

Hello Everyone,

### **Scenario 1**

**A child comes home, and the mother asks, "What did you learn at school today?"**

### **Scenario 2**

**A child comes home, and the mother asks, "Did you ask a good question today?"**

Which child do you believe will grow up with a better education?

Today's missive addresses a question the Greek philosophers debated at length. If the component parts of something are replaced, at what point does it become something different? If ever.

This short read has heroes, the Minotaur, Henry Kissinger, and Russians. What more could you want from a financial report? :->)

Signed, Your Levi-Strauss-Said-Wise-Men-Don't-Give-The-Right-Answer-They-Pose-The-Right-Question Financial Advisor,

Greg

## **KKOB 2021.03.22 Ship of Theseus**

**Bob:** So, Greg, you have been on kind of a history theme recently. And today we're talking about the Greeks. Right?

**Greg:** I am. And, Bob, I have been surprised at how many people like the historical connections.

So, today's topic is the Ship of Theseus.

Theseus is known as the founder of Athens. He was also the hero who killed the Minotaur---that mythological half-man-half-bull creature.

Anyway, long after Theseus' death, his ship was still docked at the Athens Marina. It had become something of a museum piece----a symbol of civic pride.

As with any ship, however, eventually the planks began to rot. The sails began to tear. So, the city leaders would hire craftsmen to go in at night to replace the old parts with new ones.

Bob, this then led to debates among the Greek philosophers that went something like this. *Once every component of the ship has been replaced, is it still the Ship the Theseus?*

**Bob:** Well, I would say it is something different.

But I guess you could say the myth remains the same even if the physical parts aren't.

**Greg:** Right. By the way, when I was in the army, we had our own "Ships of Theseus". Congress had capped the number of helicopters we could have. But we could request as many repair parts as we needed.

Therefore, the maintenance guys would first order a new engine. Then six months later order new rotors. Then, a little later, all new electronics. Thus, over the course of a few years we had a whole new chopper. You just couldn't throw away the identification plate with the serial number. Keeping that identifier meant we had the "same" helicopter as far as Congress was concerned.

So, what does this have to do with the economy and finance?

**Bob:** I have no earthly idea. Please enlighten me.

**Greg:** I was hoping you'd say that. We are changing out the planks of our economy all the time. One hundred years ago, companies like US Steel drove the economy. By the 1960's, it was giants like IBM. Now it's Apple and Google. I'd say replacing those planks made sense.

But what if you did the opposite? What if you took out good planks and substituted bad ones?

For example, our currency used to be backed by gold. That standard required our politicians to exercise some spending

discipline. Gold was the anchor that forced prioritization of spending. Of course Nixon took us off the gold standard in 1971. And for a while we were adrift.

Then, Henry Kissinger came up with a masterful plank change.

Kissinger convinced OPEC to trade oil in dollars--- and dollars only. In exchange, the Middle East got US military protection. Thus, the petro-dollar was born. Petro standing for petroleum....and the dollar was backed by oil.

**Bob:** But that system is breaking down. I don't keep up with this stuff like you do, but I know the world resents paying for oil in dollars. They want to use their own currencies.

So, I think I see where you are going.

You think the petro-dollar plank in our ship of Theseus is going to be changed.

**Greg:** I do. Or maybe better said, it is being changed right before our very eyes. China is increasingly buying oil using the yuan. And everyone is accepting it. Meanwhile, the Russians have long said, *"Hey, we'll take almost any legitimate currency for our oil."*

In short, global demand for our currency is declining. Meanwhile, the supply of dollars is soaring....by the trillions.

And you don't have to be an economic genius to know if demand for dollars is falling--while the supply is rising--eventually the value of the dollar will fall.

Thus, my conclusion is our "dollar plank" will be swapped out. It may be a digital dollar that replaces it. We are hearing a lot about that. It may be a new (but devalued) dollar. We'll see.

The point is, we will still call it a dollar. Just like the Greeks still called it the Ship of Theseus. Does that make sense?

**Bob:** It does. This financial report is no longer Greek to me. How do people reach you?

**Greg:** That was bad. My number is 250-3754. Or, go to my website at [zanettifinancial.com](http://zanettifinancial.com).

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