JEROEN BLOKLAND

The Great Rebalancing

How our debt-driven economy turns scarce assets into the ultimate investment

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Published by Jeroen Blokland Uitgeverij, Rotterdam, Netherlands

First Edition, December 2025
ISBN: 9789083598819 (paperback)
Category: Business & Economics / Macroeconomics
Design and Layout: Bruggn Design, Armando van Bruggen
Cover Photography: Sander Nagel Photography
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Introduction

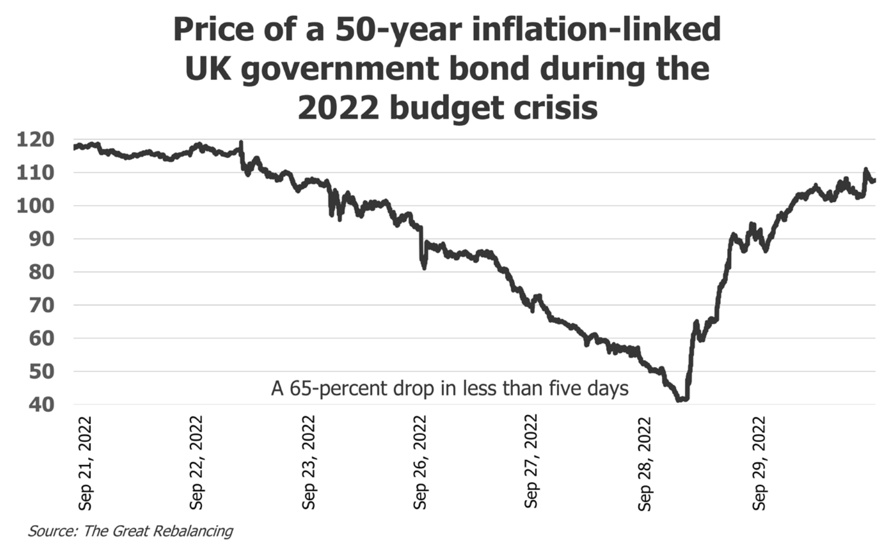
It's 9:30 a.m. on Friday, September 23, 2022, an early autumn morning, when the newly appointed Chancellor of the Exchequer, Kwasi Kwarteng, stands ready in the House of Commons to present his so-called "mini-budget." Just hours earlier, the clock had ticked mercilessly past midnight as he and his boss, Prime Minister Liz Truss, put the final touches on their reckless gamble, the launch of their "Trussonomics" stimulus plan.

Within hours of Kwarteng's appearance, the United Kingdom is in turmoil. The £45 billion in unfunded tax cuts for the wealthy hits Britain's financial system like a hammer. Markets shudder as panic strikes without mercy. The pound plunges to a historic low and interest rates surge.

But what comes next is even worse. Still oblivious to the coming fallout, Kwarteng defends his plan and even hints at more tax cuts during the BBC talk show *Sunday with Laura Kuenssberg.* By Sunday evening, it's clear that when markets reopen the next morning, an unprecedented financial carnage will unfold.

By Monday, the fragility of Britain's bond-dependent financial system becomes brutally clear. Phone lines light up at pension funds and insurers that, often with leverage, have piled into long-dated government bonds to hedge their risks. They are forced to post collateral as the value of those bonds plunges. But pension funds and insurers are out of cash, forcing them to sell their bonds at steep losses. This vicious spiral pushes Britain's supposedly safe pension system to the brink of collapse.

It's now Wednesday, September 28. Outside, the weather has turned grim, gray, and wet. While Truss and Kwarteng stay silent, the Bank of England snaps and finally decides that enough is enough. Even with inflation running at a staggering 8.6 percent, the central bank does the unthinkable: It abandons its price stability target and steps in with an extraordinary emergency operation, injecting as much as £65 billion into the system. The Bank of England ends up spending more to keep the system afloat than the government would spend on Kwarteng's unfunded tax cuts. Britain's financial system, and the fragile pension pots of hard-working Britons, narrowly escape disaster. Kwarteng and Truss do not.



A Nonfiction Investment Book

If you're wondering whether you've just opened a financial thriller, this introduction has done its job. Yet what you're holding in your hands will be labeled an "investment book" instead of a non-fiction thriller. The central message of this book is straightforward: In today's debt-driven economy, your investment portfolio must be built radically different.

The 60/40 portfolio (60 percent equities, 40 percent bonds), which traditional wealth managers still impose on their clients, is hopelessly outdated. Bonds are anything but safe, as the chaos in the United Kingdom a few years ago made abundantly clear. In fact, bonds have become steady killers of purchasing power. That these same wealth managers continue to claim otherwise, proudly advertising bonds as "low risk" on their websites, remains bewildering.

Beyond the price swings and potential losses, investing in debt does nothing to preserve the value of your wealth or pension. With bonds, you're almost guaranteed to lose purchasing power over time as inflation quietly eats away at it. The same is true, even more so, for savings accounts. This book explains that inflation will stay far above the levels central banks "promise."

I'm fairly sure nobody sets out to lose purchasing power. So if bonds aren't the answer, what should you invest in? The short answer is assets that are intrinsically scarce, things that cannot be printed or created at will. These have consistently proven to protect against the corrosive effects of inflation and to shield investors from the ever-expanding policies of governments and central banks determined to finance endless deficits.

If you've followed me for some time or know my investment fund, you'll know that gold ranks among my favorite scarce assets. With a history stretching back thousands of years, gold has proven, time and again, to be "good money." It offers unmatched protection against inflation and serves as the anchor beneath nearly every financial system. These qualities ensure that gold inevitably stages a comeback whenever the system comes under strain. And it always will, sooner or later. Humanity's relentless hunger for growth keeps pushing us to the edge, and often beyond it.

But this book is far from being just about gold. Other scarce assets also offer answers in a debt-driven world marked by artificially low interest rates, rising inflation, and governments playing an ever-larger role. A key advantage is that scarce assets complement each other remarkably well within a diversified portfolio. And let's be clear: You don't need to be an eternal pessimist to invest in scarce assets. On the contrary, as this book will show, scarce assets are part of the solution. They help prevent systemic collapse.

Astonishingly, scarce assets almost never make it into the portfolios of traditional wealth managers, not even in tiny allocations. Their outdated belief is built entirely on stocks and bonds, to the detriment of their clients, all while their models for deriving portfolio allocations are crying out for a broader investment mix.

The combination of soaring debt, low interest rates, high inflation, outdated portfolio models, and shifting investor needs will trigger the most profound transformation of investment portfolios in modern history. That's why this book is called *The Great Rebalancing*, with scarce assets at its very core. I am convinced that within a decade, perhaps even five years, our portfolios will look entirely different from today's. This book gives you the tools, and the timing, to start your rebalancing today.

A Book About "Everything"

Calling it merely an "investment book" would sell it short. To truly grasp how our financial system works, and what it means for the average portfolio, we need to embark on a wide-ranging journey. This book spans economics, history, society, politics, and even science. From Roman emperors debasing their coins, to our primal instinct for growth and the unsustainability of the welfare state; from wealthy Norwegians fleeing to Switzerland to the rise of artificial intelligence, the fragmentation of economic thought, the consequences of polarization, bitcoin as a safe haven, and the catalyst of the largest wealth transfer the world has ever witnessed.

I could go on, but this book will guide you, sometimes in broad strokes, through all the reasons why we must rethink the value of saving and radically reshape how we invest. To give all this some structure, here's a brief overview of what to expect in the five parts of this book:

Part I shows how deeply ingrained our desire for growth is. Not out of luxury, but out of necessity. We grow to survive, and economic growth is no different. Unfortunately, the original sources of economic growth are running dry. With rapid demographic aging, labor is becoming scarce, and productivity gains cannot make up for the shortfall. In an effort to satisfy our insatiable desire for growth, policymakers increasingly turn to a magic solution: debt.

Part II makes clear that the discipline required to sustain a debt-driven economy has disappeared entirely. Governments can no longer rely on higher revenues or lower spending to close their huge deficits. On the contrary, aging populations are driving an explosive increase in public spending on welfare and healthcare. What remains is a vast fiscal gap that cannot be bridged, putting welfare states everywhere under strain.

Part III describes what happens when traditional solutions to ensure debt sustainability evaporate. In a regime of fiscal dominance, monetary policy is subordinated to the policies of governments. Central banks are forced to finance government debt and abandon their inflation targets. The combination of structurally low interest rates and high inflation makes debt more sustainable, but it is disastrous for the purchasing power of savers and bondholders. The evidence of this happening can be found everywhere.

Part IV provides the solution to escaping the corrosive effects of low interest rates and high inflation: scarcity. In a world where money and debt are ever more abundant, value lies in assets that cannot be endlessly created or issued. Bitcoin, physical gold, and shares of exceptional companies are the three most important examples. They combine protection against fiscal dominance, geopolitical turmoil, and inflation with attractive risk-return characteristics. They offer the best of both worlds, while still being largely ignored by traditional wealth managers.

Part V brings all the previous parts together. *The Great Rebalancing* is not a vision of the future but a process already underway. The classic 60/40 portfolio cannot survive in a world of rising debt, geopolitical risk, and currency debasement. The financial system must search for a new foundation. That requires a radical change in how we construct portfolios, a process that will be accelerated by the largest wealth transfer in history. Those who recognize this in time will have a decisive advantage, preserving the true value of their wealth.

Jeroen Blokland is an investor at heart. After studying economics at Erasmus University, he worked at several asset managers, including Robeco, where his passion for investing fully took shape. Driven by the question of whether the traditional mix of equities and bonds still truly serves investors, he launched his own investment fund in 2023: the Blokland Smart Multi-Asset Fund.

Known for his clear analysis and data-driven approach, Jeroen has a rare ability to make complex topics both accessible and thought-provoking. Through social media, presentations, interviews, and podcasts, he reaches a large audience of investors and finance enthusiasts. As a result, he has become a leading voice in the debate on the future of investing.

Investors are trapped in a world where portfolios remain dominated by just two categories: equities and bonds. Asset managers, financial advisors, and pension funds all show up with exactly the same mix.

But what if it is indisputably clear that one of those pillars no longer works?

We live in a debt-driven economy where governments run massive deficits, fueled by aging populations and exploding public expenditures. Central banks print unlimited amounts of money, artificially suppress interest rates, and have abandoned their inflation targets. The result is devastating for savers and bond investors: Low interest rates combined with high inflation make a loss of purchasing power inevitable.

The solution? To own assets that cannot be printed, diluted, or issued at will: physical gold, bitcoin, and quality companies able to adapt to a changing system. Scarce assets become indispensable in a world of debased money and chronic debt expansion. This forces a fundamental rethink of how we protect and grow our wealth.

That is what *The Great Rebalancing* is all about.