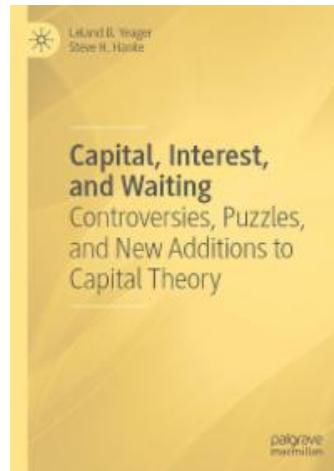


"Sekerke and Hanke offer a fine corrective to economists' conventional wisdom on monetary policy and the role of the banking system. As well as demonstrating how standard models of economic growth fail to capture the importance of banking and finance, they have important recommendations on the reform of bank regulations and central banks' thinking about money."

—John Plender, Senior Editorial Columnist, *Financial Times*

"Sound reasoning, clear writing, informed judgments and unconventional conclusions, all informed by a keen historical awareness—it's not impossible that Messrs. Sekerke and Hanke will be drummed out of the corps of economists for this marvelous grand tour of all things monetary."

—James Grant, Editor, *Grant's Interest Rate Observer*



"Yeager and Hanke created a masterful book that weaves together both intellectual history and solid economic theory. This book breaks down interest theory and the role prices play in coordinating all manner of economic activity. Students and professionals alike will find value in this thorough analysis."

—Meg Tuszynski, Bridwell Institute for Economic Freedom, Cox School of Business, Southern Methodist University and coauthor of *Reason, Ideology, and Democracy*

"Capital, Interest, and Waiting takes a deep dive into the nature of the interest rate understood as the price paid for waiting. Authors Leland Yeager and Steve Hanke place waiting into the working of the price system and, as it turns out, the interest rate is a much more complicated phenomenon than just the interest one pays on credit card balances. For example, as a relative price, it is part of the real economy controlling market exchanges. Yet central banks set it as an instrument for implementing monetary policy. How, then, can central banks control a real price when they control something so nominal: money creation? Yeager and Hanke offer no cut-and-dried answers. Instead, they take the reader on a voyage through the insights of the most brilliant economists over the ages. One should come to this book prepared to think critically."

—Robert L. Hetzel, Senior Affiliated Scholar, Mercatus Center, George Mason University; Fellow, Institute for Applied Economics, Johns Hopkins University; and author of *The Federal Reserve*

[Click here to purchase my newest book: \*Making Money Work\*](#)

[Click here to purchase my recent book: \*Capital, Interest, and Waiting\*](#)

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