THE END OF THE Dollar Empire

By Stephen K. Bannon

Volume 6

Modern Monetary Theory:

The Idea that Broke the World

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An open letter to Rachel Maddow

Hello, Ms. Maddow,

I thought you should know that *The End of the Dollar Empire* series is not in fact a scheme to cause "the abandonment of the dollar."

Steve does *not* want to "end the American currency." Should you (or your producers, or your production assistants) ever **read the first page**, you'll discover your mistake.

Furthermore, the creation and destruction of currencies is not and has never been a "business decision." *Only sovereign governments* can create a currency and require their citizens to use it.

The goal of this entire project is to deliver accessible explanations of macroeconomic complexities – *for everyone*. Especially those who never went to Stanford or had the chance to study at Oxford. Steve spends a lot of time making his reports clear, thoroughly-researched and relevant.

I respect your right to disagree with his conclusions, of course. But you'd have to read beyond the title to do so.

Kind regards,

Phillip Patrick
Precious Metals Specialist (Birch Gold Group) and Honorary In-house Economist
(The War Room)

BIRCH GOLD GROUP
The Precious Metal IRA Specialists

Fellow patriot:

Since I began working with Birch Gold to distribute these reports, I've come to appreciate just how pervasive economic misinformation is. If you read *and understand* the entire *End of the Dollar Empire* series, you'll have a greater grasp of the true forces that affect the economy, and our lives, than 96% of the population.

You'll not only know *why* things are the way they are, but exactly how to protect yourself and your family from the ongoing economic warfare consuming the globe.

Let me remind you again. Economic warfare isn't fought with artillery and fighter jets. It's waged by sleek folks in tailored suits who carry briefcases instead of rifles. Who prize profit over patriotism. And they're capable of weaponizing *almost anything* in their ruthless pursuit of economic advantage.

For the last half-century, the U.S. has been conducting the **largest economic experiment in human history**. You, or your neighbors, or even the small business owners who form the backbone of our nation were not consulted. In fact, they'd prefer you know nothing about it.

This experiment replaces *centuries* of sound, proven financial principles with one single, radical idea: Modern Monetary Theory (MMT). The premise of MMT is a contradiction reminiscent of those in George Orwell's masterpiece 1984:

> *"Debt is wealth."*

This bizarre and nonsensical mantra has turned the U.S. into a nation that no longer creates real wealth – only *promises* of wealth.

In this sixth in my series of sitreps I've assembled with my trusted partner, Birch Gold Group, we're going to take a deep dive into the upside-down world of MMT. By the end, you'll understand why the financial sector takes up a larger and larger share of the economy year after year. Hoarding capital, both economic and political, at the very top rung of the wealth ladder.

And it's been going on *for years*...

We'll look at two examples of recent MMT failures – and how everyday citizens like you and me paid the price. Once you understand how the game is rigged, I'll show you one way to break the rules...

Respectfully,

Stephen K. Bannon

WAR ROOM

MMT: Not Modern, Not Monetary, Not Even a Good Theory

Do you ever wonder why the U.S. doesn't make anything anymore?

Why the financial sector is always offering new products (and why they pay the highest salaries)?

It's because the U.S. has, for the last 50 years, been the largest macroeconomic experiment in human history. An experiment based on a theory – a theory cooked up by Neo-Keynesian ivory tower economists who have an agenda. And that agenda is *not your prosperity.*

Like many dangerous things, this idea has a relatively innocuous name: **Modern Monetary Theory**, or MMT.

What is MMT?

Modern Monetary Theory, as laid out by its founder Warren Mosler, claims two fundamental truths:

1. **Modern money has no intrinsic value** – it's not tied to commodities like gold or silver. Federal reserve notes (aka "dollars"), euros, yen and yuan – all modern money shares this characteristic.
2. **Nations can declare anything as money**, simply by requiring citizens to pay taxes in that form.

From these two principles, Mosler deduced some radical conclusions.

First, the belief that federal deficits undermine the financial integrity of the nation is **false**.

Second, that policymakers can create economic growth by **printing money**.

Finally, the *failure* to print money creates economic underperformance – essentially, that by *not* printing money, *the government* causes unemployment and the whole range of human misery associated with poverty.

Think about this for a moment…

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[1] "Soft currency economics" by Warren B. Mosler. Hilariously, even though academics live and die by the mantra "Publish or perish," Mosler's paper was not formally published in a peer-reviewed journal. Instead it was circulated as a "working paper" among economic advisors and policy-making circles. All 29 pages are widely available online if you look, but honestly reading it is a waste of time.

- Deficits **don’t matter.**
- Economic **growth** is available, *at any time*, **for free.**
- Any failure to create that free growth means **you’re actively hurting your citizens.**

You can see the seductive appeal of this theory, can’t you?

Budget constraints? Debt limits? Irrelevant! Governments, under MMT, *can spend as much as they want.* Not only *can,* but *should!* For the wellbeing of their citizens.

And, since governments can create **unlimited amounts** of their own currency, they can never go broke.

The dangerous delusion

Mosler’s foundational paper and the popular TED talks of MMT champion Dr. Stephanie Kelton insist that Congress will responsibly manage government spending, ensuring the economy remains stable and productive.

Let’s pause for a moment: Congress. **Responsible. Stable. Productive. Congress?**

This is **the same institution** that creates “debt ceilings” only to abolish them whenever spending becomes inconvenient. That injects *billions* into pet projects and corporate bailouts with minimal oversight. That fight tooth and claw for pork barrel projects that benefit *their* constituents, keep *their* voters employed…

Why not just hand a pyromaniac the keys to a fireworks factory?

By detaching *currency* from any real-world *value*, MMT encourages the very worst instincts of policymakers:

- Unlimited spending *without accountability* – and without immediate, obvious consequences
- Neglect of long-term economic growth in favor of immediate political gain
- A license to print money, fueling speculative bubbles and economic distortions (in other words, “financialization”)

It helps us understand why so many politicians see spending as the solution to *any problem.* Even if they understand that more spending creates more debt – which devalues the dollar, leading to higher prices. When higher prices become a political problem, what’s the solution?

More spending!

But there are consequences…

Financialization and the Dutch disease

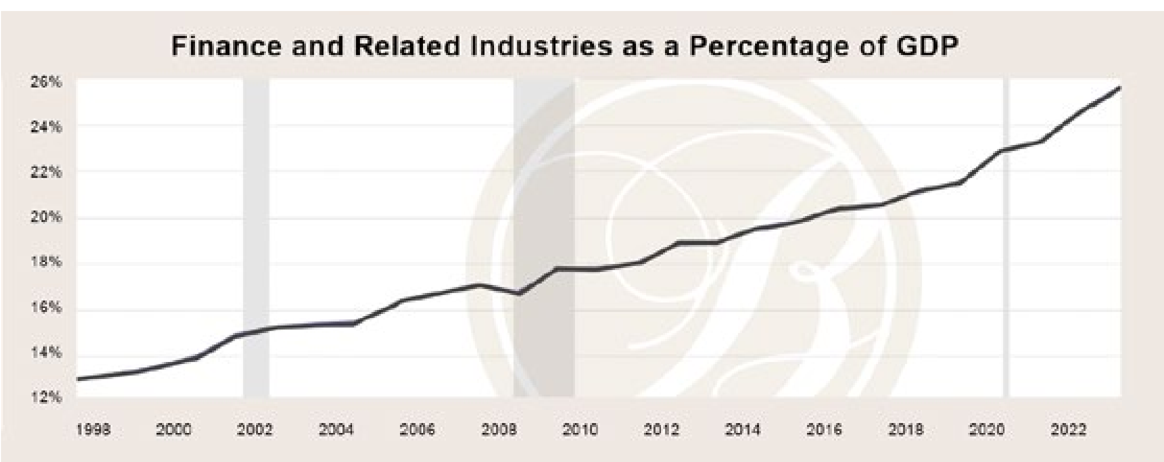
Financialization isn't just an abstract concept – it's a process that has fundamentally reshaped the U.S. economy, transforming it from a system built on *production* and *innovation* to one dominated by *speculation* and *paper wealth.*

Over the past four decades, the financial sector has grown from a supporting player in the economy to its central force, siphoning resources away from manufacturing and skilled labor while rewarding rent-seeking and speculative behaviors.

Consider these numbers:

- In **1980**, the finance sector (finance, insurance and real estate/FIRE) accounted for 4.9% of U.S. GDP. National debt was under $1 trillion.
- By **2007**, FIRE had grown to 7.9% of GDP, while the debt ballooned to $9.2 trillion.
- As of **2023**, these industries account for 20.7% of GDP, with national debt exceeding $34 trillion.

Right now, about **1/4** of our nation's total "wealth" comes from the financial speculation industry.



Data via Federal Reserve Bank of St. Louis.

[2] "The big myth of government deficits" by Dr. Stephanie Kelton, TED Monterey, August 2021.

As Lyn Alden puts it:

“Financialization occurs when an economy focuses more on optimizing financial metrics rather than optimizing real productivity and growth.”[3]

In this environment, real wealth creation – building homes, factories or infrastructure – takes a back seat to short-term gains in financial markets. The financial sector becomes the primary driver of economic activity, **not by adding value**, but by pumping up the price of paper assets.

By the numbers, finance, insurance, real estate and leasing (FIRE) have ***exploded*** as a share of GDP, from 4.9% in 1980 to *nearly 25% today.*

Meanwhile, industries like manufacturing have shrunk to historic lows. This isn’t because American manufacturing is subpar! It’s because the entire industry is simply **unable to compete for capital** in a system that prioritizes **short-term** returns over long-term value creation.

From making to speculating

Financialization can only exist in a debt-rich economy. *Debt is the manure* spread over the ground so that financialization can thrive.

Now that you understand why MMT *actively encourages* debt, you can understand why financialization is inevitable in this environment. Easy money policies and loose fiscal discipline create *plenty of manure* for financialization to take root.

Charles Hugh Smith argues that “financialization incentivizes maximizing short-term profits at the expense of long-term stability and value.”

This mindset leads to the abandonment of sustainable business practices. Why fund research and development when you can simply load up on debt to acquire a promising start-up? (Anyone who’s worked in M&A knows what I’m talking about.)

Instead of investing in new factories, technology or employee development, companies all too often take out loans to repurchase their own shares. This practice boosts executive bonuses in the short term but does *nothing* to improve long-term competitiveness. Consider Boeing. *Let’s spend $43 billion buying up our own stock from 2013-2019. Improving production practices? Quality assurance? Who needs it?*

[3] https://www.lynalden.com/january-2022-newsletter/

In case you don’t remember how the Boeing story went… Two devastating 737 Max crashes in 2018 and 2019 killed 346 people and led to a worldwide grounding of the aircraft. **Five years later**, doors are flying off Boeing jets in mid-flight!

This is *just one example* of how financialization made modern life worse.

The Dutch disease

This economic distortion mirrors the infamous “Dutch disease,” where overreliance on a single resource (or sector) hollows out the rest of the economy. In the U.S., MMT-supported *financialization* has cursed the economy, crowding out industries that create real wealth.

This leads to some obvious problems:

Rising inequality: Wealth is concentrated in the hands of financial elites who control paper assets, while workers face stagnant wages and declining economic security.

Unproductive capital allocation: Rather than building factories or funding innovation, capital flows are directed into financial assets. Prices on real estate, financial derivatives and so on spiral – *without creating economic value.*.

Economic fragility: A financialized economy depends on ever-increasing debt and growing speculative bubbles. Without a constant, steady infusion of debt, the economy is vulnerable to collapse – and while the aftermath destroys many of the most financialized sectors, it damages the real, productive economy as well.

Financialization **doesn’t** create value – it **extracts** it.

Financialization **doesn’t** build wealth – it **distorts** it.

Financialization **doesn’t** strengthen the economy – it **weakens** it, leaving behind a hollow shell propped up by parasites who whisper promises of wealth that never materialize.

A nation of rent-seekers

As financialization deepens, wealth creation shifts from building to owning. Wealth isn’t generated by producing goods but by what economists call “extracting rents.”

Extracting rents means profiting *without creating value*. It’s when companies, individuals or sectors make money by *controlling* resources, manipulating markets or exploiting loopholes, rather than producing goods or services.

[4] In, 1959 geologists discovered the largest natural gas field in Europe under the Dutch city of Groningen. Cheap gas and free-spending energy firms were thought to be good news for the economy. But all this wealth strengthened the Dutch guilder, wrecking the export-based manufacturing and services sectors. In 1977, The Economist coined the phrase the “Dutch disease” to explain this economic curse.

Think about these:

- Charging **excessive fees** (banks profiting from transaction and overdraft fees, or Ticketmaster's "convenience fee" for your online order)
- Slum lords who own property and collect rent while **doing nothing** to maintain or improve the property
- Using market power to **inflate prices**, like pharmaceutical companies inflating drug costs far beyond production expenses

In short, it's **wealth through control, not contribution** – rewarding speculation and exploitation over effort and innovation.

Think I'm kidding?

Entrepreneurial activity has **declined 50%** over the last 35 years. In the 1980s, the way to get rich was to start a business and make it grow.

Historically, building wealth required starting a business or engaging in productive ventures.

Today, it's about speculating in financial markets, flipping assets or exploiting government policies.

The housing market: Homes as assets

One of financialization's clearest victims is housing.

Homes, once viewed as a place to live and raise a family, are now treated as speculative assets. As of 2022, institutional investors owned more than 25% of single-family rental homes in some markets.

This dynamic creates cascading effects:

- Skyrocketing home prices force families to rent rather than buy, locking them into a cycle of dependency
- Rent increases outpace wage growth, squeezing middle- and lower-income households
- Housing becomes unaffordable for younger generations, reducing their ability to build equity and wealth

Earlier this year, we all saw the headlines:

Average American Family Can No Longer Afford the Average American Home

Once again, financialization wins – while everyday American families lose.

And they aren't just losing out on assets…

The labor market: Why spreadsheet jockeys win

Financialization skews wages, favoring speculative sectors over productive work. Hedge fund analysts earn $200,000-$600,000 annually – while carpenters, electricians and machinists struggle to make $50,000-$60,000.

A K Street lobbyist might pull in $500,000 *a year* – more than a mid-career manufacturing worker can hope to make in a decade.

This isn't an accident. When you treat money as an abstraction, you create an economy that values playing economic games – financialization – over every sort of productive activity.

The financial industry funnels massive compensation to professionals managing paper wealth while undervaluing skilled laborers who create tangible products.

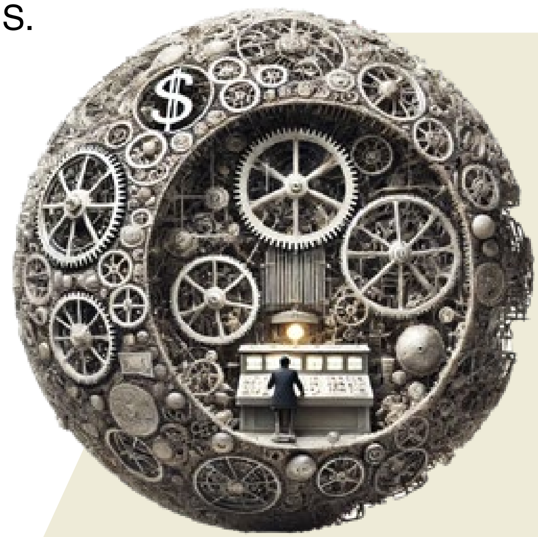
Economist Thomas Piketty, in his seminal work *Capital in the Twenty-First Century*, argues that the inherent structure of modern capitalist economies leads to **rising inequality**. These days, the return on capital (in other words the value of *financial assets*) grows faster than the overall economy.

Obviously, financialization simply makes this problem worse. When speculation dominates productive investments, speculators grow at least temporarily wealthy – creating a feedback loop that *discourages* productive investment and *encouraging* further speculation! Piketty's insights reinforce the dangers of prioritizing financial abstractions over sustainable, productive growth.

This flow of capital, away from production and into speculation, hollows out the middle class. Towns that once thrived on manufacturing jobs now struggle with economic stagnation, while urban financial hubs grow ever richer. Workers displaced from productive industries are often left with low-paying service jobs, deepening inequality and reducing overall economic dynamism.

And leaving us to pick up the tab…

The hollow economy



Like an ancient oak succumbing to parasitic vines, the U.S. economy has been hollowed out by an academic theory that rewards speculation over work, inflates asset prices at the expense of wages and systematically enriches the politically-connected and their cronies while impoverishing the working class.

Piketty's research focuses on this troubling reality. Unchecked capital accumulation entrenches economic power *in the hands of elites*. The more they get, the more they want – creating a self-reinforcing cycle of inequality. Economic systems that privilege capital over labor, that reward speculation at the expense of workers, widen the inequality gap.

And that's not all. Recently, the combination of MMT and financialization has weaponized *the very idea* of economic growth

Think about it! What was one of the biggest benefits of Bidenomics?

What was *the one thing* Joe and Kamala and his cabinet hammered us with over and over across those four years?

Commenting on the first quarter GDP figures in April 2024, Biden remarked: "The economy has grown more since I took office than at this point in any presidential term in the last 25 years – including 3% growth over the last year…"[5]

After the third quarter GDP report in October 2024, he stated: "Today's GDP report shows how far we've come since I took office – from the worst economic crisis since the Great Depression to the strongest economy in the world."[6]

His confusion on this particular issue is due to the way GDP is calculated:

Look at that calculation again.

[5] Statement from President Joe Biden on First Quarter 2024 GDP, April 25, 2024

[6] Statement from President Joe Biden on Third Quarter 2024 GDP, October 30, 2024

Note that government **spending *is always positive*** – there's *no* offset for debt!

Based on GDP calculations, **debt is beneficial.**

Biden takes out $80 billion in federal loans to ship weapons to Ukraine? That's +$80 billion "net trade balance"!

American families run up $1 trillion in credit card bills to pay for groceries and gasoline? That's +$1 trillion "spending on consumption."

Simply by measuring the economy this way, **we're falling into the MMT trap!**

Even worse – we're *indirectly* paying for this "increased economic activity." Because **deficit spending** and government debt **dilute the purchasing power of the dollar.**

As the dollar buys less, **GDP goes up!** Because it costs **more dollars** for American families to put food on the table, to get to work and to do the Christmas shopping.

Here's my point: **Economic *activity* is not the same as economic growth.**

Mere *activity* doesn't help us achieve a stronger economy or improved living standards. That only comes from *productive* activity – investment that makes our economy more efficient.

MMT and financialization **conflate** economic activity with economic growth. This trick has been working *for decades!*

Recently, though, MMT has spectacularly failed some real-world tests…

Watching MMT crumble before our eyes

By now, you've seen how MMT and financialization wreak havoc at a macroeconomic level – crippling economies, distorting markets, and destabilizing entire nations.

But what does that mean for you? What are the tangible costs of these economic policies on your daily life?

In the following sections, we'll look at two recent, real-world examples of MMT failures. First I'll sketch out the story at a high level, so you can understand what's going on. Then we'll peek behind the headlines for a glimpse into how each episode made life harder for everyday citizens.

Exhibit A: The Truss fiasco

When: September 2022

Who:

- MMT enthusiast and UK Prime Minister Liz Truss
- Chancellor of the Exchequer (think Secretary of the Treasury) Kwasi Kwarteng

What:

The chancellor and prime minister were determined to take radical action in pursuit of economic growth. It didn't matter if parts were unpopular, they would do it anyway. At Truss's behest, Kwarteng introduced a program aimed at stimulating economic growth through **significant, unfunded tax cuts** and **increased government borrowing**.

Deficits don't matter, right? If the government needs to take out a huge loan to put more money in everyone's pockets, GDP will surge and everyone's happy!

Kwarteng called this program a "mini-budget," probably a suggestion from his PR team. A mini-budget doesn't really sound threatening, does it?

The cost wasn't even extreme, especially when compared to the truly historic excesses of the pandemic panic! The mini-budget would've raised the national debt by just 1.7%-2.3% over the next few years.

The British Office of Budget Responsibility, the country's official independent economic forecaster, predicted the "mini-budget" would cost ***an extra £110 billion over five years***. Strangely enough, this additional cost came from surging fuel prices, rising interest rates and devaluation of the pound sterling – all consequences of *the mini-budget itself.*

Kwarteng managed to suppress this report – instead, he added an appendix to his mini-budget showing how, *theoretically*, the budget gap would fill itself when the economy grew faster. As the BBC's Faisal Islam wryly noted:

> *"It was the equivalent of trying to pay a restaurant bill with an Instagram photo of some gold bars."*

Now, it's easy for politicians to forget that *every government IOU* is sold at auction. Bold economic programs and big spending plans from elected leaders all devolve, at some point, into a modern version of passing around the hat.

They passed the hat, and it didn't just come back empty – it had a hole in it…

The economic cost:

As soon as the government revealed it needed an extra £72 billion in funding from lenders (without details of how it calculated the number), those lenders went on strike.

- The pound sterling fell to a **37-year low** against the U.S. dollar, dropping below $1.10 for the first time since the *deliberate devaluation* of the Plaza Accord.
- The cost to borrow money **rose 120bps *in three days*** – surging from 3.5% to over 5% – which would've cost *another £100 billion* in future financing costs.

This turmoil compelled the Bank of England to intervene to stabilize the economy, basically by threatening to turn on the printing presses until everyone settled down.

Truss immediately reversed the proposed tax cuts, fired her closest-ally-of-a-decade Kwarteng and generally apologized.

That wasn't enough. Ultimately Truss resigned after just 49 days in office and will be known to history as the shortest-serving Prime Minister in British history.

Unfortunately, the **average British citizen** paid the price for this episode.

- **Higher interest rates** on credit card balances and other loans, notably mortgages, made the cost-of-living crisis worse
- Higher mortgage rates led to a significant slowdown in the housing market – mortgage approvals **dropped 40%** – causing massive uncertainty among both home buyers and sellers
- A **weaker currency** increased the cost of all imported goods and services, placing additional financial strain on households

The lesson:

That episode shows the perils of relying on MMT – our next case study shows us just how difficult it can be for an MMT-addicted nation to change course…

Exhibit B: The French Government Crisis

When: December 2024

Who: President Emmanuel Macron & Prime Minister Michel Barnier

What:

France had been engaging in substantial government spending, leading to a budget deficit of 6.1% of GDP and a national debt exceeding €3 trillion. Now that may not sound like a lot, but remember – France's economy is a lot smaller, and the debt-to-GDP ratio was 112%. Worse, debt has been growing *significantly faster* than GDP over the last decade.

In an effort to address France's escalating debt burden, Prime Minister Michel Barnier introduced an austere budget aimed at fiscal prudence. In other words, **exactly the opposite of MMT.**

Barnier proposed lowering deficit spending by about one-fifth – to shave about €35 billion off the annual budget. To expedite the budget's approval, Barnier invoked special constitutional powers to bypass parliamentary debate.

The cost:

- **Political instability**: Both the left and the right rallied, enraged by Barnier's presumption of authority and furious over the budget reduction. They staged a no-confidence vote and the collapse of Barnier's government. It was the first time since 1962 that a French government was ousted by a no-confidence vote.
- **Surging cost of credit**: As soon as creditors saw that France had *absolutely no intention* of spending less, well, they stopped putting their money in the hat. Almost overnight, the cost for the French government to borrow money skyrocketed to fiscal-basket-case-Greece levels.

Once again, when the elites make mistakes, it's the **average citizen** who pays for it:

- Government debt costs directly translate into **higher interest rates** on consumer loans, mortgages and credit cards
- Increased deficit spending means **greater inflationary pressure** in the economy as government money bids up the prices of goods and services
- Broadly, this sort of political turmoil creates an environment of **economic uncertainty** where companies are likely to delay expansion and hiring, meaning fewer jobs and lower wages

The lesson:

When an *entire nation* is addicted to MMT, doing the right thing – adopting even the slightest bit of fiscal discipline – can become **politically impossible.**

Still with me? Listen, I understand those episodes aren't exactly gripping reading – but in order to understand what's really happening, you have to go beyond the headlines.

You have to dig deeper, into *second-order consequences.* Most politicians, most reporters and quite frankly *most people* simply don't understand second-order thinking.

Second-order consequences are the unintended and usually unforeseen effects caused by a decision or action. They can be good or bad, and are not immediately apparent.

Second-order thinking means evaluating not just the direct outcomes, but also the ripple effects that unfold *over time*. (Look up "the cobra effect" for some great examples of unforeseen, second-order consequences of bad decisions.)

The costs of MMT are second-order consequences. They occur *over time.* For anyone whose attention span has been destroyed by TikTok, they seem to come out of *nowhere*.

For those of us who pay attention, though, these second-order consequences are no surprise at all.

The first-order consequences of MMT are larger budget deficits and GDP growth.

The second-order consequences are:

- Higher borrowing costs
- Currency devaluation and skyrocketing cost of living
- Economic uncertainty that stifles job creation and wage growth

These aren't just words on a page! They're the *hidden taxes* we pay every day, making financial stability a fantasy.

When prosperity itself is an illusion, what's real?

Financialization creates an economy that looks prosperous on the surface. High GDP numbers obscure skyrocketing government debt, and reflect nothing but a bustling finance sector. Asset prices rise and politicians brag about "historic growth" and a "robust economy."

But now you see the underlying rot:

- A nation that no longer makes things, rewards speculation over effort and values promises more than production
- Families stretched to the breaking point between purchasing power destruction and cost of living increases

What has MMT done *for you?*

1. **Higher borrowing costs:**
   As governments rely on deficit spending, the resulting economic instability push interest rates higher. For families, this means steeper mortgage payments, pricier car loans, and credit card debt that spirals out of control.
2. **Gutted purchasing power:**
   Inflation drives up the price of essentials (food, energy and housing) *faster* than wages. The dollars in your wallet buy less and less every year, leaving you with impossible choices about which bills to pay. How many meals you have to skip to make your mortgage payment.
3. **Income insecurity:**
   Economic instability discourages businesses from hiring or expanding operations, leaving workers with fewer opportunities and stagnating wages. Meanwhile, financial elites squeeze corporations to boost profits – at the expense of workers.

Understand one thing: **This is not a game you can win**.

When the elite decided *money itself* isn't a real thing, they created an *entire economy* engineered to produce things that aren't real. That's financialization. But it doesn't **actually make anything! Except *promises.***

And we all know what promises are worth when the chips are down.

A real solution requires more than just monetary fixes. More than just a desperate, dog-eat-dog scramble among hard-working Americans to accumulate enough capital to finally join the elites and let the system begin to work *for them* rather than against them.

The only way to win is *not to play the game.*

Gold and silver aren't promises. They're the *only tangible financial assets* whose value doesn't depend on the whims of governments or the speculative bubbles of the bankster elite. They aren't tied to the soaring national debt, or the Fed's printing presses or Congress's inability to stop spending.

Gold and silver are **real**. For thousands of years, they've held their value through wars, collapses and crises. They've survived where currencies have failed. They've outlasted empires and economies that once seemed unshakable.

If you're ready to protect your savings and secure your financial future, talk to my friends at Birch Gold Group. They specialize in helping people like you diversify into physical gold and silver. Whether it's rolling over your retirement savings into a Precious Metals IRA or simply building a reserve of real, tangible wealth, they can guide you every step of the way.

Don't wait to start preparing. Gold and silver aren't just assets – they're *financial lifeboats*. And when the storm hits, they'll be your safest refuge.

Talk to Birch Gold today. Because the nation's prosperity may be an illusion, but **your security doesn't have to be.**