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War and the Dollar

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Although many funerals have been held for the US dollar, still it lives on. On the eve of the collapse of the Bretton Woods currency system, the dollar made up almost 80% of global foreign-exchange reserves (in 1970 it totaled 77.2%, and in 1972 - 78.6%). Then, after the transition to the system negotiated at the 1976 Jamaica Conference, that percentage gradually declined, reaching its lowest level - 59.0% - in 1995. In the wake of financial globalization, the dollar's positions strengthened again (reaching 70-71% between 1999 and 2001), but then a new decline was seen in the dollar component of global foreign-exchange reserves - dropping below 61% in 2014. Nevertheless, it is still higher than in 1995.

According to the Bank for International Settlements, in April 2010, 84.9% of global foreign-exchange market transactions were carried out in dollars, a figure that had increased to 87% by April 2013. For comparison, the percentage of those transactions conducted in euros during that same period fell from 39.1 to 33.4%. The discrepancy between the positions of the dollar in world finance vs. the US positions in the global economy cannot be overlooked. The US share of world GDP is currently about 20%. China has already surpassed America in terms of GDP (based on the purchasing power parity of the currency), but in the global currency market, only 2.2% of transactions were carried out in yuan in April 2013. There is no accurate data regarding how much of the world's foreign-exchange reserves are held in yuan, but experts estimate that it

is not much higher than 1%.

These disparities are quite reminiscent of the global economic panorama of the late nineteenth and early twentieth centuries. In those days the world's economic leaders were being reshuffled. The United States was in first place due to the volume of its industrial and agricultural output. Germany was moving into second place in some categories. And Great Britain, which for most of the nineteenth century had been considered «the world's factory», had begun to slide into third place. However, the British pound sterling remained a global currency, which served as a reserve fund and was used in international payments. Following is a breakdown of the world's reserves, by currency, in 1913 on the eve of WWI (%): the pound sterling - 47; the French franc - 30; the German mark - 16; the US Dollar - 2; other currencies - 5 (Officer, Lawrence H. *Between the Dollar-Sterling Gold Points: Exchange Rates, Parity, and Market Behavior*. Cambridge: Cambridge University Press, 1996). As we see, the share held by the US dollar was extremely low. The discrepancy between the level of economic development in the US and the positions of the dollar in the global financial system was similar to today's discrepancy between the economic development of China and the positions of the yuan.

A hundred years ago global bankers who had placed their faith in the dollar needed a world war so that the dollar could assume its place in the sun. As 1913 drew to a close, the US Congress, under strong pressure from the «moneybags», voted in favor of creating the Federal Reserve System, which in 1914 began to print dollar banknotes as the unified national currency of the US, and six months later world war broke out. The war changed the balance of power between the mightiest nations and their currencies. In 1928, the world's foreign-exchange reserves were distributed as follows (%): the pound sterling - 77; the US dollar - 21; and the French franc - 2. (Officer, Lawrence H.). That meant that the pound sterling, despite Great Britain's sharp economic decline, not only retained the strength of its positions, it actually became even more robust. Compared to 1913, the US dollar had dramatically increased its footprint and had confidently moved into second place. Other competing currencies had fallen by the wayside. In order to definitively prevail over the British pound, the masters of the Federal Reserve needed to plan and wage another world war, after which the dollar was tied to gold and became, in effect, a single global currency.

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Technically, the dollar's position in the world is fairly good at present, but the biggest shareholders of the Federal Reserve System must be confounded by the growing discrepancy between America's GDP and the position of its dollar. The dollar is becoming increasingly unstable. If they wished, a few powerful countries could coordinate their efforts, pool their resources, begin to unload their dollar reserves, and cause the dollar's collapse. However, the power of the masters of the Federal Reserve lies in the fact that they have always known how to act proactively. And now there are many signs that they are taking practical steps to protect the dollar, primarily in order to prepare for a major war. The «money masters» (the owners of the Fed's banknote printing press) have several reasons to unleash such a war.

1) The owners of the printing press need to prop up the demand and price for their product. Europe's voluntary «flight to dollars» ended over 50 years ago. Globally, we see few rational

economic incentives to buy them. After all, the Federal Reserve is currently printing many times more dollars than are being created by the US economy. And America's gold reserves, although the largest in the world (over 8,000 tons), suffice only to back a fraction of a percent of the supply of «greenbacks.» That leaves only one course of action: to forcibly impose upon the world the «goods» being produced by the Federal Reserve. Today only the US armed forces are capable of backing the dollar, and their primary function is to make sure that there is continued demand for these green notes. America's classical military-industrial complex was long ago transformed into a military-banking complex.

After the collapse of the Breton Woods currency system, it was replaced with the new system devised at the Jamaica Conference. This is a petrodollar system, since the dollar became pegged to black gold in the 1970s (when oil trading began to be carried out exclusively in dollars). Oil remains the foundation of the dollar system. Although today the US is almost independent of oil imports, she controls the oil-producing countries. This control is intended to prevent any move to trade «black gold» in any currency other than the dollar. To do this, Washington has had to resort to conducting military operations in the oil-producing regions when needed. Primarily in the Middle East. Muammar Gaddafi was overthrown and brutally murdered just because he first switched from dollars to euros in his oil transactions, planning to later move to the gold dinar.

2) When the US currency starts to decline, America employs every form of leverage to strengthen its weakening dollar (such as operations to destabilize the political situation in various corners of the world and civil/regional wars). In this context, the US, despite its increasing economic deterioration, is becoming an artificial «island of stability.» Capital from around the world is now rushing into America, inflating the exchange rate of «greenbacks.» Why does the US need a strong dollar? That's easy to answer.

First, this gives America access to cheap imports, which props up domestic consumption. A banknote printing press, coupled with an overvalued US currency, creates the perfect conditions for a parasite state.

Second, with the help of its high-priced dollar, America (or rather, the masters of the Fed) gets the chance to buy up natural resources all over the world on the cheap, in addition to businesses, real estate, and other assets. The masters of the Fed will need the current dollar system until the rest of the world falls under their control.

3) «The money masters» (the biggest shareholders of the Federal Reserve) may require not only regional, but also global destabilization. In other words - a world war. This destabilization will lead to mutual destruction, or at least weaken all potential competitors of the US. Washington (or rather, the Federal Reserve) requires an exclusively monocentric model of the world. But such a model cannot be constructed without a major war. A global war would help solve many of America's economic problems that soon threaten to become critical issues.

For example, at the close of 2013, the US public debt-to-GDP ratio totaled 104.5%. But that figure is lower in Europe where they have been enduring a debt crisis for several years, amounting to 92.6% in the eurozone countries at the end of 2013. The problem of foreign debt is an equally grave issue for Washington. In August 2014, this type of debt was equal to 107% of

GDP. An increasing percentage of revenue is needed to service these debts. Currently only a small percentage of the US budget (about 7%) is spent on interest payments on public debt, but of course interest rates in the US have been purely symbolic as a result of its program of quantitative easing (QE). As the QE program is scaled down, the costs of servicing public debt, as well as all other types, will rise sharply. When that happens, the power cliques in the US will likely remember the history from a century ago. On the eve of World War I, America led the world in industrial production, but she also owed enormous foreign debts (primarily to Great Britain). The First World War changed that situation dramatically. The US became the largest net international creditor. At the same time, her biggest allies in the war - Britain and France - became heavily indebted to America. At the end of WWII, America held 70% of the world's gold reserves (excluding the Soviet Union). This strengthening of the US made it possible to legitimate the dollar's position as a global currency (after the decisions made at the international conference at Bretton Woods in 1944).

If the US were to become the sole beneficiary of a third world war, the problem of her old debts would simply vanish. Washington would then be able to unilaterally erase the debts owed to other countries from its balance sheet, by arbitrarily determining which of those countries were «guilty» for the war. Any financial claims made by «guilty» countries against America would be canceled by definition, which is precisely what the Entente nations did to Germany at the Paris Peace Conference of 1919. Moreover, as the victor, the US would be able to demand reparations and restitution from the «guilty» parties. Just as the Entente nations did at that same conference in Paris in 1919.

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World War III will be fundamentally different than anything the world has ever seen. It will begin without an official proclamation. And although we remain unaware until the end, this war has most likely already begun. It will include the use of mercenaries (private military contractors), reliance on support from a fifth column within certain countries, the active use of «Maidan» technology, the involvement of the Washington-controlled media, the proclamation of economic sanctions, etc. This undeclared war is being waged under the guise of a war against terrorism, «radical Islam», «Russian aggression», violations of human rights, etc. etc.

Over the course of this undeclared world war, the money masters (the Fed's shareholders) will resolve all the problems the dollar has amassed. For example, under the guise of fighting terrorism and «dirty money», the US might conduct a «currency reform.» The essence of that would be simple enough. The Federal Reserve would issue new dollars and arrange for them to be exchanged for the old «greenbacks.» At that time those holding the old bills must present credible evidence of the legality of their origin. Strict filters could be put in place to make sure that the majority of the old bills will not pass the «exam» and will become worthless. Thus the problem of Uncle Sam being weighed down with «dollar baggage» will be eliminated. But this is not the best option for the US – an ad hoc robbery of the whole world might prompt other countries to use their own national currencies in international transactions, to create regional currencies, or to entirely reject the dollar.

Thus, other economic methods might also be used in this undeclared third world war. For

example, despite the fact that the earth is awash in «greenbacks», the dollar's purchasing power in commodity markets is fairly high. No threat of hyperinflation looms on the horizon. It's all very simple. Most of what is printed by the banknote press enters the financial markets. However, there are 101 ways to downsize or even completely eliminate those same financial markets. Then all the «greenbacks» will flood into the commodity markets. We will see hyperinflation comparable to that experienced by the Weimar Republic in the early 1920s. At best, the dollar would retain only 1% of its current purchasing power. A disaster? Depends how you look at it. It's true that in this case the holders of trillions of dollars around the world would find themselves left with nothing but scrap paper. China alone has gold reserves that are already in excess of \$4 trillion, and «greenbacks» account for at least one third of that. Afterward, America would conduct a currency reform and introduce a new official dollar. About five years ago there was a lot of talk about the possibility of conducting such a «currency reform», and a legal tender called the «amero» was slated to become the new dollar. This was proposed to be the unified currency of three countries - the US, Canada, and Mexico. The option of replacing the dollar with the «amero» could still be revived, but Washington would have to use brute force to impose it.

In any event, there is no reason to expect global instability to abate. This instability is a sign of the dollar's weakness and of the death throes of those who own the Federal Reserve's banknote printing press. But like a wounded animal they will fight to the end. Although there has been recent talk claiming that Washington is disseminating «controlled chaos» throughout the world, now we can see that that chaos is spiraling out of control. However, even the first two world wars did not end in the way the bankers who started them had planned.