Title: Hyperinflation Is Coming- The Dollar Endgame PART 4.3, "At World's End"
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Linked Post Content:
(Intro): **I am getting increasingly worried about the amount of warning signals that are flashing red for hyperinflation- I believe the process has already begun, as I will lay out in this paper. The first stages of hyperinflation begin slowly, and as this is an exponential process, most people will not grasp the true extent of it until it is too late.** I know I'm going to gloss over a lot of stuff going over this, sorry about this but I need to fit it all into four parts without giving everyone a 400 page treatise on macro-economics to read. Counter-DDs and opinions welcome. This is going to be a lot longer than a normal DD, but I promise the pay-off is worth it, knowing the history is key to understanding where we are today.

SERIES (Parts 1-4) TL/DR: We are at the end of a MASSIVE debt supercycle. This 80-100 year pattern ***always*** **ends in one of two scenarios- default/restructuring (deflation a la Great Depression) or** [**inflation**](https://imgur.com/gallery/3rduvh3) **(hyperinflation in severe cases (a la Weimar Republic). The United States has been abusing it's privilege as the** [**World Reserve Currency**](https://www.schwab.com/resource-center/insights/content/will-us-dollar-lose-its-reserve-status) **holder to enforce its political and economic hegemony onto the Third World, specifically by creating massive artificial demand for treasuries/US Dollars, allowing the US to borrow extraordinary amounts of money at extremely low rates for decades, creating a Sword of Damocles that hangs over the global financial system.**

The massive debt loads have been transferred worldwide, and sovereigns are starting to call our bluff. Governments papered over the 2008 financial crisis with debt, but never fixed the underlying issues, ensuring that the crisis would return, but with greater ferocity next time. Systemic risk (from derivatives) within the US financial system has built up to the point that collapse is all but inevitable, and the Federal Reserve has demonstrated it will do whatever it takes to defend legacy finance (banks, broker/dealers, etc) and government solvency, even at the expense of everything else (The US Dollar).

Updated Complete Table of Contents: (Especially read parts marked with x)

If you haven’t already, PLEASE go back and read all prior posts. We’ll be referring heavily to concepts like Triffin’s Dilemma, Derivative Feedback loops, and Debt Supercycles throughout Part 4. I want to make sure everyone is on the same page as we delve into Part 4, the largest and most comprehensive section yet.

NOTE!- this section will be almost exclusively focused on Triffin’s Dilemma and the structural issues with the Bretton Woods US Dollar Currency system, which are explained in depth in Part 1.0 and Part 1.5- make sure to read these two posts in entirety before continuing.

“At World’s End”

[Credit to Artemis Capital for Artwork](https://preview.redd.it/uhu30f6op7i81.png?width=1368&format;=png&auto;=webp&s;=a21411de1a97397de798f555c3f49fd3f333e9d3)

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PART 4.2 “Economic Warfare & The End of Bretton Woods”

The Dollar as a WMD

Most Americans today walk around aware of the fact that they are a superpower. Military parades, fighter jet flyovers at football games, and clips showing American soldiers engaging enemy combatants are commonplace. However, what most Americans do not know, is the secret mighty Excalibur that the U.S. Government wields in order to achieve most of its ends- the Dollar itself.

Since the end of WWII, many conflicts have been resolved through sanctions and negotiation, at the direction of the United States. In almost every case, the U.S. has used the Treasury and it’s control over the banking system, to effectively choke and strangle powerful opponents without ever firing a single shot.

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This system is best described by Joseph Wang, a former Senior Trader at the Federal Reserve’s Open Market Desk, in his book Central Banking 101 (page 98):

“The Eurodollar system is offshore, but ultimately, all dollar banking transactions no matter the origin will have a link to the U.S. banking system. After all, offshore dollars would not really be dollars if they were not fungible with onshore dollars. The U.S. government has authority over the U.S. banking system, and by extension, over the offshore banking system.

This implies that the US government has authority over virtually EVERY dollar transaction done through the banking system in the entire world. Let’s walk through an example to see how this works.

Suppose a bank in Kazakhstan named Kbank has a dollar loan business. Kbank makes a $1000 loan to its client and credits its clients account for $1000. The client then withdraws that $1000 to pay a supplier who banks with a US Bank (named Ubank). Kbank is going to have to settle a payment of $1000 with Ubank.

There are two ways it can do this:

1. **If it has a reserve account at the fed, then it can send Ubank a wire for $1000 in reserves OR**
2. **If it holds its dollars as a bank deposit at a U.S. Commercial Bank, then it will have to ask that commercial bank to send Ubank $100 in reserves.**

In the second case, Kbank's commercial bank will send $1000 in reserves to Ubank while reducing Kbank's deposit balance on its books by $1000. In either example, the transaction must go through the U.S. banking system.

The U.S. government, through its control of the U.S. banking system, has the power to shut anyone out of the dollar banking system. If the U.S. government decides that someone should be sanctioned, then that person will not be able to receive or send dollars through banks anywhere in the world.

Banks take these sanctions very seriously because if they are caught violating them, they may also be shut out of the U.S. banking system or SWIFT itself! (Part 1.5 discusses SWIFT). This would be a death sentence to any bank. In June of 2014, BNP Paribas (a French bank) admitted to helping Sudan, Iran and Cuba evade U.S. sanctions and move money through the U.S. banking system. They were forced to pay a breathtaking fine of $9 billion ([**source**](https://www.reuters.com/article/us-bnp-paribas-settlement/u-s-imposes-record-fine-on-bnp-in-sanctions-warning-to-banks-idUSKBN0F52HA20140701)**)."**

https://preview.redd.it/l4aclz65q7i81.png?width=933&format;=png&auto;=webp&s;=21092072d3bf28223eef820d36fde16a18df8037

See below for some more examples- and ALL of these are banks located outside the US:

[Deutsche Bank fined $258m for violating US sanctions](https://www.theguardian.com/business/2015/nov/04/deutsche-bank-us-sanctions-fine)

[U.S. Indicts Turkish Bank on Charges of Evading Iran Sanctions](https://www.nytimes.com/2019/10/15/us/politics/halkbank-turkey-iran-indictment.html)

[Standard Chartered to pay $1.1 billion for sanctions violations](https://www.reuters.com/article/us-stanchart-sanctions-settlement-fed/standard-chartered-to-pay-1-1-billion-for-sanctions-violations-idUSKCN1RL1TV)

[Report: Bahrain bank helped Iran evade sanctions for years](https://www.mercurynews.com/2018/04/03/report-bahrain-bank-helped-iran-evade-sanctions-for-years/)

(The list continues on and on. Again, these are ALL FOREIGN BANKS- the US technically has no jurisdiction here! This was elaborated on in a book called "[Treasury's War](https://www.amazon.com/dp/B06XCGB364/ref=dp-kindle-redirect?_encoding=UTF8&btkr;=1)" by Juan Zarate, a former senior Treasury official and architect of modern financial warfare)

This may not seem a big deal on the surface- these countries are enemies of the United States, right? But this demonstrates how US policy can overrule the policy of sovereign nations such as France. France had no such sanctions against these countries- but the US Treasury Department can effectively force French banks to follow American guidelines!

Imagine if China had this power- and demanded that Canada could not trade with Taiwan, cutting both countries off from the international monetary system if they did so.

To many foreign officials, the US has become drunk with this power, and is using it to tyrannize other countries to follow American policy. (Again, I am not arguing in defense of countries like Iran, which have anti-democratic values, just demonstrating that the US has immense power over even Western countries and can effectively set their foreign policy FOR them)

By sanctioning countries and cutting them out of the US banking system, the US can effectively send them back to the Stone Age. Iran, for example, now has extreme difficulty in settling currency for oil and gas contracts- [**and has even defaulted to pricing it's oil in gold in order to receive payment!**](https://www.reuters.com/article/us-iran-oil-payment/iran-to-accept-payment-in-gold-from-trading-partners-idUSTRE81S0GU20120229)

Many other countries are chafing under this Dollar Dominant system:

5/22/18- [US Sanction power may be reaching its limit, "response to Iran shows global economy won't be bossed around forever"](https://www.bloomberg.com/news/articles/2018-05-22/u-s-sanction-power-may-be-reaching-its-limit)

"You f*ing Americans", the message read. "Who are you to tell us, the rest of the world, that we're not going to deal with Iranians?" - UK banker, 2012**

5/28/18- [India says it only follows UN sanctions, not unilateral US sanctions on Iran](https://www.reuters.com/article/us-india-iran/india-says-it-only-follows-un-sanctions-not-unilateral-us-sanctions-on-iran-idUSKCN1IT0WJ?feedType=RSS&feedName;=worldNews)

5/9/18- [Australia and Japan still support Iran Deal](https://apnews.com/article/donald-trump-ap-top-news-malcolm-turnbull-japan-north-america-7769da33651a449196128dbdf1bcf48c)

6/6/18- [Merkel warns of G-7 split over Trump's "America First", says World becoming "re-ordered globally"](https://www.bloomberg.com/news/articles/2018-06-06/merkel-warns-of-g-7-summit-split-over-trump-s-america-first)

The US, by controlling the World Reserve Currency (The Dollar), wields immense economic and financial power over most of the globe. However, this power corrupts and corrodes the host over time- and warning signs are beginning to appear signaling that America's time as global economic hegemon may be coming to an end.

The Unraveling of the Global Monetary System

Before we continue, let us do a quick review of the essential paradox of Global Reserve Currencies- Triffin's Dilemma, covered in depth in Parts 1 and 1.5. (Again, please go back and read these sections!)

In August 1971, after the closing of the Gold Window, the Dollar was officially off the Gold Standard. In the turmoil that followed, currency markets began to experience rapid volatility and signs of inflation began to appear. Many G10 countries began to worry about the Dollar's sustainability as a world reserve currency.

In a meeting of the G10 in late 1971 in Rome, US Treasury Secretary John Connally [**famously quipped**](https://www.ipe.com/the-dollar-is-our-currency-but-its-your-problem/25599.article)**,**

"The Dollar is OUR Currency, but YOUR problem!"

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He was referring to Triffin’s Dilemma, and the unfavorable effects it would have on developing countries while boosting US economic and thus political dominance.

[The Triffin dilemma](https://en.wikipedia.org/wiki/Triffin_dilemma) or [Triffin paradox](https://www.investopedia.com/financial-edge/1011/how-the-triffin-dilemma-affects-currencies.aspx) is the conflict of economic interests that arises between short-term domestic and long-term international objectives for countries whose currencies serve as global [reserve currencies](https://en.wikipedia.org/wiki/Reserve_currency).

Quick recap:

* Post WW2, the US Dollar became the World Reserve Currency (WRC), and thus was used as a “safe haven currency” by other central banks, and used as a settlement currency for international trade.
* This creates massive artificial demand for US Dollars and Treasuries, since these nations need them for trade and to hold in reserve in case of a crisis in their homeland (Thailand in 1997)
* This global demand for US Dollars means the US has to be a Net EXPORTER of Dollars. The opposite side of the trade of Dollars is Goods/Investments, and thus the US has to be a Net IMPORTER of Goods/Investments.
* This means the US HAS TO consume more than it produces, and receives more investments than it makes. Over time, this leads to a US surplus of debt and consumption, and a lack of investment and production.
* For example, Manufacturing jobs thus get transferred overseas, bolstering the economy of foreign countries (China) and weakening the host country (US).
* This loss of manufacturing means wage deflation/stagnation in US as domestic jobs disappear
* (Thus contributing to political polarization and economic dispair, rising rates of depression/suicide and drug abuse, homelessness)
* The artificial demand for Treasuries also lowers borrowing costs massively, inducing the US government to borrow and spend more than it otherwise would, creating fiscal deficits and unsustainable levels of debt.
* Eventually, the United States will reach a breaking point, where the manufacturing base is completely gone, and the debt levels are so high, that foreign creditors will not lend it money any more.
* When this happens, the Government’s only recourse is to either slash spending immediately (which will lead to severe recession) or print dollars, which will lead to rampant inflation.
* The Endgame is the replacement of the World Reserve Currency with a new one, which can cause horrible inflation, as the old WRC loses demand and all overseas dollars come back to the US to roost.

(Below is a graphic of the results of US being a WRC holder from the point of view of a developing country, Liberia)

https://preview.redd.it/03e74houq7i81.png?width=1432&format;=png&auto;=webp&s;=3012e41da534af2a70acbac814af54e04f810d59

The Trade Deficit was mostly propped up in the 1950s and 1960s as Europe rebuilt after the carnage of WW2 and the US was able to be a manufacturing powerhouse. Global trade was mostly centered around the US, so the US did not need to really export dollars and the ill effects of Triffin’s dilemma. Post 1974, and the entry of the Petrodollar system, and Balance of Trade deteriorated significantly as global trade boomed and the US began to need to constantly export dollars (i.e. import goods / grow trade deficits).

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942ffb46c6353b8c298709b

[Lyn Alden](https://www.lynalden.com/fraying-petrodollar-system/) summarizes the issue perfectly:

“When most other countries run trade deficits, they eventually have a big enough currency devaluation so that their exports become more competitive and importing becomes more expensive, which usually prevents multi-decade extremes from building up.

However, because the petrodollar system creates persistent international demand for the dollar, it means the US trade deficit never is allowed to correct and balance itself out. **The trade deficit is held open persistently by the structure of the global monetary system, which creates a permanent imbalance, and is the flaw that eventually, after a long enough timeline, brings the system down**.”

For those of us who follow monetary economics closely, omens of the death of the Dollar as WRC are beginning to appear.

We’ll start with Treasuries, the backbone of the Global Financial System.

Remember, foreigners have to recycle their trade surpluses back in USDs in order to settle global trade and hold enough currency reserves in their Central Banks. Historically, they did so by buying US Treasuries, since these are considered “risk free assets” (See [Foreign Holdings of Federal Debt](https://fred.stlouisfed.org/series/FDHBFIN), below)

https://preview.redd.it/u2irjrt8r7i81.png?width=1170&format;=png&auto;=webp&s;=ae3789be86df4cba364f73735c5eb24a147e89d3

After the 2008 financial crisis, the US Government began borrowing heavily to pay for programs like TARP and increased unemployment benefits. The majority of this borrowing was backstopped by Foreign Creditors, who bought around 70% of the new debt issued (the Fed bought most of the rest).

But, since 2014-2015, Foreign Creditors (Central Banks, FIs) began easing up on their purchases of Treasuries. So much so, in fact, that their holdings began to flatline, and there were no (or very low) net increases for several years. **This is surprising given the fact that the trade deficits were still increasing, so the US was still sending out more dollars into the world than it received!**

From 2018 to now, Federal Debt ballooned by a whopping $9T ($21T to $30T today), but foreigners only bought a measly 14% (1.3T) of it. Again, a drastic decrease from their buying patterns of prior years.

So, this begs the question- if they aren’t lending the US Government, why? And where are their surplus dollars ending up?

Answer: They’ve stopped lending to the US Government because of increasing worry of default risk. The US has taken on too much debt, and interest rates are too low to provide any sort of return.

They still need to recycle their Dollar Surpluses effectively- one easy way to do this is to buy assets denominated in USD (equities, real estate, etc). So, they have started massively investing in American assets, as reflected by the Net International Investment Position (NIIP), shown below: (Credit to [**Lyn Alden**](https://www.lynalden.com/)**)**

https://preview.redd.it/n8ioqgvbr7i81.png?width=1364&format;=png&auto;=webp&s;=2fd656ef42cd87cf60bf93503ef3f0c7bfb3c089

(The Net International Investment Position of a country measures how much foreign assets they own, minus how much of their assets that foreigners own, and the chart above shows it as a percentage of GDP. **As of this year, the United States owns $29 trillion in foreign assets, while foreigners own $42 trillion in US assets**, including US government bonds, corporate bonds, stocks, and real estate.)

This represents a negative 60% NIIP, and has fueled the creation of a massive stock and real estate bubble. All this massive investment has helped to boost economic growth in the past- however it also creates systemic risk.

With foreigners owning so much of US assets, it means that a large proportion of wealth creation is being siphoned overseas, and doesn't recycle back into American communities. This contributes to wealth inequality globally, and in the US as well.

Further, this creates the potential for a massive "rug-pull" on the American economy. If foreign investors began to lose confidence in the US economy, they could essentially begin a run on the Dollar. This would begin by massive sales of US Treasuries, but could spread to stocks and real estate, causing widespread deflation worse than 2008.

The Fed would then be faced with the grim choice of either letting $42T of US assets be fire-sold into a New Great Depression, or ramp up Quantitative Easing to buy the assets on sale- untold trillions of dollars would need to be printed. This would make the current QE program look like a joke in comparison.

(Again, this is a worse-case scenario; I am not asserting that it will happen, but an event like this could be one of the triggers for much worse inflation, and indeed, potential hyper-inflation.)

Many of these countries do not *necessarily* *want* to invest in US assets, especially Treasuries- but they are *forced to* due to the structure of the system and the fact that there just isn't any good alternative (for now).

For countries that are geo-political rivals of the US, this system is an extremely potent force to help the US maintain status as an economic superpower. This was put best by Charles Duelfer, quoted in the book Mr. X Interviews Volume II (page 87):

https://preview.redd.it/oq40hooir7i81.png?width=862&format;=png&auto;=webp&s;=32c8ffa0901f5feffff64c35c0f7eb704ca7cd69

These rivals, particularly Russia, China and Iran, have been hurt the worst by US sanctions and economic warfare. They are also at the forefront in trying to displace the Dollar as WRC in order to strip the United States of it's "[**exorbitant privilege**](https://en.wikipedia.org/wiki/Exorbitant_privilege#:~:text=The%20term%20exorbitant%20privilege%20(privil%C3%A8ge,purchased%20in%20their%20own%20currency.)**" (Per Part 1.5).**

See the below links for reference:

8/14/14- [**Putin says USD monopoly in global energy trade is damaging economy**](https://www.reuters.com/article/ukraine-crisis-putin-dollar/putin-says-russia-should-aim-to-sell-energy-in-roubles-idUKL6N0QK3BP20140814?edition-redirect=uk)

11/26/10- [**Putin: It's quite possible Russia could join EU currency zone, create currency that would eclipse the USD**](https://www.telegraph.co.uk/finance/currency/8163347/Putin-Russia-will-join-the-euro-one-day.html)

6/1/15- [**Russian Oil Giant Gazprom begins selling oil to China in renminbi (CNY) rather than dollars**](https://www.ft.com/content/8e88d464-0870-11e5-85de-00144feabdc0)

6/24/15- [**China likely to get nod for CNY gold fix soon, could compel foreign suppliers to pay in

CNY**](https://www.reuters.com/article/idUSKBN0P40D520150624?irpc=932)

9/14/17- [**China aims for dollar-free oil trade**](https://asia.nikkei.com/magazine/20170914/Business/China-aims-for-dollar-free-oil-trade)

10/11/17- [**Saxo Bank: USD reserve status at risk as China begins to de-dollarize**](https://www.cnbc.com/2017/10/11/the-us-dollar-may-be-at-risk-as-the-global-reserve-currency.html)

10/14/17- [**The petrodollar system is being undermined- Barrons**](https://www.barrons.com/articles/the-coming-renaissance-of-macro-investing-1507957012?mg=prod/accounts-barrons)

11/20/13- [**PBOC (Central Bank of China) says no longer in China’s interest to boost FX reserves (aka buy USDs)**](https://www.bloomberg.com/news/articles/2013-11-20/pboc-says-no-longer-in-china-s-favor-to-boost-record-reserves)

https://preview.redd.it/f8gni9mur7i81.png?width=1348&format;=png&auto;=webp&s;=8a2bbe98b274a705f2f45d2e5fe82eea18ba4cbf

9/12/17- [**US Treasury Sec Mnuchin threatens banning China from “dollar system” (SWIFT)**](https://www.bloomberg.com/news/articles/2017-09-12/mnuchin-threatens-financial-sanctions-on-china-over-north-korea)

8/24/17- [**Saudis may seek funding in CNY (Chinese Yuan)**](https://www.reuters.com/article/us-saudi-china/saudis-may-seek-funding-in-chinese-yuan-idUSKCN1B413R)

2/16/16- [**Chinese general says contain the US by attacking its finances**](https://www.theepochtimes.com/chinese-general-says-contain-the-united-states-by-attacking-its-finances_1967150.html)

These countries aren’t alone- as we covered in the beginning, even allies such as the UK, India, Germany, and others are tired of being exploited by this system.

The Exorbitant Privilege created by Triffin’s Dilemma means that these countries have to work hard to produce goods, which are swapped for Dollars (which we can print out of thin air). They then have to exchange these Dollars for US assets instead of investing in their own countries.

We get cheap goods and cheap debt, fueling our overly consumerist culture- while they get more inflation and less investment in their own economies.

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However, the ill-effects of Triffin’s Dilemma are building up and corroding the very system which provides the US with so much economic dominance.

In 2014/2015, on a Net basis, Global Central banks stopped buying US Treasuries. Essentially, they decided to stop funding growing US deficits, which means that now the US is on the hook for any new spending our government incurs. ([**Credit to Luke Gromen for chart below**](https://fftt-llc.com/)**:)**

https://preview.redd.it/l4kp2784s7i81.png?width=1132&format;=png&auto;=webp&s;=598bcf8f89930f6533e1a2a7df8ad89c2dad92e6

Since there is no (or very little) new lending coming into the US from Global CBs, we had to source it ourselves. **This began with structural changes to Money Market Funds and Bank Capital Requirements (Basel III, Dodd-Frank) that FORCES MMFs and Banks to buy Treasuries for their Balance Sheets.

(**[**Expansion of Government MMFs, covered in my DD on RRPs here**](https://www.reddit.com/r/Superstonk/comments/oxsde3/major_signals_are_flashing_code_red_in_the_shadow/)**)**

The amount of funds managed by Government MMFs doubled from $0.8T in 2014 to $2.1T in 2016 and then $3.9T by 2020. These MMFs almost exclusively bought short maturity Treasuries (called T-bills), essentially becoming a new large lender for the US Government.

However, there was only so much money in the money markets for this, so it would only buy a limited amount of time. Beginning in March 2020, the Federal Government began massive fiscal expenditures to prop up the economy and deal with the fallout from Covid-19.

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Source- [***Bianco Research***](https://www.biancoresearch.com/visitor-home/)

This time was different- since Global CBs were no longer lending en masse to the US, we had to print the difference. The Fed had to step in and backstop the Treasury. US fiscal deficits, which “hadn’t mattered” for 40 years, now began to matter!

Foreign CBs barely increased their Treasury holdings, and to ensure the US Govt wouldn’t go bankrupt, the Fed had to print trillions of dollars to buy up all the new debt being issued ([**source**](https://fred.stlouisfed.org/series/TREAST)**).**

“That’s not exactly how the “global reserve” currency is supposed to work. It’s like a restaurant chef eating her own cooking more than her customers do. This is what other non-global-reserve countries look like. Within one year, the Fed went from owning half as much Treasuries as foreign central banks combined, to more than them combined.”- Lyn Alden

In 2008, when the Fed did this, the money had stayed in the banking system due to the nature of QE (covered in Part 3.5). However, now it was the US Government and indeed the entire US economy that needed to be bailed out, so that is where the dollars had to flow.

This led to a massive influx of dollars into the real economy, and thus the recipe for a large surge in inflation in the coming years. So far, it looks like we are seeing this play out in real time, as January 2022 CPI came in at a blazing 7.5%!

With fiscal deficits running at [**$2.8T in 2021**](https://bipartisanpolicy.org/report/deficit-tracker/#:~:text=The%20federal%20government%20ran%20a%20deficit%20of%20%242.8%20trillion%20in,revenue%20increases%20outpacing%20expenditure%20growth.)**, and foreign CBs only financing 14% of it, that means there is $2.4T of Treasuries that need to be bought- the Fed will likely have to print all of it.**

Thus, the Fed will likely have to print around $2.4T, every year, for the foreseeable future. Inflationary feedback loops, discussed in Parts 4.0 and 4.1, will kick in, and these figures will grow. The Fed will have to print more and more just to keep the US Govt afloat.

All the borrowing of the past is coming back to bite. [**Officially, just a few weeks ago, US Debt hit $30 Trillion**](https://www.nytimes.com/2022/02/01/us/politics/national-debt-30-trillion.html)**! This doesn't include the $5T of liabilities that the US Government owes to itself or the** [**staggering $162 Trillion in unfunded liabilities**](https://alec.org/article/americas-national-debt-a-rendezvous-with-reality/)**!**

https://preview.redd.it/3gab667ns7i81.png?width=1104&format;=png&auto;=webp&s;=4e455cc11f1605d1a26ca60f0b9bb272d671aaf4

(Unfunded liabilities refers to payments that the US has promised to make, such as Social Security, Medicare, Medicaid, pensions. Technically, this isn't classified as debt, but it is a promise from the US Govt to give future $$- where will this money come from?)

At $30 Trillion, a 1% increase in interest rates means an additional $300B in interest payments annually that must be paid. Who will lend the Treasury this money as the Gov't continues to dig its own grave, and inflation rates rise above 7%?

Answer: The Lender of Last Resort- the Fed

It is no surprise therefore that cognizant leaders in foreign countries see the writing on the wall and have begun to pull support for USD. Would you want your countries' currency being invested in a "global reserve asset" that is losing 7.5% of its value (more like 15%) every year, and is projected to lose even more as the debt payments come due?

A 2017 paper published by the Bank of International Settlements called "[**Triffin: Dilemma or myth?**](https://www.bis.org/publ/work684.pdf)**" restates the core issue perfectly (summarized):**

https://preview.redd.it/p9f4fr3us7i81.png?width=738&format;=png&auto;=webp&s;=938b02d436472dc94ad6de3943d2938c67e2ddea

The elites understand this issue perfectly- but the reason the system did so well for so long is that the US debt levels were manageable, and there were structural advantages the US had that helped it immensely (deep and liquid bond + stock markets, large population, large % of global trade)

But they also understand that Triffin's Dilemma is the final nail in the coffin- it has meant that every country has lasted as WRC holder for an average of only 80 years!

To put it another way, the host country (US) has to decide to either not print $$ and import goods, which halts global trade (not enough $$ to settle trade)

OR

It has to decide to run current account deficits (to keep the global economy running) at the expense of burying itself in debt, eventually having to print their way out (which will kill the USD as WRC holder).

This has happened before to Portugal, Spain, Britain- all colonial empires, who saw their might stripped from them as they devalued their currency and lost economic hegemony.

I noted this to a colleague-

"This system also hands China a nuclear option- they now have a massive hoard of over $1T of Treasuries. They have their finger on the button. If they dump them all, they would bring on Armageddon in the bond markets, and force the Fed to print another Trillion or so, perhaps scaring other countries to start dumping their bonds, which would force the Fed to print Trillions more. It would be all out economic warfare."

He rebutted- "The Chinese wouldn't do that. It would harm their own economy, that would be tantamount to shooting themselves in the foot".

I replied- "But their foot is placed against our head"

Smooth Brain Overview

1. Triffin’s Dilemma creates Artificial Demand for USD, propping up value
2. US exports Inflation to poorer countries
3. Move of Manufacturing Base from Importers (US) to Exporters (China)
4. This creates wage deflation in US- stagnant wages for US workers
5. Massive build up of Debt in WRC holder (US)
6. Build up of dollars in overseas bank accounts (Eurodollars)
7. Increasing levels of debt and inequality in WRC (US) as corporate profits soar and wages flatline
8. Eventually, the manufacturing base is gone, debt levels are too high, which forces the US to print $$.
9. This causes global inflation, and foreign countries don’t like seeing their hard earned Yen or Pounds being transferred into a currency being printed to oblivion. They stop lending to the US.
10. The Fed now has to print even MORE $$ to keep the US Govt afloat.
11. Inflation problem gets worse. #9 and #10 Repeat in a vicious cycle.
12. Change of WRC, which causes depression in holder (Britain in late 1920s)

Conclusion

Most Americans today are unaware of the great benefits and might bestowed upon them due to the US being the holder of a WRC. Drunk with power, Presidents from Nixon to Obama have started and continued large scale “forever wars” in Vietnam, Iraq, Afghanistan, and Yemen.

Post Bretton Woods, the US has become an Empire, and has essentially created financial colonies in most of the Third World- by forcing them to use US dollars, these countries subordinate their economies to support the value of the dollar, allowing the US to borrow and spend recklessly without immediate consequence.

Further, by using USDs, these countries’ banks are routed through the US banking system and are thus subject to US Foreign policy, even policies that are not supported by the United Nations. The US can essentially extend its jurisdiction over much of the global economy, and cut off trade for those countries who protest.

But this power comes with a cost- by exporting jobs, wages deflate across the US and wealth inequality worsens. Political polarization quickly follows, along with the destabilization and corruption of Institutions.

The drums of Economic Warfare have begun to beat. China and Russia are bristling for conflict. Can the United States survive the onslaught?

The Endgame Approaches. No Empire lasts forever.

BUY, HODL, BUCKLE UP.

>>>>>>>TO BE CONTINUED >>>>>>> PART FOUR “AT WORLD’S END”

(Adding this to clear up FUD- My argument is for hyperinflation to begin in a few years- this is a years-long PROCESS, and will take a long time to play out. It won't happen tomorrow, but we are in the same situation as Germany after WW1. BUY AND HOLD)

Nothing on this Post constitutes investment advice, performance data or any recommendation that any security, portfolio of securities, investment product, transaction or investment strategy is suitable for any specific person.

*If you would like to learn more, check out my recommended reading list [here](https://docs.google.com/d ocument/d/1nSw9odLoExaq0oEBqIHrCK1Xj5KfyjBkGQZ93LTh34g/edit?usp=sharing). This is a dummy google account, so feel free to share with friends- none of my personal information is attached. You can also check out a Google docs version of my[Endgame Series here](https://docs.google.com/document/d/1552Gu7F2cJV5Bgw93ZGgCONXeenPdjKBbhbUs6shg6s/edit?usp=sharing).

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