

## THE DEMISE OF THE BRETTON WOODS INSTITUTIONS (PART TWO)

I was going to Saratoga High School in Santa Clara County, California from 1972-1976. I remember how good life was back then. There was a care-free attitude about almost everything. I hardly ever went to school, in fact. It was way too stupid for me, so I spent most of my days either at the local public library or in the book stores buying books. And yes I played tennis and rode my bike around a lot. But my point is that I was very hell bent on figuring out what the world was all about – understanding things. I had no interest in what “adults” were telling me, I considered them mostly idiots. I even often told them so. By the early 1980s it was obvious to me that the United States was doomed, and so I moved over to Europe, to Paris, France.

Then I spent the next two decades traveling around the world, without much money. What I did is go to the School of Hard Knocks instead of Harvard or Yale or Cal Berkeley. It turned out to be a wise decision. I am now in a position where I really do not have any competition. I developed myself, and on my own terms, and “educated” and trained myself. As I did this, I watched with dismay the folks around think and act like utter fools and innocents. War is coming, very big war. A lot of men will be killed, a lot. How do I know this? Well, the Bretton Woods international monetary system – the U.S. dollar – is coming to an end, an inglorious end. I in fact first predicted this in **WAM** back in April 2006.

There would appear, however, to be six immediate reasons why we will soon see a disintegration of the post-World War II international “financial architecture”. **World Affairs Monthly** is, and has been for many years, at the center of these six reasons. This may astonish and shock readers, but the world’s leaders know very well that this is the case:

Arab oil-producers, who are flush with cold cash from the sale of their now higher-priced oil, wish to defend their self-interest and move away from the dollar.

The Asian Development Bank is now warning its members that a move away from the dollar might be very prudent indeed.

Premier Wen Jia Bao of China (and his aides) now fully accept the inevitability of the collapse of the dollar, and are thus preparing to move to the euro and perhaps even gold.

Jean-Claude Trichet and other officials at the European Central Bank are now realizing the reason for the euro’s swift ascendancy, and are preparing themselves for a flight from the dollar.

The important “hard currency” central bankers in the world – from the OECD nations – are increasingly aware of the dollar’s inflated value and thus its vulnerability.

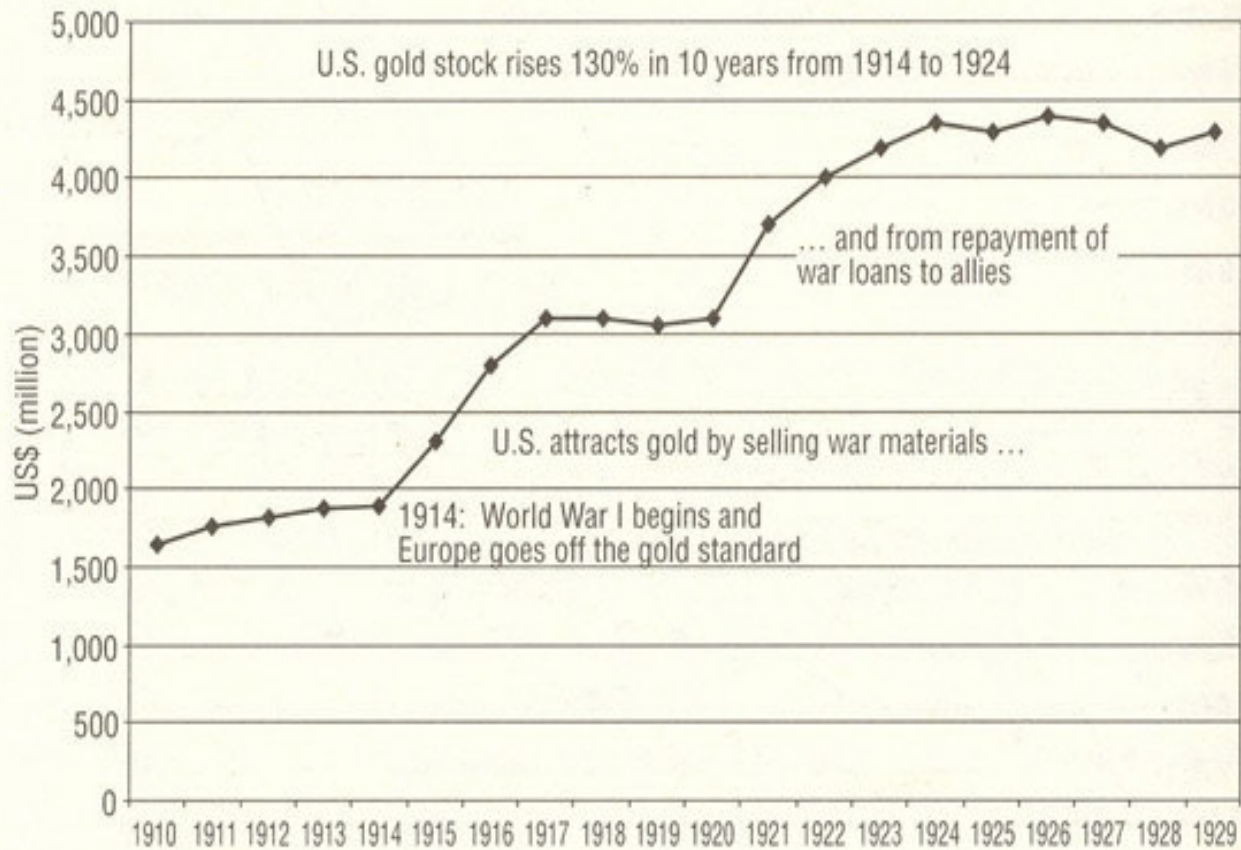
There is now something of a flight to commodities under way in the world’s markets, and this is no doubt due to an increasing anxiety that gold just might become (along with petroleum) a temporary refuge for international capital and even a means of global commerce.

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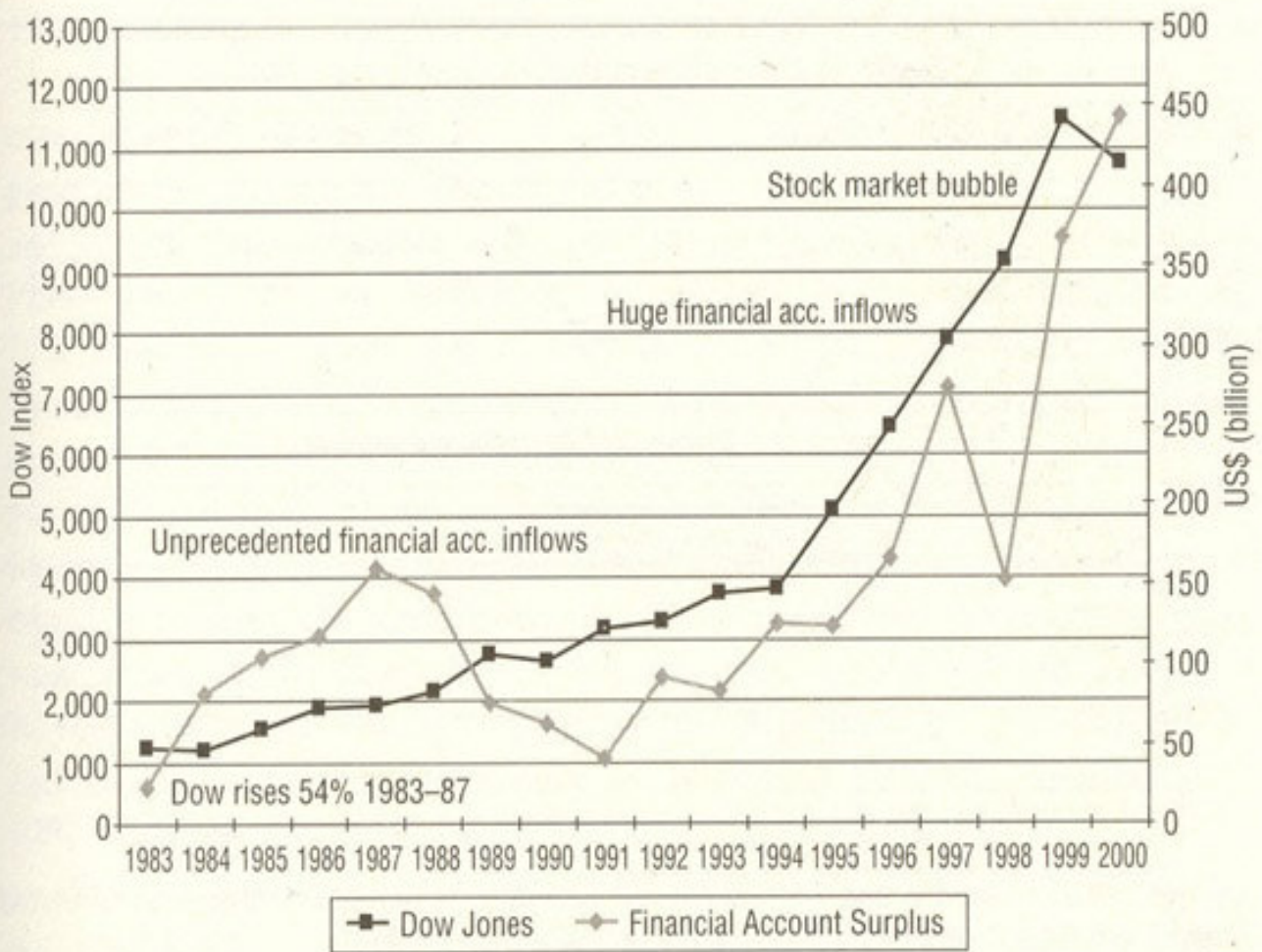
The United States became very wealthy and very powerful after World War I. Europeans had to go into debt to finance their killing. Americans “financed” this war-making. Then it happened once again in World War II. Americans then become a super-charged net creditor to the world.

**Figure 7.7** United States: The gold component of high-powered money inside and outside the Treasury, 1910–29



Source: Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton: Princeton University Press, 1963).

**Figure 7.6** United States: Stocks surge with financial account surplus, 1983–2000



Sources: IMF, *International Financial Statistics*; Economagic.

This is the real source of the power of the United States, the two European wars in the 20th century. What conclusion can we then come to? The inevitable conclusion is that the United States is going to suffer from a frightening collapse. Yes, it is going to be scary. American living standards are very high, and this power is mostly a function of coal, oil and gas – so-called “fossil fuels.”

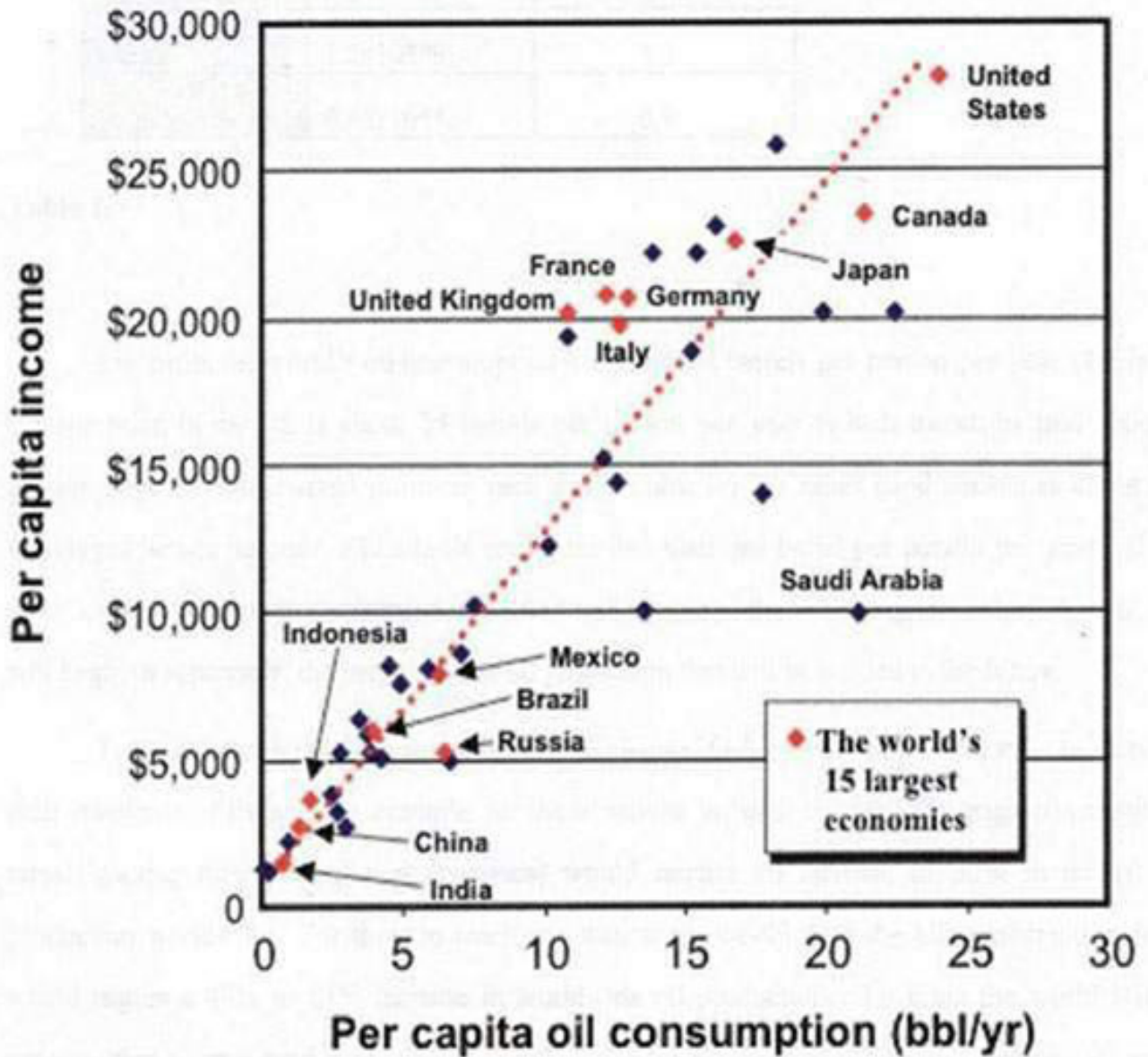


Fig. 1. Oil consumption as a real indicator of the wealth of nations (from Egnomides & Oligney, 2000).

When the power of the United States collapses what is then going to happen? This an excellent and of course difficult question. The power of the United States rests on two “legs” and I have been writing about these in **WAM** for about two years now.

American power is based, I would argue, on two fundamental elements – the projection of global financial power (the dollar) and the projection of global military power (petroleum). It is fair to say that both of these powers are now in the beginning stages of collapse. We have seen the financial collapse on Wall Street get under way, and now we can wait for the military collapse. I assure the visitors of **WAM** that it is coming. What is most interesting about this dual collapse – monetary and military power – is that because the United States had so much power it was not really necessary to have leaders with any intelligence and knowledge. Yes, the United States could actually afford to have morons as leaders. I am not saying that this was avoidable, because I do not think it was. When things are good, and when you have no competition, then you do not worry about strategy and leadership. You just keep pulling in the cash and profits. Your business, the enterprise called the United States, just runs fine, on autopilot.

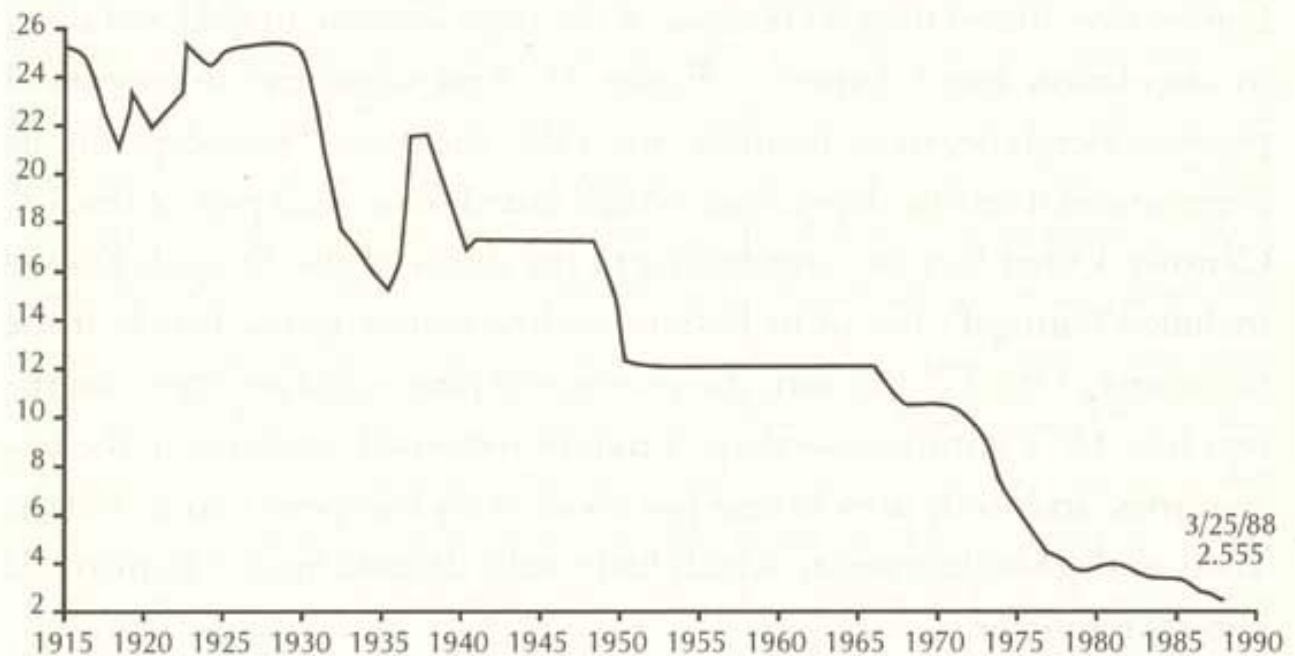
The two legs of American power are unfortunately highly interdependent. The dollar is not backed by gold, as it was before 1971, but by “black gold.” This is my opinion. Hence, you see the colors of the logo of my new investment business. Gold signifies destruction. Capital signifies “black gold” or petroleum.

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There is a precedent which we can study, it is the British currency. I publish below its history, and I admit that it is truly fascinating.

## SUNSET OF EMPIRE 1

*Pound Sterling versus Swiss Franc, 1915-1988*



Source: Datastream.

I recently called up (for the fourth time) the president of the Long Wave Group in Vancouver, Canada to see what he might say about the situation the United States faces. Ian Gordon and I agree on most everything, though I do not see China becoming so important and so strong. I predict that in 20 years or so the Chinese will be mostly speaking English, not Mandarin or Cantonese. But there is no question that the United States is going to collapse and disappear. The United States will not make it into Phase 3 of human history. This is what my theories tell me. [Click here](#) or on the audio icon above to listen to the editor of **World Affairs Monthly** interview Ian A. Gordon. The Long Wave Group can be found on the net at [www.longwavegroup.com](http://www.longwavegroup.com).

I am short the United States – and this is a shocking statement. What can I say? I have allowed my theories to speak to me, and this is what they tell me. In about 20 years the world will be very different, but one thing is certain: the transition we are entering will become known for its horrors and the depth of the economic downturn. Thanks so much Ian for the fascinating talk.

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