

Eurodollar University Conversations

Transcript: How the Dollar Will Actually Get Dethroned (Brent Johnson)

Date: October 27, 2023

JEFF

welcome Eurodollar University subscribers and members We are continuing our conversation from last week talking about is the dollar going to be dethroned and if it's going to be dethroned how would that actually happen

I think that's the question that we all need to answer first not hey do we want to replace the dollar because Lord knows lots of people would like to do so that's not really the issue because I think you can go back further people have been trying the hatred for the dollar is nothing new let's put it that way something else is new and something else is pushing this de-dollarization Trend but before we can even consider any of that we have to consider can it actually happen and if it can happen how close are we to something like it happening joining me today special guest my very first on the Eurodollar University new subscription benefit we're calling Conversations who better to talk about de-dollarization with then Mr Milkshake himself, Brent Johnson Brent thank you very much for joining me I really appreciate it

BRENT

no problem at all I'm always happy I've learned so much from you that I whenever I get the chance I'm happy to sit here and talk to you

JEFF

well let's sit here and talk about the dollar because it's one of those things that I think it's unlike a lot of the Eurodollar topics that might come up the dollar itself and its status as reserve currency it's intuitively important you don't need to explain it okay the Reserve currency that's whatever your skill level whatever your sophistication is as soon as that comes up you understand okay this is something I need to talk about and it's understandable why more maybe more recently or more than any time in the recent past it has become a topic of mainstream conversation where this used to be talked about in you know feverish corners of financial Twitter nowadays You've got mainstream media reporting on de-dollarization

so Brent where do you where do you think we should start with that?

BRENT

well you can't get away from it right and the funny thing is it's still pretty prevalent right now but it's been dialed down by like 50% since like April or May when that was all you heard everywhere all the time you know especially leading up to the BRICS meeting in August where that was supposedly going to be the new roll out of the new goldback BRICS currency the you know the dollar killer and you know the fact that that came and went kind of took a little bit of volume off of it but it's still there

and I think part of the reason is to a certain extent the saying that Hope Springs Eternal I think there is a lot of hatred for the dollar I think to a certain extent there's a lot of hatred for US foreign policy I think

there's some self-hatred or self-loathing that goes along with the new woke America who realizes that perhaps we're not the bright shining City on a Hill that we thought it was when we were growing up and all of that kind of put together is kind of this desire for something new better more moral more all in I don't know how you want to say it but I think it's all of that and there's this desire for this new better system

and I understand it I actually totally understand it and in many ways I would prefer that the system was different than it is but over the last I let's just call it 15 years there's probably different ways we could divide it up I have kind of been on this journey where I was on the other side and through just painless or painful I should say not painless painful digging and digging and trying to figure this all out I came to kind of the painful realization that it is just much harder to de-dollarize than it is, it's much harder to actually do it than it is to talk about it and I don't know I never say anything's impossible possible but it's pretty darn close and I've come to the conclusion that it's impossible to have de-dollarization without massive volatility that goes along with it and I think if we get to a place where de-dollarization actually takes place not just the talking of it I think that the volatility would be so great that the dollar would actually rise during the de-dollarization and that's kind of where I got to my whole you know thesis regarding the dollar was that I just don't think there's a way through the storm without the dollar going higher and if the dollar doesn't go higher then there isn't a crisis and the system just perpetuates itself

so I don't know if that's a good way to set it up or not but that's the conclusions I came to and listen I've like you and you've probably been thinking about it longer than me like literally every day for the last 15 years I've thought of this stuff right this isn't something I just sat down a couple hours and read a book and decided okay like this is literally like

JEFF

like everybody on Twitter

BRENT

yeah no exactly I

JEFF

I heard a podcast and now I'm a dollar expert

BRENT

no exactly exactly and so you know I'm open to some new solution or some new system but you know you can't just write a paragraph about it and think just because somebody wants it to happen that it's going to happen and that that's kind of where I'm at with it

JEFF

I think that's a great place to start because I think what we have to do here is separate the talk about de-dollarization from the reality of potential de-dollarization because those are two very very different things and you know as well as I do maybe over the last five six years or so the talk of de-dollarization has gone like this and I actually think the temperature of real de-dollarization has come way down

there was I believe you know 2011 2012 China was really getting into this transformation mode there was more maybe more serious taking a look at de-dollarization because you look at the Chinese for example because they're the one that always comes up right everybody says China's going to eat our lunch and take over the reserve currency and use that to take over the world and I think for a little while there the Chinese said let's give it a shot

now they opened up Hong Kong they started an offshore Yuan Marketplace but that didn't go very far and it didn't very long and by 2017 2018 the Chinese were shutting everything down at the same time the talk of de-dollarization remember the petro-yuan oh my God that was so supposed to be the big thing the talk of de-dollarization went way up when I think the appetite went way down

BRENT

I kind of hinted at this a few minutes ago but when I first started looking at this stuff you know kind of 2006 to 2007 time frame I knew there was a big mess and so I was kind of prepared for you know the 2008 Global financial crisis now I was not smart enough to figure out that that meant all the banks were going to fail I just knew that there was a big mess and we were going to have some kind of a crisis and that allowed me to kind of get through the crisis but I didn't really necessarily understand it but then on the other side of that crisis then I was like you know what I really need to figure this out I want to actually understand it and when I first started looking into it I was like well they just need to get away from the dollar they need to stop you know the fed's going to you know to get out of this Global financial crisis they're going to print print print and that's going to make the dollar go down and you know the world's going to get sick of it and they're going to implement this other system and I probably believed that for two or three years

and then when it didn't happen I was like well why isn't it happening this should be happening right and I would go talk to people and they say oh it's going to happen you know the other people that were in the de-dollarization camp or in the gold camp or in the alternative system Camp oh it will happen it will happen you know the the US can't keep doing this forever they can't get away with this forever but they would never really answer the question of why not they would just say it can't go on

and so I got pretty frustrated with that and that's when I really started digging in and at the time I think it was it was 2014 because I remember talking to Raul and Raul was a big gold bug or you know big believer in Gold like I was but he also said the dollar was going to get a lot stronger and I was like what are you talking about I was thinking to myself how can this guy who's so smart think the dollar is going to go higher and then lo and behold the second half 2014 the dollar made a massive move higher and that's when I sat back and I was like well I'm clearly missing something right I you know and then part of it was that I kind of I think a little bit like what I was talking before I kind of wanted to see it happen right I was very I was very upset with what transpired in 2008 I didn't think it was right I didn't think it was fair and when I took a step back I realized I was projecting my own desires onto a market

JEFF

that's it right there and I think when we're talking about separating the talk about de-dollarization from when it can actually happen that's it right there it's the emotion you know it's the Tea Party ethos it's the how dare they bail out these big Banks we need to put a stop to how dare they you know how dare they the government pushed these fiscal deficits on us and the only way to stop these people is the only way

to get them to learn is if the dollar crashes and then we can sit in the ashes and say I told you so I told you this was going to happen I told you you were going to blow up the system

and I think that's where a lot of this comes from this dollar doomed Theory starts from a righteous place it starts from that place that Damn it you're right you know you are right the government did go crazy and it didn't fix anything either so we did all of this for nothing

it's just that they're channeling all of that energy and that indignation in the wrong direction they've been saying you know this has to blow up because this is wrong and so they keep waiting for it to blow up and they keep and I think that's where the talk comes they keep hyping every little tiny thing along the way as if this is the spark that's going to light the fuse and blow up the dollar

BRENT

yeah I think that's a big part of it and what really kind of made me step back and kind of revalue everything was a couple things one is that I had just been wrong and I don't like being wrong and when I'm when I'm wrong I like to try to figure out why I'm wrong I don't just want to think okay it's going to be different this time

it happened a lot and listen and I'm guilty of it I'm and I'm guilty of it I've tried you know I've tried over the years to get better at it but I'm sure I still fail at it from time to time but there but I got to the point where nobody could answer my question I was tired of being wrong and you know there's that saying that time heals all wounds you know so we're now four five years on from 2008 you know 5 years on and from kind of the bottom in 2009 and I wasn't quite as raw about it and I wasn't quite as emotional about it and I kind of stepped back and I realized that I was not only putting my personal emotions on how I saw the world but I was putting my clients' money on the line based on the way I wanted the world to be and not the way the world actually was and that is quite honestly in my opinion a breach of fiduciary duty you know my clients not hire me to go change the world

now if you if you want to go change the world if you want to start a company or start a new monetary system or protest you know start a protest and you know write papers and you know introduce new systems that you think will improve the world I think that's a very valid existence I think that's a worthy cause and I commend you for doing it but that's not what I do I manage money for other people and not everybody shares my same view of the world and not everybody that I manage money for wants the system to change some of them do some of them don't but the bottom line is they didn't hire me to be a social justice Warrior they hired me to figure out what the hell's going on in the world and get them through it

JEFF

because social justice Warrior they didn't hire you to be a bond vigilante right

BRENT

no exactly exactly and when I realized that that's what I had been doing I kind of felt bad about it to be honest you know and here's this this really has kind of been in a know this is how the reason I know that emotion is a big part of the de-dollarization thing is because I went through a big roller coaster of emotions over the last 15 years

I didn't realize the way the system worked and the bad parts of the system until 2008 and the results of 2008 and I was kind of ashamed that it took money for me to realize it right I would have I would have liked to just my own intelligence to have recognized it or you know just my own view of the world to have recognized it

when I realized when the money came into it and the money is what made me realize it I felt kind of bad about that and then five years later when I realized I had taken that feeling bad about it and tried to force my emotions on my client's portfolios I felt bad about that too and so then I that that it was all this was all kind of happening at the same time and that's probably why in about 2015 2016 is when I really started digging in deep deep deep

you know I mentioned 2014 that's when it kind of kicked off and then I really got into it in 2015 or 16 and that's when I realized holy cow as someone who's managing money for other people you really have to kind of be a mercenary you really kind of have to just strip your emotions out of it look at the system right figure out how it works and forget whether or not you want something to happen figure out what's going to actually happen or what is most likely to happen nobody knows what's going to happen and I'll tell you when I finally when I finally made that mental change in my in my brain every everything changed everything became much more clear

it doesn't mean I have perfect clarity it doesn't mean I get everything right but the emotion was gone the there was a lot more clarity I understood what was happening I understood why it was happening and it's just allowed me to kind of have a framework by which to navigate this craziness because it is crazy I mean we have to I don't think anybody the people who understand the system the best know how crazy it is

JEFF

yeah that's you know I think that's a you know going back to what we're saying about the talk of de-dollarization let's part of this is economics mainstream economics because it channels everybody in the wrong direction right so you're sitting here trying to figure out what's happening and economics says points you right at the Federal Reserve and says the Federal Reserves is all powerful God and so you put all of these pieces in the Federal Reserve bucket you don't know what's happening you don't really have any clarity about why things are happening or why they didn't happen the way you thought they would and you just get angrier and angrier because the mainstream doesn't have any answers for you anyway and if anything the mainstream is set up for you to not get any answers

that's really what QE was for QE was to put everybody back to sleep stop asking questions about the monetary system stop asking questions about the results of this 2008 Crisis just believe the feds got it covered and it I think that more than anything really turbocharged people's anger which led to this unproductive outbreak and this unproductive expression in let's I hate the dollar you know I really hate that I don't understand

it's exactly what you're saying I hate that I don't understand and I need an outlet for that frustration so God damn I hate the dollar

BRENT

yeah well then the other part of it for me and I don't know when I actually figured this out it was probably listening to you to be honest or it definitely helped was once I again you know at some point in this journey everybody comes across the Eurodollar right and you know I probably heard the term before but I probably never really knew what it meant or what it really was but as part of this journey you know I kind of started digging into it and even then I was like well yeah okay so the rest of the world owes all this dollar debt well they'll just default on it and the US will be screwed

and it wasn't until like I don't know probably a year after that after I even discovered the Eurodollar market that I realized that they didn't owe that money to the United States and that they owed it to each other and when that happened when I made that realization that was like another Veil got torn off my eyes right and I could see even more clearly

I remember I remember kind of sitting back saying holy cow this is a you know this this is why the US has been able to kind of get away with whatever the monetary policy they want because they're monetary policies for the whole world it's not just for the United States this is probably an area where you and I probably disagree a little bit but I think it does help explain why when people can't figure out why the dollar hasn't crashed yet in my opinion it's because of the Eurodollar market they don't understand the demand for dollars in the Eurodollar market and but once I figured that out that that really changed everything for me

JEFF

there was a you know the Chinese example always comes up all over you know all the time and there was a period back then too where everybody said the Chinese were going to destroy the United States when they sell all their treasuries and once you understand exactly what you're saying you make that aha moment in your mind you make that intuitive leap you're like no wait a minute the Chinese are going to be worse for it if they start selling their treasuries they're in trouble not the United States

it's a breakdown in the monetary system of which they're the biggest customer they're the one that's most reliant on this monetary system not the other way around I think that's another part that that gets us back into this emotional response to the way everything is because everything is it's almost like everything is backwards from the way you think it is which just makes you more frustrated every time you think oh this is going to happen and then the opposite happens and it just makes you angrier and angrier

and again it gets back to the original statement here we understand why people feel this way it's just that that most people aren't able to do what you did which is entirely commendable I mean it's hard to say I got to change the way I'm thinking it's much easier to double down every single time and just get angrier and angrier and follow that emotional Trail to now you're a decade and a half later and you're still talking about oh the dollar is going to be destroyed and now I'm going to Hype up this stupid BRICS Summit this year which was complete crap from the very beginning and you could see it was but it that's it's the emotional

and I think you're you know I had this a similar Journey as you as you did Brent about managing money it was like can I continue to manage money and still be a Eurodollar scholar and study at the same time because those two paths lead you in different directions trying to manage money for people under this

Eurodollar breakdown era is completely impossible and it's impossible to be dispassionate and you really do have to make some hard choices about it

BRENT

yeah yeah and I'll tell you one of the other things that helped me and that is a previous job that I had so when I first got out of business school I worked for Philip Morris in New York City I worked in their headquarters and I was an auditor so I was a financial auditor who went through all the different business operations because a lot of people know Philip Morris is they own Marlboro cigarettes but they also owned at the time General Foods they owned Kraft Foods they owned Miller beer they owned a coffee company in Germany and so you know you it was a great learning experience because you would go through and you would audit the operations of these different areas of the company

I hated the job I absolutely hated it but I told myself I'm going to do it for two years and I'm going to learn as much as I can and at the when my two years was done I was like I'm out of here I'm going to Wall Street but and I and I didn't think I would ever use what I learned again but I was completely wrong and this is why

when you're auditing so I'll give you an example we did an audit of a coffee plant or a coffee business in Germany so I was in Germany for like six weeks and we went through all the operations of the company and they we pulled we sampled tested a bunch of transactions that this coffee company did to make sure that they were following the rules they were supposed to follow and so I'm going to try I'll make this quick but this is how why it's important when a coffee company in Germany buys coffee they don't just pick up the phone and call Colombia and two days later there's a bunch of coffee on their doorstep well they do do that but there's probably 20 steps in between the phone call and the coffee showing up on their steps so first of all they have to figure out okay where are we going to buy the coffee then well what are the prices well what are the best prices you have to get like four or five quotes So that and then you have to prove that you get the best deal and then when you get the best deal then you have to figure out okay what's the truck that's going to go pick up the coffee from the farm and take it to the ship okay then once it gets to the ship what ship are you going to put it on okay well there's three different ships one of them takes this long one okay then it gets on the ship and then it goes to Handover and okay and then it gets on another truck

so but the point is is there's all these steps along the way from the time they buy the Coffee Bean to the time it's actually in a package that you buy it on the store there's probably I don't know 50 to 100 steps and we had to go through this transaction step by step by step

so when I started applying that step by step by step thing to how they would change the monetary system it is it would be so hard to change think of all the invoices that would have to get re invoiced think of all the computer systems that would have to change to a new currency system think of all of the logistics that would go into now pricing something in in a different currency and then you know is that trucking company does that okay so does the truck company want to receive rubles or yuan you know does the farmer want to receive rubles or yuan

the point is is there's so many steps along the way that it can break down to Re-denominate a monetary system it's not that it can't happen it's just really really really hard and there's not a lot of incentive to do it from people in the business world there's incentive for the politicians to do it but the people who are

running The Business I haven't seen one business person I would if somebody can find me an article or a headline from one large business person in the world who would prefer to stop doing business in dollars and would prefer to receive rupees or rubles or yuan I would love to read that article

I'm not saying it doesn't exist I'm sure there's somebody out there somewhere but by and large every time you read these de-dollarization articles it's written by a politician or it's written by a monetary Authority in some third world country who who is dealing with dollar their own dollar problems right and so when you realize how entrenched the dollar is and you realize all the steps it would take to fix it you start to get a better appreciation for why it's still around

JEFF

yeah the issue isn't politics it's economics on both sides right the economics holding the dollar in place the Eurodollar system in place are all in favor of the Eurodollar and in favor of nothing else that can replace it

on the flip side though and we both agree on this the economics of the Eurodollar are not good

BRENT

No, they're not

JEFF

the Eurodollar does need to be replaced that's the irony of all of this is that the Eurodollar does need to be replaced It's just not It's that the steps that lead us to the replacement of the eurodollar are not the dollar being blown up because the Fed printed too much money That's I think the big problem Here is that when you circle back to the beginning, you and I both agree with a lot of the dollar so-called doomists

BRENT

OK

JEFF

it's just understanding as you did as an auditor, why things are the way they are and why they remain the way they are And I did this on the webinar just last week, the presentation I pointed out I went through this If you haven't seen it I went through this this example of the very first time a Visa card was used in a foreign ATM This was in 1984

BRENT

Oh, that's perfect

JEFF

and a guy from Arkansas traveled down to Sydney, Australia He stuck his Visa card in an ATM and he got out Australian dollars and the whole transaction took 6 seconds, which today sounds like Oh my God, it took 6 seconds That's forever But in 1984 that was pretty darn impressive

BRENT

Like magic

JEFF

But even more impressive as you're talking about all the steps that have to go right behind the scenes to replace the eurodollar system would be like replacing the Internet We would have to start from scratch with all new servers and new coding languages and new websites and Everything It's not like you can just flip a switch I use the analogy to we just put a different piece of paper in the printing press and everything's fine That's no you have to replace all of this infrastructure architecture Not only that, as you're saying business conventions, which is an unappreciated part of all of this because we do business a certain way and we have developed business a certain way Over generations, and the reason we do it is because that's the way it works the best And Can you imagine trying to do a contract with, say, some Chinese state owned business? I mean, are they going to honor their contract? Are they going to live up to their to their end of the bargain? Not only that It's not just about the currency

BRENT

Not only that Inflationary effects And people think there's a lot of the dollar, the eurodollar causes a lot of inflation OK, let's just assume that without getting into a big debate, let's just assume that's correct But imagine a world where there's not a centralized currency and every time you do business with somebody else, you have to use a different currency And you have to use a different system What do you think happens to prices in that environment when you have to factor in all these new risks, all these new counterparties, all these new systems that you've never used before, you think prices might rise? just a little bit right

And so that's you know it's not that I don't and you mentioned this minute ago, it's not that we don't recognize the inefficiencies and the problems with the current system There's innumerable problems with the current system But just because this you know the whole grass is greener thing, right? Just because, you know, think the problems with the eurodollar market doesn't mean what would come next either they flip a switch and start using the wand that now all the problems are gone I mean come on

This and this gets back to a little bit of I used this meme a lot as Fantasy Island versus reality I used to love when I was a kid I used to love watching Fantasy Island It's great to think about it's a lot of fun, but it's just not reality, right? And to me, when you're putting your money on the line, which is really what we're talking about here, right? It really comes down to money and my job really comes down to profits and protecting people's portfolios Again, if you want to become a social justice warrior or be a revolutionary, that's a different topic But if you just want to manage your money through This process Don't you wanna deal with reality rather than fantasy? And that's where I think people need to focus on It's OK to pay, maybe put a small bet on some revolutionary technology that's perhaps many years down the road going to change the system But to bet your whole portfolio that the dollar is going to die tomorrow because you think it's a bad system and it's a bunch of mean people in Washington that are employing it I think that's a recipe for not higher profits but lower profits

JEFF

Yeah, I think you're talking about digital currencies in crypto there, which is another, I mean Bitcoin I'm a fan of the idea of Bitcoin

BRENT

Same same Amen I'm with you

JEFF

Bitcoiners have squandered A decade and a half almost of a head start simply because they are just waiting for the dollar to die And what you try to tell them is no The reason the eurodollar system remains is because it is Usable, you know, as you were saying, it's all these conventions You don't think about that are in place Make the system incredibly usable by enough by so many people around the world It is impossible Almost not quite impossible, but almost impossible to challenge in the current incarnation And so Bitcoiners are just simply saying the dollar is going to blow itself up and Bitcoin will emerge From the ashes and the same is true with some people who are selling gold The very same idea but there are others who get it I was I was on a podcast not too long ago with Keith Weiner of monetary metals, who's a huge gold guy Maybe the best gold guy

BRENT

I think he's probably he is He is one of the best if not The best He's one of them

JEFF

It's Always an incredible conversation with Keith You know his depth of detail and history But as a gold advocate, he gets it What He said was, you know We haven't made gold usable It's just, I mean it has all of the properties you would want in a sound monetary system like Bitcoin does in theory, but it's not usable in the same way the eurodollar is and the eurodollar made itself usable, despite being the fact that it's the worst store of value Maybe in any in monetary history Store of value doesn't even come into any of this It's all about can companies from around the world talk in a common medium and do so and engage in commerce in a way that is productive and efficient and reliable and predictable, and that's none of those things for any other system, especially those foreign currencies

BRENT

Right Yeah And I think I think this is I think this is so Important to understand again it's I'm not You know, I think I get labeled as a Bitcoin hater I'm not I actually I love the Idea of Bitcoin

JEFF

Anybody who's not 1000% on Bitcoin is a Bitcoin hater That's what's their perspective

BRENT

Yeah And then You know, I referred to this a little bit ago is Even without the US enforcing the dollar, I am of the belief that the eurodollar market will enforce the dollar I don't even think the US has to Enforce it but If by some miracle something came along and did start to erode the dollar's dominance in a way that

was You know, very distinctly hurting the United States I don't think the United States would just sit back and say, OK, that's the free markets at work

You know, if history has told me anything, it's that governments try to manipulate the free market and they don't like free markets and they're always trying to stick their fingers in it to do what they want to do And so part of my whole belief in the eurodollar system is, should it come to it, the US is still the biggest, baddest guy on the block and he can enforce it And I know a lot of people will then say, oh, it's not what it used to be You know, you're not as strong as you used to be, the rest of the world doesn't like you as much as they used to Your military is not as strong, and then I kind of think about it, OK? Is Mike Tyson as strong as he used to be? No Is he as dominant as he used to be? No Do you want to Get in the ring with him You think You know he's twice his age He used to be 25 Now he's 50 You want to get in the ring with Mike Tyson? You don't think he can throw a punch

and you know, I still think the US can throw a punch Despite the fact that maybe it's not what it used to be And when that stuff starts to happen, I mean, there's two ways to think about money, and I think it's really important to not get too married to one of them, and I think that's another thing I think Keynesians kind of get married to their way of thinking I think Austrians kind of get married to their way of thinking And you know, there, there's probably other little schools as well that that, you know, that they hold on to that dogma

And I kind of think of To me, money can just be the most marketable You know, commodity in a free market or it can be what the biggest, baddest guy on the block says you owe me in tribute, right? And to me And both can be true at the same time, or maybe sometimes one of them's true Sometimes the other one's true, but to pretend that governments which are the most powerful entities in the world have no power and can't possibly stop anything To me, that's just being naive

Now, I'm not saying the governments always win You know, that's the thing about history Governments eventually fail Revolutions happen Empires rise and fall But the idea that revolutions happen very easily without a lot of volatility, or that governments just wake up one morning, say you know what, we didn't do a very good job We're gonna We're gonna hand it off to the next guy that just doesn't That's just not reality Again, it's Fantasy Island versus reality

And so I feel like even if the markets Don't enforce the dollar I still think that the US as the global hegemon is not just going to sit back and roll over to the next guy that wants to be the big guy on the block And so and it's for all of these reasons that I think I've never said that Everybody, I think everybody should bet on my thesis, you know, put 100% of their portfolio on my thesis I just don't think you should put 100% that I'm wrong You know

JEFF

Well, I think, I mean, recent history has showed the dangers of doing exactly that that's the thing You know, here we are 15 years later We're still talking about the same Things and what I like to point out is that we are no closer to a dollar alternative than we were in 2009 And how can that possibly be except for all the reasons that we have laid out and the answer is an unsatisfying one, the dollar remains the eurodollar system remains simply because simply by default there is nothing else and there is nothing else On the horizon, nothing else that is anywhere close to on the horizon

And if, you're right, I think I agree with you, Brent If there was something that was ready to take over, at least part of the roles of reserve currency, the government would be behaving differently I mean, look at the freak out they're having over crypto currencies, which are nowhere Anywhere close to that

BRENT

Exactly, no it totally That's a very good example

JEFF

Yeah So the BRICS, let's talk about the BRICS thing really quickly We don't need to spend a whole lot of time on it But I think we do, we want to spend a couple of minutes on it because it was such a big thing that you know for a while there, everybody was Here you go The gold standard is coming back, baby, the BRICS currency The global south is rebelling against the global north, and they're gonna start their own currency We got the most populous countries in the world, largest huge economies All sorts of financial weight Plus the futures on their side The dollar is absolutely doomed And then what happened?

Initially, the Indians said we don't know What you're talking About the Chinese said we don't the South Africans, they said we have no Idea what this is all about, it was To me, it was the BRICS, was the dollar doomers selling another They were over hyping something that wasn't even realistic It wasn't even a real thing

BRENT

Well, I think again this gets back to reality versus desire and I get Into all these conversations, whether it's on Twitter or when I do presentations and You know you don't Want to go into this

JEFF

You had a terrific tweet Remember back in August when this was coming out that you had that that great tweet about, you know, you remember the one I'm talking about? How I think you had Oh What was in it?

BRENT

The one with All the currencies, it's like a, it's like a CDO, which all the junk and they put it together and they make it to AAA is it that one?

JEFF

there was another one about, you know how some obscure country was going to Honduras

BRENT

Ohh yeah

JEFF

They're gonna come up with You know some magical scheme to replace the dollar and it was going To be hiked all over Twitter

BRENT

OK, so this I know what You're talking about so this is I'll Use this as an example I don't know if this is the Exact one you're talking about, but People are so desperate to grab onto this dedollarization scheme that when Ghana Came out and said that they are now not going to use the dollar They're going to use this gold scheme from their gold miners in order to get away from dedollarization and everybody said See See this time it's But listen, I'm not making fun of Ghana, per say But let's Be honest, like Ghana's not exactly an economic powerhouse, right, the idea that they that Ghana is gonna take on the US economic machine and win, I mean, come on, that's a pretty, pretty small You got to give me a little bit of credit here That's a pretty small probability Right Be it that But that they wanted to grab onto that as if that is proof that dollars aren't needed Now a couple of months later Ghana is in crisis and they need dollars and they're getting new loans from the IMF

JEFF

Yeah because it takes two to tango, right? I mean, Ghana can say we're gonna pay you in gold, but then everybody else on the other side that sells stuff to Ghana is gonna Say I don't want gold Gold doesn't help me

BRENT

Well and that's the thing and The thing is that It's not that it can't happen, but again, it's fantasy Island versus reality And the other, the other example, let's use is right now OK I mean this whole BRICS currency, it was going to be a basket of all their Currencies or something, right, that that was The that was the thesis, but now you know, in the meantime they were Going to start to Do some trade just in local currencies

Well, now Russia is holding billions and dollars in rupees that they can't do anything with And they've come out They literally Putin and Lavrov There's the two biggest powers in Russia saying we got all these rupees and we don't know what the hell to do with them Right That's not me saying it That's Putin saying it That's Lavrov saying it And they said this is a problem and we got to figure it out and and everybody on you know well tell me well, why don't they just buy stuff from India They don't want to buy stuff from India if they wanted to buy stuff from India then they would use the rupees But they don't want to and then not only that, now Russia wants India to pay for their oil in not rupees, but in Yuan and India's Like we don't want We saw what happened with you and the rupees We don't want the yuan Right? And so you know

JEFF

It's like they're having a real time experience with exactly what we're talking about Which is it always comes back To and this is both of our thesis to useability of the currency All that stuff about store of value, all the stuff about money printing Forget all that It's about whether or not your currency is usable in an international setting

That's really the entire story here And the Russians are finding out the hard way as our, I mean, you know China and India were never going to have a Common currency to Begin with that was always fanciful, but even assuming they could set aside their differences, the idea that we're going to have a usable currency within this block, I mean that that even that was far fetched

BRENT

Yeah, and I think You know What I've started doing is when I go to different conferences and when I meet with people and this dollar/dedollarization concept comes up and I say that it's not as likely as people say, well, well, why not? And I say And I will ask them OK Well, let's take your business for example What currency do you transact in other than the dollar? Ohh nothing We only use the dollar Well, why? How come you don't accept euros? How come you don't accept yuan? You want You know why? Why? Why wouldn't you? Well, I wouldn't know how to do it OK, well, if you don't know how to do it, why do you think the other person's going to know how to do it? And if you don't want to accept it, why would the other person accept it?

Again, it's very easy to say it, but it's very different it's kind of like the not in my backyard Everybody's for refugees until the refugees are living in your living room, right It's like in concept it sounds great, but in reality it's much harder to actually do and it's Much more difficult to actually live with the consequences of the actions as opposed to just talking about You know, for the people who really do believe in the BRICS currency and that that is going to be a superior form of currency that is used in commerce I would encourage you all to go out and buy a basket of the Rand, the ruble that yuan the rupee and the real and let's see how you do over the Next couple of years

JEFF

Yeah, that's an ugly Proposition

BRENT

but That's the point You don't you don't have to wait, right? If you really believe in it, you're welcome to go do it Nobody's stopping you from doing it

JEFF

And nobody's going to go with you All of this is nice in theory, but that's all it really is Is theory, and it's usually it's a theory pushed by dollar doomers to keep their dollar Doom dream alive And that's really what the BRICS currency thing was because again, China, India, South Africa, they're like we have no idea what this currency idea It was something the Russians put out there knowing that it was going to cause a huge stir in the In the media, which of course it did

I was on Real Vision last week with Maggie Lake and they always play this video clip of a feature interview that they that they are conducting at the time and it was with Peter Zeihan, who's a well known geopolitical commentator and he was he was asked about this dedollarization and he said specifically, pardon my language, it was all bullshit that in the discussions in Beijing, like in New Delhi as well as in Johannesburg The idea of replacing the dollar isn't on anyone's agenda, let alone their radar They're not even working toward it It's not something that anybody's trying to do because it all gets back to what we're talking about

The idea of replacing the eurodollar system is a monumental undertaking that again China dipped their toe into it about a decade ago and then pulled their foot right back out and said this is way beyond our capabilities and capacities

But Brett Let's finish up We're getting close to the end here Let's talk about OK, we agree The dollar system needs to replace and the eurodollar remains because of basically by default, what would there be a what would the pathway be forward in your view to actually replace the eurodollar system? What would have to happen to go correctly? It's not going to be a bunch of governments getting together at a conference and saying we're Trade gold What's going to have to how do we get from here to the next currency regime in your mind?

BRENT

People are not going to like this answer, but I don't think that we can move from this currency regime to another currency regime without either a massive financial crisis Or a war

And the reason I say that is because At the end of the day, governments decide unless the citizenry is going to take over And they are no longer going to listen to what governments do and they're going to resist when they throw them in jail and just use Their own private currencies Which history has told me that doesn't happen, but unless that happened, the governments are going to decide what money is, right? What you pay your taxes, and what all that kind of stuff and so Until we either have the crisis that gets rid of the debt, because the dollar debt, in my mind, the eurodollar debt, the eurodollar credit system is what is in Forcing the dollar as the global reserve currency right now, anytime people try to deDollarize well then their currency collapses because they don't have anything to either buy goods with or service their debt

So until you can get rid of the eurodollar Debt I think the system stays And then as I said, if somehow they are able to figure this out, then I think the US would say Screw that We want to keep the global reserve currency and you know whether they'd start a war or just react to one, I don't know, but I don't think that I've never seen the government successfully take on a problem and proactively fix it Without going into the crisis and so I kind of feel like It's kind of gotten cliché and I love it conceptually, but everybody talks about on this whole 4th turning I feel like we got to get through this 4th turning and going through this upheaval and you know, economics and societal changes and all these things, that's part of the 4th turning and perhaps on the other side of that crisis we can institute Some new currency system but Barring that, I don't know how to do it

JEFF

What you are talking about is exactly what happened World War 2 That was Bretton Woods

BRENT

Exactly Exactly

JEFF

You're right Governments didn't start out before 1930s and Great Depression and say let's fix this problem before it gets bad They waited until the ashes of World War 2 before they said, hey, you know what? Everything's been destroyed Maybe we should put a little time and effort into thinking about what the currency system's going to look like on the other side of this thing, it was at the absolute end when they Did that

But I'm, you know, Brent, I'm gonna throw out a scenario that's actually optimistic and positive

BRENT

Good

JEFF

I'm going to use the eurodollar example And you're right, I agree with you There's this reaction function from among politicians where if they're, if they perceive a threat, that's immediate, they react, they react to, you know, to get rid of it and stamp it out as best as they possibly can But the reason the eurodollar system continued it operated sort of under the radar for a very long period of time is because it served The functions that were needed badly, badly needed at that time, and most politicians were willing to just kind of look the other way or rather than rather than take it head on And maybe that's a difference that, you know, it's very different this time,

but Another currency arrangement, and I'm not talking about a national currency because a national currency is immediately perceived as a political threat I'm talking about a private currency system, and I do mean digital currencies I don't mean Bitcoin unless the Bitcoin people get together and make it more usable But there are a number of people who are working on stable coins and things like that to make them usable in Wide-scale scaled fashion Then and if you get one that works as well as advertised and it works in a widespread area, I think what happens is slowly over time it builds a critical mass to the point that eventually it starts taking on more and more commerce, more and more financial flows, that if it gets far enough that politicians won't be able to stop it, it gets too far And eventually, political power simply migrates to where the Commercial power is

So if we have a digital currency that works, a private digital currency too, it might be a public private But assuming it's a private digital currency that is successful enough, that draws enough commercial critical mass that maybe It goes too far where politicians then realize that it has gone too far and they're no longer able to stomp it out, because that will be more harmful than just accepting it And then political power flows into that direction That's one possible scenario that I see

BRENT

Well, I think you know I Think that's right and People probably don't realize this You sort of just described how the eurodollar market developed

JEFF

Yeah, it wasn't an accident

BRENT

No. And that's what people don't And to the point, you know People use the eurodollar because it worked and it started out in a few areas and then because it worked so well in those areas, it grew and pretty soon it got so big and entrenched that the politicians couldn't stop it So as when I say the politicians, I don't mean the US politicians I mean, the Europeans, politicians and the African politicians and the South African or the South American, the French, the French, hated it, right? They tried to stop it

JEFF

The French They tried this I mean they tried to convert all the gold they could

BRENT

No, absolutely, absolutely And but that that is an example of the mark This is what people don't realize about the eurodollar the US dollar is the global reserve currency but It's sister/brother However, you want to describe it, the eurodollar Really developed on its own, the US didn't go to South Africa and say, hey, if you transact with India, you have to do it in dollars They didn't go to Brazil and say, hey, if you trade with so and so you have to do it in dollars, they set it up so that the global so that the dollar was the predominant one, but they didn't bomb Rio de Janeiro if they didn't use dollars

Now, I'm not saying they wouldn't At some point in the future, but my point is, is that's not how the eurodollar developed and you you've probably done more work than anybody explaining how the eurodollar developed But I still think it's a very misunderstood and underappreciated reality that the eurodollar sort of For the most part, is a market based currency

JEFF

Yeah And I think that's what worries me the most is that scenario might be just a one off in history It might have been just the perfect confluence of events that allowed something like that to happen and maybe we can't repeat it in the future That's what concerns me the most because I think that's the most, the most, the most Positive potential pathway forward is not to just we don't I we definitely don't want a crisis because that's all sorts of dangers I don't I would really prefer politicians to stay the hell out of this because they just make it worse

So if we could have some kind of currency developed sort of just flying under the radar year after year after year, building more and more use But then again maybe that was just a unique set of circumstances in history and that maybe we can't repeat That but I think you know,

let's wrap this up with this kind of A summation here We both agree, and I think most people should agree, because this is not you and me talking This is the weight of Evidence the Eurodollar system #1 does need to be replaced and #2 there is absolutely nothing, nothing that is anywhere close to doing it at this, and this is, you know, after 15 years, we're no further along the way, which just goes to reinforce the notion that's how difficult it would be

BRENT

Yeah And I Think for anybody who's listening who's either a gold fan or a BRICS currency fan, or a Bitcoin fan, or some other alternative digital currency It doesn't mean That Bitcoin can't go higher It doesn't mean that gold can't go to \$5000 or whatever your target is, it just means that it's going to be really hard for anything else to replace the dollar

Really, what I think you and I have tried to do as much as anything is just explain why it is so strong, right? And Because there's so many people think that it's just going to fail, and that's been many people's demise for decades now Right And I think you know I commend you because you're kind of one of the first people that really kind of started talking about the eurodollar in a really broad sense And I think once people start to dig into that, they start to understand why the dollar has remained so strong and why it will be so hard to unseat it and you know for anybody who's listening to us who doesn't like what we're saying just, you know, take the emotion out of it and just sit back and think why else would the dollar have stayed strong all this time? If we're not on to something? And again, I don't claim to have

it all figured out But if we're not on to something, then what's the other explanation for why the eurodollar is still here and that the dollar system is still here?

JEFF

Yeah, you're right It's the bitcoins price gold price those could absolutely go higher, but it won't be because Bitcoin and gold are going to replace the dollar because there's no real pathway to do so So yeah, gold can go up, but it's not going to be because the dollar is doomed And that's, I think the overall thing is getting back to the original part of the discussion

We understand the dollar is doomed Anger, the emotion, the frustration that goes with it But Brent, I can't thank you enough for coming on and just reinforcing Take the emotion out of It take a Step back and look at things dispassionately and logically, and it's not like we're, you know, we're not saying you're you have to jump on the eurodollar Train I'm not a eurodollar proponent

BRENT

I'm not either I'm not either

JEFF

No, it's we're not selling you on something we're selling you on what we hope is a more realistic set of observations that make more sense out of the World

BRENT

Yeah, you Know Let me say this one Point before I forget, because you brought up Keith Weiner earlier He put it so perfectly a week or so ago, he said I don't remember He was talking about himself or me or you Somehow I would I think it was on Twitter We were interacting and somebody said that that we were proponents of the dollar system And he said he said, that's like saying in the that's like saying an oncologist loves cancer

JEFF

You know exactly

BRENT

You don't have to love the cancer to understand how powerful it is, right? You can hate the cancer, but still understand how powerful it is And that's

JEFF

They talk a Lot about it, right?

BRENT

Talk a lot about it

JEFF

And in fact, if you have a patient that has cancer, you're going to want to talk a lot about It

So that's you know, thanks, Brent for just, you know I think that's what's most valuable about our discussion is just reinforcing a lot of these ideas, especially just be dispassionate in your analysis and Think, OK, what? It's not what I would like it to be And the more you want to double down just because you're frustrated, the more that's a mistake

BRENT

Absolutely Thanks for having me

JEFF

Yeah, looking forward to it again, maybe sometime soon Take care, Brent

BRENT

Thanks Jeff