

The Collapse of the US Empire and the \$

In WWII the USA out produced the European continent under German rule and Asia under Japanese rule together. It was recognized since as the number one of the world. After the collapse of the Soviet Union it was for a long period the undisputed number one. The USA has the highest GDP in the world, the most expensive and feared military. The US \$ rules the world.

Having a closer look on it the USA is already surpassed by China in terms of primary energy consumption by nearly 50% and GDP on a purchasing power parity base and car sales. The industry production did erode since the 1970ies. Industrial clusters and technical skills faded away. Manufacturing plants are very often satellites of Asian or European companies.

There are some structural challenges for the US economy and society.

- There is a very expensive judicial system that destroyed a lot of producing companies, is a permanent business risk and sucks a lot of talents.
- There is an education system with some elite universities but that does not provide appropriate skills for the mass of people as the German or Asian systems do. It generates very few engineers but plenty of social, judicial, business degrees. It burdens an awful debt on the shoulders of young people, 1.7tn\$ in total.
- There is a very expensive health system (double the cost as in Europe but similar median income) that is a barrier for any functioning health care system.
- The saving quote of US households is one of the lowest in the world. The US society is based very much on foreign debt. As a consequence the foreign trade balance is negative since decades.
- The national budget deficit rose to 3.3tn\$/yr. 2019 only slightly lower than the tax revenues of 3.4tn\$. Debt piled up to 28tn\$ end of 2020.

The elections of 2020 seems to be not an election among others but a turning point of history. The widespread censorship and suppression of conservative positions, the declination of a public investigation of the election – a bit obscure and at least a temptation for coming elections - makes it unlikely that conservative positions will achieve a comeback soon. The Republican Party might either become a minority without positive media attention like the SVP in Switzerland, will develop to a party without any ideological differentiation to left parties as the CDU in Germany, or likely will break apart. The USA of the last decades with its ideology of liberty, democracy, capitalistic approach, its dominant WASP leadership, is gone.

The new politics and ideology announces to intend an extreme national deficit spending, increase minimum wages to a level not justified by the productivity of many. Lock-downs due to corona panic will decrease business activities and perhaps the remaining industrial base. The green ideology might destroy one of the remaining major pillars of US economy and wealth the energy sector which is blessed by plenty of coal, gas and nearly sufficient oil for the nation by environmental- and the dogma of „climate change“ driven regulation. Such a move can as well drive basic chemistry and some of the energy intensive industries out of the country.

The US\$ is not only the currency of the USA but the whole world. Properties in Brazil are evaluated in US\$. Machine exports from Taiwan are calculated in \$. There are more than 100 m US\$ accounts outside the USA. Currency reserves of most countries of the world are hold in US\$. That means the deficit spending of the US government and the printing of

money by the FED is actually not burdened on the 330 m US citizens only but on a large part of the world including China.

It is more a question of when this system will collapse than if. It could happen suddenly similar to the collapse of the gold standard 1971. It is as well possible that the Chinese CNY will become more and more popular in foreign trade and international portfolios over the time. Then millions of business accounts will be converted from US\$ to CNY. Similar to the British situation after ww2 when the new (left) labour government started large social programs while the nation had a high war debt plenty of international accounts were converted in US\$. It seems likely that the US\$ will lose its role in world wide trade and financing sooner or later. As a consequence of the shift from GBP to US\$ Great Britain suffered decades from inflation and wealth loss. The global presence shrank to some remainders. The British fleet was reduced to European size. The average incomes were reduced to that of Italy. Great Britain was restructured after 35 years of decline in the 1980ies by a conservative government. The British Empire is now a chapter of history books.

A regime with uniform media reporting censorship and suppression of critical positions will make a turn challenging similar to Venezuela. But anyway I hope the USA will make its comeback as soon as possible.

For Investors: Up International consumer goods companies, gold will perform best.

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