

SWIFT

01-21-2022

Society for Worldwide Interbank Financial Telecommunication. The United States became an economic super power when it declared its dollar exchangeable in gold on demand. None of its capitalist competitors could match the security of financial transactions with the US. It soon surpassed Britain in world economic dominance, and that continued until the World Depression when the demand for exchange in gold would have emptied the nation's gold reserves.

That led to a change in policy and the Bretton Woods agreement among 44 nations. It made all member state currencies partly backed by gold for trade purposes with the International Monetary Fund settling minor discrepancies. Because at the time the US controlled two thirds of the worlds gold it insisted that Bretton Woods should rest on US gold and the dollar. In 1971 the US was up against an economic wall and it unilaterally ended the convertibility of dollars to gold. At this point most currencies floated freely for purposes of exchange with the US dollar now dominant in trade because it had become the standard instrument for such transactions.

Dollars floating freely outside of the US are known as Eurodollars and form the core means of exchange for the world economy. Fluctuations in availability can make or break the financial health of an economy. The SWIFT was founded in 1973 and initially supported by a few hundred banks in 15 countries. It now links 1100 financial institutions in 200 countries. Given the magnitude of world wide trade a very rapid means of securing and finalizing a transaction was essential, and SWIFT provides that service except when nations engage in bilateral and related agreements.

With the US now losing its grip on the world economy along with an overall weakness in its domination except for a military threat which would be catastrophic if implemented. It has taken steps to wield its most powerful economic weapon to compel states to submit to its demands. Recently it made a desperate and risky threat to Russia. Without compliance to its demands regarding Ukraine, it may be denied the SWIFT trading appliance.

Last month Russian and China met to form an alliance that will circumvent American threats. Both have their own means for trade agreements, but China, being the world's second largest capitalist economy has already managed to establish itself economically in many areas of the world. The two nations have joined in the Belt and Road Initiative and the Eurasia Economic Union. In the December meeting the two nations agreed to create an “*independent financial structure for trade operations that could not be influenced by other countries.*” Other western institutions are being replicated, such as a New Development Bank for BRICS nations (Brazil, Russia, India, China, South Africa), and an Asia Infrastructure Investment Bank.

Fortunately for China it accrued a gigantic reserve in providing the major capitalist nations with well made, high profit, manufactured goods. But those heady days are over. The West realized they were being blinded by greed and building an economic enemy with the potential to reverse the West domination of the East. Unfortunately for China the blind and brain dead dictates of capitalism cannot be reined in from its inveterate irrational destructive forces. The only thing certain about capitalism is that it will always be crisis ridden. Whether one of them will eventually bring down the system without taking all of humanity with it has yet to be determined.

This week the markets sunk to a two year low. One never knows if this is it.

<http://unrealeconomy.org>