OCTOBER 2026

36 South Views

By Richard "Jerry" Haworth

A Bridge Too Far

"The 1940 Tacoma Narrows Bridge, the first bridge at this location, was a suspension bridge in the U.S. state of Washington that spanned the Tacoma Narrows strait of Puget Sound between Tacoma and the Kitsap Peninsula. It opened to traffic on July 1, 1940, and dramatically collapsed into Puget Sound on November 7 of the same year.

Construction began in September 1938. From the time the deck was built, it began to move vertically in windy conditions, so construction workers nicknamed the bridge "Galloping Gertie". The motion continued after the bridge opened to the public, despite several damping measures. The bridge's main span finally collapsed in 40-mile-per-hour (64 km/h) winds on the morning of November 7, 1940, as the deck oscillated in an alternating twisting motion that gradually increased in amplitude until the deck tore apart." [1]

The financial version of this bridge could be called "Volatile Vera".

The oscillations, as in Tacoma, will increase in size and frequency until the whole structure collapses.

This is how it works.

The government is powerfully incentivised to try and reduce the interest burden of its debts. It will find it very difficult to finance its debt at higher interest rates. It has a very unpalatable solution - trash the real economy and slash interest rates to "save" it.

How does it "trash the economy"?... restrictive fiscal spending and monetary policy.

When interest rates are low, fund the government's financial needs for the next few years if possible. This amount of money printing will produce GDP growth and ultimately inflation down the road. This was basically what happened in COVID.

The economy starts to run hot with the adrenaline boost of all this money creation, leading to inflation. When it does, raise interest rates to protect everyone against inflation. The government once again finds that it cannot fund its massive deficits at these higher interest rates, and the cycle starts again, but at higher and higher inflation and interest rates.

Eventually, the oscillations come so fast and furious that the whole financial structure collapses.

As with the Tacoma bridge, the oscillations eventual lead to the collapse.

[1] Wikipedia - https://en.wikipedia.org/wiki/Tacoma_Narrows_Bridge_(1940)

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We have witnessed the down cycle with COVID, followed by a massive up cycle in COVID's wake.
The AI phenomenon emerged to take advantage of all the freshly printed money.
Interest rates moved much higher, leading to the government's current funding dilemma.

A crash in the AI bubble will solve the government's funding problems by leading the whole economy lower, which in turn will lead to lower interest rates, which in turn will lead to lower funding costs.

Not so good for everyone except the government, though.

The real winner.... volatility.

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