

Frank Gaffney ([00:10](#)):

Welcome back. It's that time of the week, I'm happy to say, when we feature Bill Walton, star and driving force behind a terrific TV podcast program called the Bill Walton Show. He brings to this experience, as well as to ours, the wisdom of a man who had spent a good bit of his life on Wall Street, including as the CEO of a 6 billion enterprise called Allied Capital. He is these days a very astute observer from sort of a conservative public policy perspective of developments around the world, and we're always anxious to catch up with him to make sense of particularly the economic and financial dimensions thereof. And Bill, after all of that, welcome back. It's good to have you with us, sir.

Bill Walton ([01:00](#)):

Frank, great talking with you.

Frank Gaffney ([01:02](#)):

Pleasure. Let me start by asking you to work through with us, Bill, what seems to be growing pressure on the reserve status of the dollar, the reserve currency status of the dollar, notably as a result of Chinese machinations with Saudi Arabia and Iraq in recent weeks that have agreed to buy, rather sell to China, china being the buyer, oil and gas in renminbi rather than dollars. What's up with that and is it a problem, do you think, for the reserve status of the dollar?

Bill Walton ([01:51](#)):

Well, there are two very interrelated big topics, one is the US dollars status as a global reserve currency, and the other one is the dollar status as the petro currency, AKA the petro dollar. And both their headlines in both cases about the US dominance beginning to weaken, the thing to keep in mind about the US dollar is that it's status as a reserve currency has been there for decades and decades, but it's fluctuated. Right now it's about 58%. It actually fell as low as 46% in 1991.

Frank Gaffney ([02:33](#)):

I'm sorry, 58 or 46% of what?

Bill Walton ([02:36](#)):

46%, from 58 to 46.

Frank Gaffney ([02:39](#)):

Of what?

Bill Walton ([02:42](#)):

46% of the world's reserve currencies. Right now, we're at about 58%. The Euro is about 20%. I think coming up next would be the British Pound at about 6%. The Japanese Yen at about 6%, and then the Chinese Yuan is around, I guess it's around three 2%, 2.5, 3% now, so it's a percentage of the world's reserve currencies. And it got clobbered back in the early '90s when inflation was raging in the United States. And when Paul Voker came back, in its status as a reserve currency bounced back up. Then the Euro got introduced and that challenged the US dominance. But then the Euro banking system and the whole economic arrangement and Europe proved a lot more fragile than people had expected, and so it lost its status. So the dollars hung in there despite our massive trade deficits and our government fiscal deficits.

Frank Gaffney ([03:52](#)):

But I guess, Bill, the question is, is there now a correlation of forces developing between the Chinese and the Russians who are obviously now thick as thieves, as well as the so-called BRICKS group, Brazil, China, India, Russia, and South Africa, which seems to be getting more adherence with each passing day. At what point do you think does this achieve a sort of critical mass and the dollar status, especially as you say, with our running up of our deficits, become truly imperiled? And also, Bill, what are the implications of that for the layperson, if it does?

Bill Walton ([04:38](#)):

Well, the reality is that the currency depend an awful lot on the size of the economy is involved, and the US is still 20, 25% of the world economy, neck and neck with China. And China could have a reserve currency, but all of its policies, all of its secrecy, all of its restrictions on free trading in its currency make it impossible to hold as reserve currency. You just can't trust the Chinese Communist Party. So that's keeping it down at two and a half percent.

([05:16](#)):

So regardless of the deals that Chinese might make for with Russia, say to buy to buy oil from Russia, that's going to be a drop in the ocean in terms of where the petro money is traded. The thing you need to keep in mind that with the oil business, there's also a massive derivatives market behind that. Then a derivatives market requires trillions of dollars to back up and to provide liquid trading. So I guess the short answer for the lay investor is I see the dollars reserve status staying fairly dominant for the foreseeable future, and it's not because we're doing such a great job, it's because all the other countries are doing a terrible job.

Frank Gaffney ([06:01](#)):

Yeah. There's the expression, I think on Wall Street that we're the least dirty shirt in a very nasty pile of laundry.

Bill Walton ([06:07](#)):

It's a nasty pile.

Frank Gaffney ([06:09](#)):

And I guess, Bill, that's really good news because if we were to lose the reserve status of the dollar, what would be the knock on effects of that for again, just average Americans?

Bill Walton ([06:26](#)):

Well, if we lost our reserve currency status, the dollar did, it would be a massive blow. We couldn't finance our deficit, which I guess our debt now is at about 33 trillion and rising. Some projections, I talked with Steve Moore last week, have us at about 50 billion in six or seven years.

Frank Gaffney ([06:54](#)):

Trillion.

Bill Walton ([06:54](#)):

Trillion. Sorry, I'm again another...

Frank Gaffney ([06:57](#)):

Hard to get your head around that.

Bill Walton ([06:58](#)):

[inaudible 00:06:58]. A billion here, a billion there, and then it becomes a trillion.

Frank Gaffney ([07:01](#)):

Real money. Yeah.

Bill Walton ([07:03](#)):

So it would be catastrophic, but I think we're a long ways off from that. What is more concerning though, if you look at the debt that we're piling up, is the interest on that debt is rising ominously. And we've seen rates, short-term rates have risen from close to zero to 4.5, 5% in just the last 12 months. It's one of the fastest rises on record.

Frank Gaffney ([07:27](#)):

And when that happens, we wind up having to pay that instead of having discretionary funding for most other things, including our national defense bill. We have to take a short break. We're going to come right back to this and much more with Bill Walton. We're going to talk also about the advisability of investing your money in communist China in a very murky time. Be right back. More after this. Stay tuned.