THE END OF THE Dollar Empire

By Stephen K. Bannon

Volume 2: The Failing Global Reserve Currency

All global reserve currencies in history have eventually failed…

Citizens,

Over the last few years I've become increasingly concerned by a number of growing economic forces that threaten the U.S. This "economic warfare" is taking place right now on a number of fronts.

The immediate goal is to undermine the U.S. dollar. This is a crucial step in removing the U.S. from its role on the world stage.

Whether you follow geopolitical struggles or not, this is important: As goes the dollar, so goes your savings. The struggle ahead may not only bankrupt our nation, but all of us as well.

This is the second of a series of sitreps [situation reports] I've assembled on the enemies of the dollar. I'm working with a trusted partner, Birch Gold Group, to distribute these reports to as many clear-thinking Americans as possible. You'll probably want to learn more about Birch Gold Group's services after finishing this report.

This time, we're diving deep into a frequently-misunderstood subject that's played a key role in U.S. global financial dominance for nearly a century… Until today.

Respectfully,

Stephen K. Bannon

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Our greatest export: The U.S. dollar

I'm sure you've heard the phrase "global reserve currency" used. Most people simply aren't aware of what that means, or how important it is.

So before we go any farther, let's explain exactly what a global reserve currency is.

1. The global reserve currency is **used for transactions between nations** that have separate, native currencies. If, for example, a Swiss refiner importer wants to buy a shipment of Peruvian silver ore, the transaction is usually priced (and paid for) in dollars. Peruvian banks wouldn't know what to do with a deposit of Swiss francs, and the buyer doesn't want to chase down a bunch of Peruvian *sols* to pay the supplier. So **both companies just use dollars**.

   That means, effectively, nearly **every global business needs dollars** and **uses dollars**.

2. As a result, most **global commodities are priced in dollars**. (Because that's what most businesses use to pay for them.)

3. Because businesses use dollars regularly for international trade, a global reserve currency enjoys a **very deep, very wide, highly reliable source of demand**.

4. And that demand creates **stability**. Stability is a *highly prized resource* in times of economic or political crisis – and crises create **more demand**. During the Covid panic in 2020, we saw a *huge surge* in global demand for dollars.

You've probably heard the factoid that something like 60-85% of the entire world's paper dollars are overseas, outside the U.S.? **That's why**.

The currency that has global reserve status has what economists call, "exorbitant privilege," and it's linked to our nation's crippling debt load.

Here’s how much the “exorbitant privilege” is worth

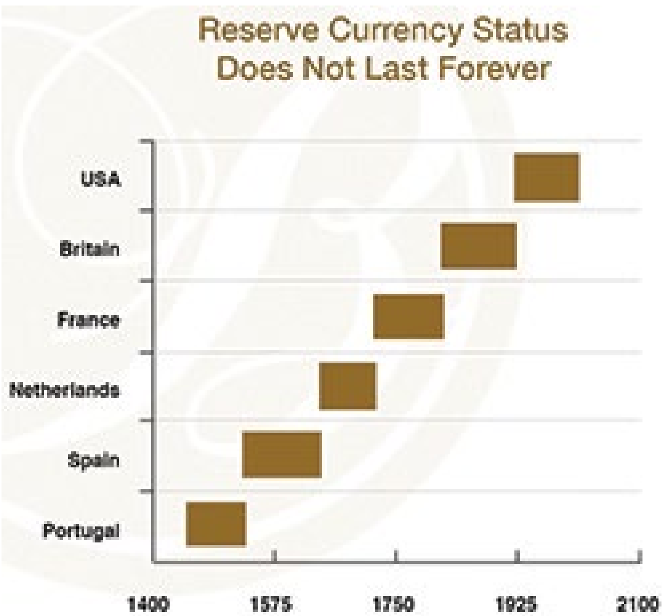
I think economist Barry Eichengreen puts it best: “It costs only a few cents for the Bureau of Engraving and Printing to produce a $100 bill, but other countries had to pony up $100 of actual goods in order to obtain one.”

Since other nations are so willing to loan the U.S. money, interest rates are *significantly* low, only about ⅓ their “natural” level, thanks to the dollar’s global reserve status. This saves the nation about $40-50 billion *per month* on debt service payments.

Now that we know what’s at stake:

I’ll take you on a brief tour of the U.S. dollar’s history as a global reserve currency…

Part 1: History's graveyard



Source: "A Deeper Look - Dollar as Reserve Currency" from Birch Gold Group

Dozens of global reserve currencies have existed in the past, from the Roman *denarius* to the pound sterling.

The **British pound sterling** collapsed when the UK almost bankrupted itself after fighting two world wars.

The **French franc** failed after the French Directory experimented with the *assignat*, an unbacked paper currency.

The **Dutch florin** met its end when the Bank of Amsterdam bankrupted itself by making too many high-risk loans.

The **Spanish dollar** lost its crown due to massive ongoing trade deficits that led to debasement, diluting the coinage with low-value metals.

The **Portuguese *real*** ceased to exist when the nation was conquered by Spain.

That's just a handful – for as long as there has been global trade, there has been a global reserve currency. They typically last 80-110 years.

The U.S. dollar has been the world's reserve currency for over 90 years…

The U.S. dollar becomes the global reserve currency

While World War II was still raging, the Allies met and agreed to a coordinated monetary management program called the Bretton Woods system. This established the U.S. as middleman in virtually every international transaction. That was based on **promising dollars were exchangeable for gold.**

This was only possible for two reasons:

1. In 1944, the U.S. controlled ⅔ of the entire world's gold.

2. The U.S. was the only Allied nation whose countryside had not been a battleground, whose economy actually emerged from the ashes of World War II stronger than before.

Turns out, trusting the U.S. government was ultimately a mistake…

Nixon closes the gold window

In 1971, the U.S. economy was in a rough spot. President Nixon's Federal Reserve increased the money supply by 10% in an attempt to juice economic output.

Other countries caught on and cried "Foul!" Remember, during the days of the gold standard, the U.S. *wasn't supposed to print more dollars* than they had gold to exchange for them. The rest of the world started swapping their inflated dollars for gold.

Obviously, if the U.S. allowed this to happen, they'd run out of gold *well* before everyone else ran out of dollars!

So, on August 15, 1971, President Nixon revoked America's promise to exchange dollars for gold.

Other nations were *furious*. So in order to reassure the world that this new, unbacked U.S. dollar was more than just fancy toilet paper, Nixon worked out a deal with Saudi Arabia. The Saudis promised to **price and sell crude oil *exclusively* in dollars**. Thus, the "petrodollar" was born.

(Importantly, the Saudis *didn't **fix*** the price of oil. Rather, oil's price would be established by the market. So the "petrodollar" agreement didn't **guarantee dollar value** – only that there would be at least one place the world could *spend* their dollars.)

In response, the rest of the world proceeded to disconnect their own currencies from gold. Now, instead of being backed by physical precious metal reserves, the world's currencies were backed by – well, *hope*. Faith in the issuing nation's ability to run its economy in such a way that the currency would be worth something.

Faith and hope, it turns out, isn't enough…

The world dumps dollars

Now that the U.S. dollar was no longer exchangeable for gold, there was effectively *no limit* on the number of dollars the nation could print.

- Inflation hit the highest levels in 40 years (sound familiar?).
- The purchasing power of the dollar plummeted (losing *half its purchasing power* over the course of the next decade).
- Global central banks sold dollars as fast as they could.

Global reserve numbers are difficult to research, so I'm going to reproduce this chart from Wolf Richter, with a focus on the "Inflation spirals out of control" section:

After the dollar's supply was no longer fixed, **the dollar lost its stability**. Its purchasing power **plummeted.** ***Nobody wanted dollars anymore!***

Not until things looked a little better – at least temporarily…

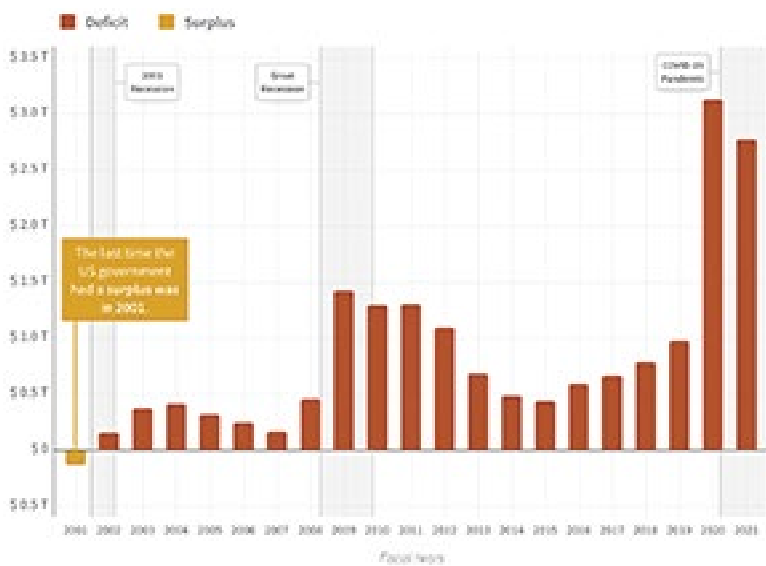
Dollars aren't the best, but they're the best of *the worst*

The nation behind a global reserve currency faces a paradox. It works like this:

1. People want to give you (the U.S.) their money in exchange for an IOU.
2. But since you're a *nation*, not an individual, you don't have a savings account. You have no place to put other people's money.
3. So, instead, **you *spend* it**.
4. People want to give you *even more* money (remember, they *have to*, in order to participate in the global economy).
5. So **you spend *it, too*…**

After a while, the government ran out of *productive* things with other people's money – to the tune of **$31.8 trillion** in debt. They gave up on balancing the budget. (What's the point in balancing the budget when someone's *always* going to just give you more money?)

For 20 consecutive years, government has *spent more money than they've collected*. There's been **no effort** to temper this addiction to debt, to other people's money.



Source

In the wake of the Great Financial Crisis, government spent *more than a trillion dollars yearly* – ***for four years!*** – than they collected in taxes. Spending slowed down a little, then skyrocketed once again during the pandemic panic.

Look at that chart again, and remember that **every single dollar** represents an IOU. A promise to pay. In two decades the U.S. made nearly **$18 trillion** *new* promises to pay – and increased the national debt by nearly **$23 trillion**.

You'll notice in the "USD Share of Global Reserve Currencies" graph above that the dollar's share of the world's reserves has been trending downward since 2001.

That's *partially* a response to the federal government's reckless spending and ruinous debt.

It's also reflecting a changing world economic situation. Since the U.S. abandoned the gold standard, our nation's economic growth has been absolutely anemic compared to *many* other nations.

One more thing: those $30.5+ trillion dollars of debt are *merely* "direct liabilities" – those debts the government is **legally obligated to pay**. If we include "contingent liabilities" (Social Security, Medicare, state and local government debt) the U.S. owes somewhere between **$100-$200 trillion total**.

What's the plan for paying off all that debt?

There isn't one. And the rest of the world knows it. Thus, we're seeing a rapid increase of interest in diversifying away from the U.S. dollar…

The rise of alternative reserve currencies

The International Monetary Fund (IMF)'s Special Drawing Rights (SDR)

Even if you've heard of the SDR, I'll bet you didn't know it was originally pegged to gold!

From the IMF website:

> *"The SDR was initially defined as equivalent to 0.888671 grams of fine gold — which, at the time, was also equivalent to one U.S. dollar. After the collapse of the Bretton Woods system, the SDR was redefined as a basket of currencies."*

Today, the SDR is sort of the United Nations of reserve currencies. It's composed of a handful of currencies, currently:

Theoretically, the SDR could serve as a global reserve currency, but at present it doesn't even place in the top eight reserve currencies.

Currency	Weights determined in the 2022 Review	Fixed Number of Units of Currency for a 5-year period Starting Aug 1, 2022
U.S. Dollar	43.38	0.57813
Euro	29.31	0.37379
Chinese Yuan	12.28	1.0993
Japanese Yen	7.59	13.452
Pound Sterling	7.44	0.080870

Source

China's digital e-yuan and the petroyuan

Despite China's astonishing economic growth over the last few decades, not many global central banks are interested in holding yuan (currently #5 in the top 8 foreign exchange currencies).

In order to encourage global adoption, China recently launched the world's first central bank digital currency, the e-yuan.

> *A thousand years ago, when money meant coins, China invented paper currency. Now the Chinese government is minting cash digitally, in a re-imagination of money that could shake a pillar of American power.*

A centralized digital currency in the hands of an autocratic regime like the CCP is terrible for their citizens. Whatever scraps of privacy remained are gone for good.

On a global level, the e-yuan wasn't that meaningful. Except for one thing…

Remember, when Nixon closed the gold standard, he also cut a deal with Saudi Arabia to price and sell their crude oil in dollars only? So that the no-longer-backed-by-gold U.S. dollar would still be guaranteed to have one use on the world stage?

Well, recent news that Saudi Arabia and Beijing were engaged in high-level talks to denominate and sell Saudi crude oil in yuan was a big, big deal. If China makes this happen, the dollar's sole surviving advantage in the world would be gone. (And Xi Jinping would *encourage* China's trading partners and foreign aid recipients to use yuan rather than dollars for their own oil transactions – then the dominos would start to fall…)

But the petroyuan probably isn't the biggest threat to the dollar's global reserve currency status.

Russia's reserve scheme

This June, Russian president Vladimir Putin floated a new version of the IMF's SDR reserve currency for the world's up-and-coming economies, the so-called BRICS (Brazil, Russia, India, China and South Africa).

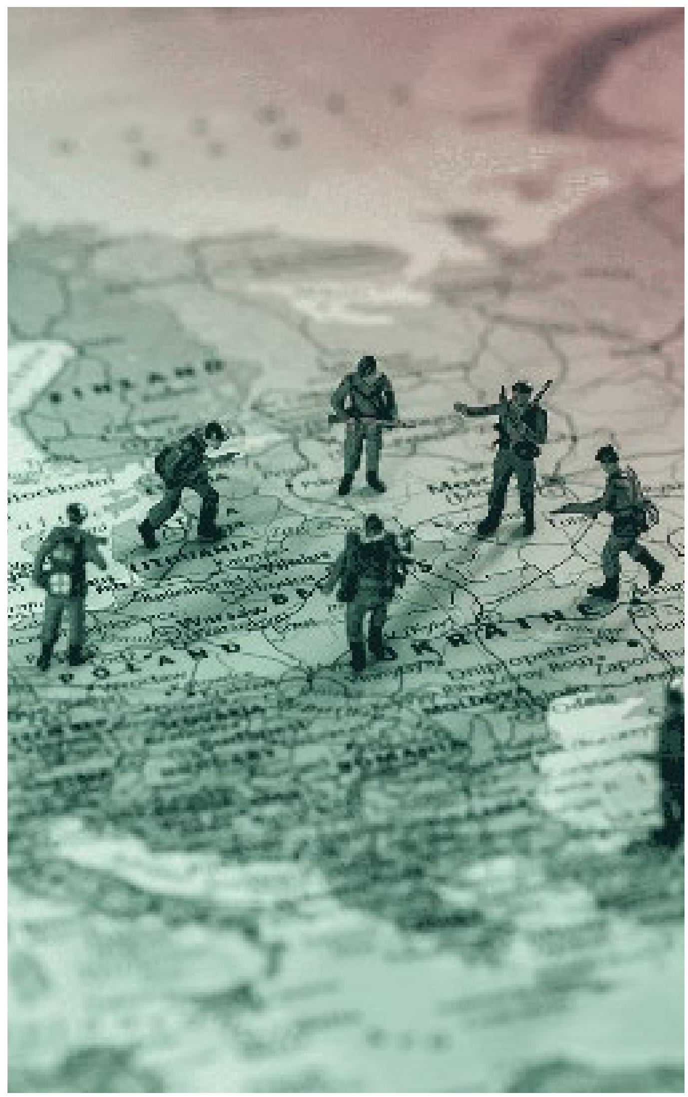
ING's global head of markets, Chris Turner, described the initiative this way:

> *It will allow BRICS to build their own sphere of influence and unit of currency within that sphere.*

Russia and China are **highly motivated** to do this, in light of the financial cancellation Russia experienced this year after the Ukraine invasion…

Weaponizing the dollar

Most recently, financial sanctions enacted by the U.S. and European Union froze virtually all of Russia's foreign assets and even kicked Russia off the SWIFT international payments network. This functionally disconnected Russia from the global economy, rendering an entire nation unable to trade with the rest of the world.



And it's *not* an exaggeration to call this "weaponizing the dollar" – George Pearkes of the Atlantic Council describes the effect as the equivalent of "a bombing campaign" on the *civilian population*.
The U.S. Treasury often goes after specific individuals, as well.

This has happened before – the weaponized dollar is already a **geopolitical fact of life** (ask Cuba, Iran, North Korea or anyone else on the *long* list). It's the U.S. favorite way of exerting pressure without using soldiers.

While this underlines a huge political advantage for the nation that controls the global reserve currency, it has also been a wake-up call for countries about their reliance on dollars. Essentially, they're relying not only on the dollar as a store of value, they're also relying on *the U.S. current political leader's policies and politics*. Any nation that dares disagree with the U.S. could find their economies held hostage.

Credit Suisse AG's global head of short-term interest rate strategy Zoltan Pozsar says:

> *…wars tend to turn into major junctures for global currencies, and with Russia losing access to its foreign currency reserves, a message has been sent to all countries that they can't count on these money stashes to actually be theirs in the event of tension. As such, it may* ***make less and less sense for global reserve managers to hold dollars for safety****, given that they could be taken away right when they're most needed.*

This strategy works when it prevents adversaries from getting what they want (like U.S. sanctions targeting Chinese military-industrial companies). In this case, weaponizing the dollar did the opposite – it took Russian oil, coal, natural gas, fertilizer and food off the market for U.S. allies.

Russia *doesn't need the West* as a customer – they're just as happy to sell to China, India and the Middle East. Instead of crippling the Russian economy, instead of bombing Russia's civilian population, **Biden has effectively bombed *his own allies***. France, Germany, Italy, the Netherlands, Poland – members of NATO who are also *dependent on Russian energy* they can no longer import.

Now you can see why so many nations are interested in diversifying away from dollars…

Part 2: Gradually, then suddenly

> *"How did you go bankrupt?" Bill asked.*
> *"Two ways," Mike said. "Gradually, then suddenly."*
> **– Ernest Hemingway, The Sun Also Rises**

Global U.S. dollar holdings are already at 20-year lows

The U.S. dollar's share of world currency reserves continues to ebb slowly, as it has since the IMF started tracking this data in 1999.

Partially this is due to lower international demand for dollars (for the reasons we discussed above). But another factor in the dollar's decline is its *slumping purchasing power* (down some 10% in the last two years alone!).

Both these facts are important. What's more immediately concerning is the accelerating trend away from the dollar.

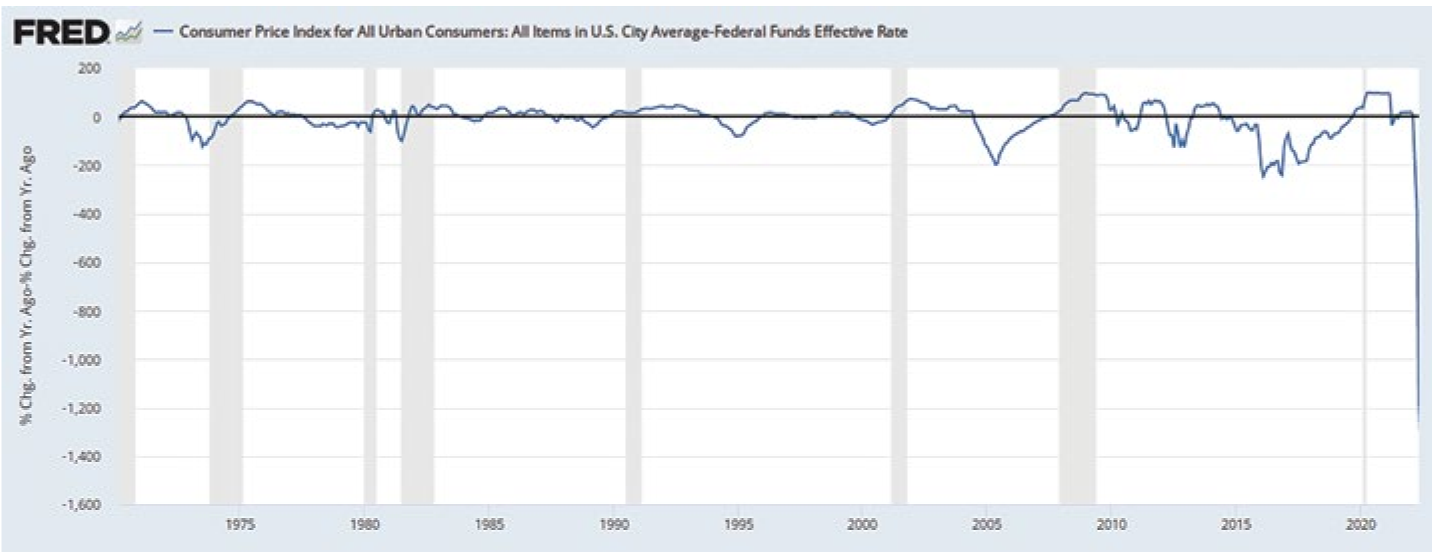
A responsible central bank would respond to a decline in purchasing power by raising interest rates. On the international scene, higher interest rates attract more deposits (just like banks sometimes offer "high-yield" savings accounts to bring in more customers).

Under Chairman Powell's leadership, the Federal Reserve has utterly failed at this basic responsibility.

Take a look at this chart measuring the Fed's Effective Federal Funds Rate (EFFR), sometimes called the "benchmark" – basically, the rate that the Fed controls. EFFR is one of the most important macroeconomic indicators that feeds into virtually *every* loan in the U.S. – from mortgages to credit card balances, savings accounts to car loans.

If we take the EFFR and adjust it for inflation, we get a number I'll call "real EFFR." This measures whether the dollar is gaining or losing strength on a global level.

If you understand what this means, brace yourself – this chart is shocking.



Source

Here's a detail of the same chart:

When we adjust for inflation, the dollar's value is *shrinking* ***faster*** *than* ***any other time in history***.

In other words, the dollar is *failing* one of the basic tests we use to define money. It's no longer a **store of value**.

That makes it pretty clear why the world's central bankers are eager to replace their dollars with something else.

Even at such a historic time, while the value of their dollar holdings are *incinerated hour by hour*, central banks won't move quickly…

How will we know when the party's over?

As we discussed earlier, the U.S. economy enjoys **massive benefits** from the dollar's global reserve status.

As we see now, the dollar's reign is fading – not quickly, but inevitably.

That's why, as Ray Dalio tells us, "Of the roughly 750 currencies that have existed since 1700, only about **20 percent remain**, and **all of them have been devalued**."

Here's why…

The U.S. has some $30 trillion in outstanding checks floating around the world. All those creditors are going to line up and demand to be paid. And **the only way** to pay them? **Print more dollars**.

As inflation rises, creditors will be increasingly eager to get paid back (before the dollars they're owed are printed into worthlessness). This creates a destructive feed-back loop as more dollars are printed to pay old debts, devaluing *all other dollars* in the world, increasing inflation.

That's the **main reason** that global reserve currency status, when it's lost, it's lost forever. There's **simply no recovery** from this cycle of devaluation.

So how will we know when it's over?

Here's what the end of a reserve currency regime looks like

When the dollar loses its hegemony as the global reserve currency, at first, **nothing would look different**. Inflation would tick up a bit. Imported goods, that fancy wine you like to buy for special occasions, would be more expensive.

Financial markets would be volatile. Commodity prices (oil, copper, gold and silver) would rise – because, even though they're *priced* in dollars, they have *intrinsic value* that's equal in any currency.

The first unusual thing you'd probably notice is *rising Treasury rates*. During "normal" times, the world's response to financial volatility is to buy dollars, which lowers Treasury rates. Crucially, **this time will be different**.

Instead of a "safe haven" for global cash, dollars are seen as a liability.

Despite rising interest rates, the global drive to dump dollars would continue, even *accelerate*.

Commodities prices surge. A contagious panic sets in across the global financial system. Everyone holding dollars would flee for the exits all at once – selling *everything*, desperate to take their money off the table.

If the Federal Reserve follows its 20+ year playbook, they'd do exactly *the wrong thing* – *lowering* interest rates, printing money. That would accelerate the dumping of dollars.

We'd see **double-digit inflation**. Imported goods and services would become **astronomically** expensive. International travel wouldn't be affordable except for the top 1% wealthiest Americans, who'd undoubtedly flee (and take their wealth with them).

Hyperinflation is **not an unrealistic concern** in this scenario. Remember, the U.S. would be presented with some $30+ trillion in bills with *just $4 trillion in revenue* – there would be two stark choices:

1. **Default on the debt**. That would be both quick and *devastating*. Those $30+ trillion in IOUs would become *worthless* ***overnight***. The global economy would collapse – and I don't mean another Great Depression, I mean another Panic of 1873 and Long Depression. (Just as bad as, if not **worse** than, the Great Depression – and ***twice as long***.)

2. **Inflate the debt away**. This is a slower, more insidious path to the same conclusion. Printing dollars destroys dollar value – effectively it's an *invisible tax on every American*. Eventually, the American economy would collapse. The rest of the world would probably endure, though the damage would be cataclysmic.

Either scenario means the end of the U.S. as a major power in global finance – which means the end of the U.S. as a major power, *period*. Our nation would no longer be able to finance a blue-water Navy policing trade routes, or a NATO to counter Russian aggression. New superpowers would divide up the spoils of the collapse – China would invade Taiwan and build an island empire in the South Pacific. Russia would recapture its old Iron Curtain territories, from Finland to Bulgaria.

And the U.S. would watch from the sidelines – just like the UK has since the end of the 1940s. The proud nation that saved the West in *two World Wars*, countered communism for decades, served as the world police from Kenya to Korea, Grenada to the Persian Gulf, would be nothing but a memory in the minds of patriots.

Let me remind you: **this is inevitable**.

Part 3: "We will not see them lit again in our lifetimes."

"The lamps are going out all over Europe, we shall not see them lit again in our life-time."
- British Foreign Secretary Sir Edward Grey, on the eve of the UK's entry into World War I.

If you believe nothing else I've written here, I need you to understand one thing:

The dollar's reign as the global reserve currency is ending.

Not today, and not tomorrow – *but sooner than you think.*

With many big decisions in life, it's easy to take a "wait-and-see" approach. *Maybe* it won't be as bad as all that. *Maybe* I'll be long dead before things really unravel. *Maybe* I'll be okay…

This is **defeatist thinking**. I've pointed out the smoke. I've told you about the fire.

By the time you see the blaze for yourself, I guarantee you, the exits will be jammed with *millions* of others who had a blasé, "wait-and-see" attitude. By then, it's **too late** to get out easily – you *might* make it, but **you will get hurt**.

Here's what to do

I strongly encourage you to learn more about how to "unbank" yourself and become **less dependent** on the dollar's international reputation. Don't leave your future in the hands of the Federal Reserve!

What I didn't tell you earlier is this:
Every year since 2008, global central banks have been buying gold.

Worldwide. From 100 to 900 tons. **Every. Single Year**.

In fact, world central banks are already doing this. We already know they're *lowering* their dollar holdings.

Fortunately, as individuals, we *don't* have to move as slowly as central banks. We can make decisions *rapidly*, without consulting committees or waiting for official approval. We can decide to **act right now** to take the steps we must to protect ourselves, and our families, and our own futures.

Ask yourself: *is the money you've saved for the future **really safe***?

If the dollar lost its privileged status like I outlined above, **where would that leave you**?

Could your retirement savings be **safer**?

Would you *feel* safer, sleep more soundly at night, knowing that at least *some* of your retirement savings were diversified into the **same investment** that central bankers are loading up on right now?

Fortunately, there's an **easy way** to transfer your retirement funds (money you've **already saved**) into physical precious metals. **Birch Gold Group** is **the only company I trust for gold**.

They can help you open your **self-directed IRA** without spending **a single dollar** out of your pocket.

Birch Gold Group has helped *tens of thousands* of **everyday Americans** diversify their retirement savings into **uninflatable**, **intrinsically valuable**, **historical stores of value**. If you want some **protection** against the collapse of the U.S. dollar, if you want to own something that's **always been worth money**, and you want to use **money you've already saved** (before it's *completely worthless*), then I **strongly recommend** you contact **Birch Gold Group**.

We don't build houses with foundations of cardboard. We shouldn't base our financial security on a foundation of *paper*.

If you don't take this step for yourself, do it for your **family**, for your **children's futures**.

Call Birch Gold Group at (800) 355-2116 right now. You might not get another chance.