

Next Shoe To Drop in G7 Bank Crisis: The Dollar

April 6—While China and Brazil have just made an agreement to settle their trade in China’s yuan currency and make it a currency for credit and lending in Brazil’s economy, both countries have been rapidly lowering their central banks’ large holdings of U.S. Treasury securities, as the Russian Central Bank did earlier when it loaded up on gold and yuan.

During 2022 Brazil sold off \$22 billion worth—almost 10%—of its U.S. Treasury holdings, and then another \$21 billion just in March 2023. China sold off \$175 billion in Treasuries in 2022 and has reduced its once-huge holdings by one-third.

U.S. dollar assets are still an 80%—but rapidly diminishing—share of the foreign exchange reserves of Brazil’s central bank, and Chinese yuan assets only 5.4%, but rising fast to soon become Brazil’s main trade currency. The yuan’s share in Russia’s central bank reserves is approaching 30%.

But, the fact that the Bank of Japan sold off \$189 billion of its Treasury holdings in 2022 tells us that there is more to the dollar’s problem than the BRICS nations’ plans for new monetary arrangements, and more to it than the U.S. Treasury’s seizures of other nations’ dollar reserves to sanction them, although those are parts of the dynamic attracting the “Global South” (“Global Majority”) to the BRICS.

The third, underlying factor is self-inflicted, the same one which has robbed productive investment and productivity growth from the U.S. economy in particular, and driven the mass of unpayable speculative debt—the “everything bubble” so-called—through every ceiling. It is the U.S. Federal Reserve’s policy of near-zero interest rates and mass money-printing for almost 15 years. This has deranged the world’s biggest market—the \$25 trillion U.S. Treasury public market—from a means of savings and credit into a wildly volatile and speculative casino played by the biggest banks, hedge funds and other shadow banks, and used as the collateral basis for hundreds of trillions in derivatives bets. It is those speculative financial shops and the Fed itself, that are coming to hold all the Treasuries!

The Federal Reserve’s attempt since Spring 2022 suddenly to reverse itself and spike interest rates up,

has turned the physical economy into a contracting one, started a “credit crunch,” and depressed the dollar. The dollar fall has been about 8% in the past five months against other major currencies, including 7% against the Chinese yuan. The giant London bank HSBC warned March 29 that the dollar will drop for at least six more months. What the big banks and other economists making these warnings do not suspect, is the speed with which the dollar could drop, given the destructiveness of the major central banks’ policies, which has now produced a trans-Atlantic credit crisis which is being called “the banks crisis.”

Lyndon LaRouche, in his 2000 [essay](#) “Trade Without Currency,” showed that the basis for the U.S. dol-

lar’s 1940s–1960s international reserve-currency status was America’s high productivity and rapid investment in technology and hard-commodity production. China’s economy now has that. The way is open for new international credit agreements among the major BRICS economies, and the buildup of the BRICS’ New Development Bank, for example, into a real international development bank for industrialization and great projects of infrastructure in the developing countries.

Moreover, the way would then be open for the United States to join those new credit agreements and put the dollar to work producing productive employment for the American people in rebuilding the world.

The war policy of NATO and its London and Brussels think-tanks is risking a nuclear world war when we have instead the basis for durable peace agreements. The Biden Administration and Congressional policy of war with Russia and China, and to “sanction the world” for not joining that war, is destructive worldwide and even of the United States and its people.

The Schiller Institute has been organizing larger and larger social and political circles for a new international security and development architecture based on the interests of all nations. The next and biggest meeting so far on that policy will be the Schiller Institute’s April 15–16 online conference, “Without the Development of All Nations, There Can Be No Lasting Peace for the Planet.”

Registration is open [here](#).

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