

Macro Roundup Article

Headline: [Pettis On Pozsar](#)

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Tweet: .@michaelxpettis argues that Zoltan Pozsar is wrong about the dollar's global role. Chronic surplus countries' dependence on American deficits, and in turn the dollar's global role, is growing.

Summary: The irony is that while Pozsar correctly notes that China's trade surplus is bigger than ever, he doesn't realize that this makes China even more dependent, and not less dependent, on the willingness of China and the rest of the world to hold dollars. The key to global currency "domination" is not how excited the political elite say they are about having their currency dominate. It is how willing they are to allow clear and transparent foreign ownership of domestic assets and, even more importantly, how willing and able they are to give up control of their capital and trade accounts. Can we at least agree that China is reducing the dollar component of its reserves? Even that is questionable. China's reserve accumulation since 2017 has occurred indirectly, through state-bank purchases of dollars. We have no idea whether or not the amount of dollars China is holding has increased or decreased, but simple B-o-P arithmetic tells us that China's rising accumulation of foreign assets was mostly matched by rising foreign accumulation of US assets.

Primary Topic: Savings Glut/Trade Deficit

Topics: GDP, Op-Ed/Blog Post, Savings Glut/Trade Deficit, Theory

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