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The Dollar Is the Big Milkshake—And the US Is the Straw?

Today I heard Brent Johnson offering-up his analogy: the dollar is 'the big milkshake'. He gets it from the film: "There Will Be Blood", where a neighbor offers to sell his property to Daniel Day Lewis, reminding him that with the property he gets the oil beneath it. Daniel reminds him that he can drill from his property, underneath his neighbor's, and suck out the oil like a 'milkshake through a straw'. That's how Brent sees the dollar.

As history reminds us, when 'push comes to shove', the world flockes to the dollar and the DOW as the only viable options. Yellen admits that the percentage of dollar transactions is down 15% but that's because there are various alternatives to choose from—which says nothing at all as to reasons that trades are being settled outside the dollar.

Is the dollar 'the big milkshake'? Brent speaks to our relationship with Saudi Arabia as if that ship had not already sailed. And he assesses BRICS as: *gaining momentum but they've been threatening a 'commodity-backed currency' for more than a decade—and where is it?* He sees dollar supremacy for at least 10 more years, and as things fall apart, the world will head into the 'US milkshake'. Is Brent missing something?

Are elites/pundits skimming across the economic surface, not doing 'deep dives' needed to judge currents? Seeing BRICS as little more than a continuation of a history, post 2008, fails to ask why so many nations are seeking enrollment. Why does Macron/France want to attend? Is something happening to make it different this time?

Saudis are no longer pricing oil solely in dollars because the US is no longer capable of 'providing protection'. They see the necessity to make peace with Iran and pivot Eastward while there is yet time. Does Brent see that? Does Janet see that reduced dollar use has to do with 'causes'—not alternatives'? Sanctioning much of the world and threatening the rest, the US is no longer trusted. The US no longer seeks peace—instead—forever war. Meanwhile, the rest of the world knows that's bad for business.

When the US scuttled the peace proposal to end the Ukrainian war, and instead blew up NordStream, the world was watching. When the US 'whimpered' out of Afghanistan the world was watching. When the US stole Russia's Forex the world saw it.

The world knows that China has its problems, but overall the world trusts China's intentions. Outside of the G7, the world sees Putin as doing what he has to do—patiently and as humanely as Ukraine/NATO will let him. Outside of the G7, the Russian cause in Ukraine has widespread support, all of which bodes badly—as a threat to the dollar.

The dollar/US economy is at a juncture—what Andy Schectman describes as turmoil before the storm. When nothing can be done, it causes inanities and insanities to be adopted. The price of gold and silver is being hammered by 'paper selling', but at a time of rising demand/shrinking supply. Just weeks ago silver was becoming difficult to access, but with a few misrepresentations from Fed/Treasury, and massive shorting in the paper market, volatility has subsided, bringing back complacency—at least for now.

For now, concerning the fate of the dollar, the pundits are not in agreement. Two such men are Jeff Snider and Bob Moriarty, offering differing outlooks as to the dollar's future. Snider, like Brent Johnson, makes the point that there is no viable dollar replacement. The Chinese 'yuan' is not something China wants to be 'over the counter' everywhere and, the Western world has doubts as to the viability of China or its yuan.

Snider sees BRICS scrambling for dollars because most of their debt/commerce is 'contracted in', or 'debt settled' in dollars. Based on that he puts the dollar in the 'drivers seat' for the foreseeable future. Without considering other factors, that makes sense.

What might Snider be missing that gives Moriarty (and me) pause and concern? Could Jeff be guilty of a more 'middle of the road' view of a US dollar/position in the world? Or, could the dollar's future be more like what awaits the US/NATO in Ukraine?

Snider's view for a dollar future is somewhat mechanistic: there are too few dollars in the world to conduct the business of the 'reserve currency'. That brings forward 2 questions: why are there not enough dollars for the 'day to day' level? And, what is the cause for a dearth of dollars that are needed to lubricate the gears of global trade?

The Fed makes no dollars—neither does Treasury. The Fed, in need of liquidity, petitions Treasury to create dollars. But the Treasury does not create dollars—it creates bank reserves that are then loaned into the economy, supplying the needed dollars.

Ms. Yellen (to avoid a dollar panic under her watch), willingly offers-up ample bank reserves, given a newly-adopted unlimited debt ceiling. But Janet makes no loans, and what Jeff Snider doesn't address is the fact that no one else is willing to loan—either.

Think back to the autumn before Covid, when big banks so distrusted each other's collateral that they were unwilling to make overnight loans unless, along with collateral, they received high interest to offset their distaste for risk—their distrust of one-another.

That was 3 years ago, and since then, many trillions of 'created bank reserves' only adds to intensified distrust of dollar viability—and added distrust of the United States.

Ask yourself why so many nations are lined-up to join BRICS? Does their motivation have more to do with getting ahold of dollars to 'pay their way', or, are they seeing a necessity of aligning with the East rather than the West—an East that wants to do business, while the West seeks to control and sanction any not going along with it?

Can there be any nations that don't feel the chill of what happened to Russia's Forex Reserves? Most of these nations have dependable and trusted relations with Russia and China, but are now distrustful of the integrity and trustworthiness of the US/West.

Bob Moriarty says that no lending equals a scarcity of dollars. Meanwhile, in a world where trust in gold is rising while supply is falling, PM Trudeau sees silver and gold as non-essential metals—bringing Canada's vast silver mining to its knees. With the BRICS anticipating a commodity-based currency, we have to consider the durability and longevity of the dollar as well as the purchasing power of the dollar—as falling.

We have to ask if there will be any 'milkshakes' in our future, or is this the last straw?

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