



The World Is Dropping the Dollar

Description

Happy Thursday!

I've had a hell of a time writing the *Rude* this week.

The idiots in DC, NYC and elsewhere in the Lower 48 have lobbed grapefruits down Broadway to yours truly.

Whether it's the Democrats inadvertently re-electing Donald Trump, Alvin Bragg proving that graduating last in law school still makes you a lawyer or Chicago electing an even worse choice than Madame Fishface, America has not disappointed this week.

Elsewhere in the world, while America is distracted turning itself into a dystopian amusement park, the Chinese government is stepping up to be the next Nobel Peace Prize winner.

But before I tell you about peace-loving Pooh Bear, let's get a bit of history in.

"It's Not Worth a Continental!"

Unfortunately, my beloved library is still in Cebu, Philippines, where I had to leave it due to the insane transportation costs that followed the government-induced private sector shutdown of 2020-2021.

My in-laws are dutifully minding my library, shelves and reading chair until later this year, when Pam flies back to her native country to retrieve them for us.

That's why I can't pinpoint the exact page where the phrase "not worth a Continental" jumped out at me.

Growing up in Joisey and believing that America was always the richest country in the world, I had no idea what that phrase could possibly mean.

From [Clifford F. Thies, of AIER](#):

In 1775, practically at the outset of hostilities, the Continental Congress authorized an issue of \$2 million in paper money. By the end of 1776, \$25 million was in circulation, already at a 30 percent discount relative to silver. By the end of 1777, \$38 million was in circulation, at a 70 percent discount relative to silver. By the end of 1779, \$192 million was in circulation, and \$1 in paper money was worth only 1 or 2¢ in silver. The states were issuing their own paper money, contributing to the inflation.

With so much paper money, prices were skyrocketing, and specie was being hoarded. At one point, George Washington, commander of the Continental Army, remarked that a wagon load of money would not buy a wagon load of provisions. Innkeepers, merchants, and farmers were refusing to do business in terms of money. In October 1779, the Continental Congress requested not money from the states, but actual supplies – such as corn, wheat, hay, and oats – in order to support the armies in the field.

What was that paper money that depreciated off a cliff?

They were called the Continental Dollars.

And since a wagonload of them were worthless, anything that was deemed worthless was “not worth a continental.”

Sound familiar?

- *The Mississippi Bubble*
- *Weimar Germany*
- *Gideon Gono's 100 trillion Zimbabwe Dollar Note*

Mark Twain was right: history doesn't repeat, but it rhymes.... *Especially financial history!*

But how **much** does it rhyme?

Will the latest version of the United States Dollar follow its Continental Dollar ancestor into worthless oblivion?

The World Is Dropping the Dollar Like a Bad Habit

All week, you've probably heard news like this:

Theoretically, there's no reason for any of these countries to use the dollar.

Except, their own currencies trade like they're jumping on trampolines. So it's difficult to maintain a solid rate.

The USD was attractive because the US, in better days, had the strongest economy, military and institutions.

But so mismanaged has been the dollar, whether by the Fed ratcheting up rates too quickly or the USG

weaponizing the dollar by first sanctioning and then confiscating Russia's assets, that the world is sacrificing stability for a leap in the dark.

Because that's what it is.

To be fair, I have no idea what this new system would look like... and neither does anyone else. That's why I think most of these moves have been made bilaterally.

A bunch of things will be tried, and whatever works out the best will be codified into the BRICS "legal code."

But why is this such a disaster for Americans?

Follow The Money

This week, Saudi Arabia and Iran are meeting in Beijing to solidify a new relationship. I don't know if Emperor Pooh Bear can pull off the miracle of making 1,500 years of hatred disappear. But he's going to try his damndest.

Saudi Arabia has already agreed to trade its oil for China's yuan.

Let's write that again, for those who just blinked really quickly...

Saudi Arabia has indeed agreed to trade oil for yuan.

All sorts of questions pop up from just that one bit of news.

Aren't Saudis supposed to sell their oil for USD? Isn't that what "petrodollar" means?

If they're not selling it for USD, is Sleepy Joe even aware of it?

And perhaps most importantly...

If the Saudis are taking in Chinese yuan, then where are they going to invest those yuan?

That answer is obvious, isn't it?

They'll invest those yuan back into China, just like they were doing with the USD and USA for nearly 50 years.

That's why these headlines make so much sense:

Saudi Aramco in Deal with Chinese Partners to Build Refinery

- Construction expected to start in second quarter, Aramco says
- Investment was paused in 2020 as Covid throttled demand

By Bloomberg News

March 26, 2023 at 10:54 AM GMT+2 Updated on March 27, 2023 at 3:56 AM GMT+2

Credit: Bloomberg

But this is just part of the problem. The second order effects are even worse.

The Real Problem

Let's set the terms. *Taxation* is robbery. *Inflation* is theft.

We're dealing with the latter.

The USG subsidizes the economy via inflation. The government literally steals from you by printing money.

Here's how: the Fed prints money and delivers that via the commercial banks to the USD users. That's you... and all the foreigners who want USD.

There are more dollars outside the United States than inside the United States. And normally, this doesn't matter.

Because you don't benefit from "reserve currency" status.

The government and the banks do, because they print \$100 bills for \$100 worth of goods from foreigners.

The thing is, *it only costs them 15 cents to print that \$100 bill.*

That's what we call *seigniorage*.

And it's the single greatest scam ever invented.

You're just the middleman through which the dollars flow. You get none of the \$99.85 profit.

And again, you don't care. You don't feel it. You go to the outlet stores, buy an SUV-load of "stuff" you think is marked down and off you go.

But here's where the problem comes in: when the foreigners decide they've had enough of the scam

and then send all those dollars back.

Those dollars build like a 100-foot wave and come crashing back into the domestic economy.

Domestic prices skyrocket because there's a tidal wave's worth of dollars chasing far too few goods.

Not only that, but do you really think your taxes pay for your military? Of course not. There's simply not enough revenue to pay for all of it.

That's why the Fed needs to print, print, print. Those printed – one might say “counterfeit” – dollars spread the cost of the military around to everyone.

Think of inflation as a tax that the central bank levies instead of a legislature. It's a disaster for the lower classes because they get “taxed” out of existence.

That's why the Fed's reaction to all this matters so much. They've got to make sure inflation doesn't get out of control... but they still need some to pay for the “goodies” the government can't tax you on.

If you're not prepared, your loaf of bread will require a wheelbarrow worth of paper to pay for it.

But we'll get you prepared in a second, because I think it may get even worse...

The Peace Deal

According to the Global Times, Emperor Pooh Bear invited the Saudi Arabian and Iranian delegations to Beijing today to discuss detailed arrangements to resume ties.

[Liu Zhongmin](#), a professor at the Middle East Studies Institute of Shanghai International Studies University, practically snorted:

It is obviously difficult for the West to understand the fundamental reason why China can successfully promote the reconciliation between Saudi Arabia and Iran, because China follows a diplomatic concept and policy that is completely different from the West's Middle East strategy and policy, and is different from the West's behaviors that divide the region, incite camp confrontation, and promote so-called democratic transformation as well as harmful practices such as proxy warfare.

Here's my question, and I'm just thinking aloud here. Feel free to call me crazy.

Do the Chinese want to build an oil pipeline from Saudi through Iran to China?

One already runs from Saudi through Kuwait to Iraq. The Chinese would just need to extend it.

This would lower costs and avoid hostile navies like the US and UK.

Saudi would get the yuan, Iran would get an enormous transit and insurance fee and China would get its oil.

This would also bring China's Belt and Road Initiative closer to fruition.

That would obviate Alfred Thayer Mahan's sea-based world and usher us into the age of Halford Mackinder's land-based World Island.

I'm not sure, but forgive me for thinking there's an ulterior motive.

by SEAN RING

Category

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