

## The day of the dollar: is it over?

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Is the US dollar losing the trust required of a global reserve currency?

The dollar isn't just America's currency. It is the *plumbing of global trade*—the world's settlement mechanism, safe haven, and store of value. But Trump's tariff agenda, political interference in the Federal Reserve, and broader institutional instability are changing how the rest of the world assesses US credibility.

This video explains:

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Why reserve currencies depend on trust, not "strength"

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Why the US deficit is not an accident but a structural feature of the system

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Why one-currency global trade has become fragile

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What Keynes proposed instead: the bancor

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Why the BRICS alternatives don't solve the core design problem

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Why the IMF / World Bank have failed to lead reform

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Why we now need a neutral clearing system for global trade

The question is not “does the dollar collapse tomorrow?”

It’s whether the world should keep accepting a reserve system built around one national currency—and one increasingly erratic politics.

<https://www.youtube.com/watch?v=vqv-HcHTZAg&si=5XiodbkM6voIEGBC>

This is the audio version:

[https://www.podbean.com/player-v2/?i=w2m7y-1a1cc83-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=w2m7y-1a1cc83-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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Is the dollar failing? The US dollar is the world's reserve currency. It has been since the end of the Second World War. It's fundamental to the way in which the world economy works as a consequence, but let's be honest, we know that the dollar is at risk.

Donald Trump's tariff policy has created risk about the status of trade with the USA.

His attack on the US Federal Reserve, right or wrong - it makes no difference - is creating uncertainty about the management of the dollar and, as a consequence, there is a sense of uncertainty around the world about what might happen if the dollar fails.

The question comes up: what could we do instead? And in that context, it's important to recall that just after the end of the Second World War, John Maynard Keynes, Lord Keynes, as he was by then, proposed something instead as the world's reserve currency. He proposed something he called the bancor, it's spelt B-A-N-C-O-R, and that was going to be the thing that would deliver, in his opinion, stability in world trade. Has the time now come when we need to look at the bancor again?

The dollar, let's remember, is more than a currency. It is the plumbing of global trade. It is the global store of value, and it has been how crises are managed. "In doubt? Buy the dollar." Was the mantra, and it worked, but now confidence in the dollar is being shaken, and for good reason: Donald Trump is doing that deliberately.

But let's also be clear, there isn't going to be a collapse in the US dollar tomorrow. That's just not going to happen. People still need the dollar. They're still going to buy the dollar. They've still got debts denominated in dollars, and the dollar does provide the world with its liquidity.

So, the question we're talking about here is not about an immediate crisis because I can't see that happening. Even if the Federal Reserve does lose its battle with the US government, I don't think everything is going to tip over tomorrow. Instead, what we're talking about is an issue of long-term trust, and trust in US institutions is falling, for very obvious reasons.

They're being badly managed, their governance is failing, and Trump is trying to undermine the whole credibility of the US government, and there is real doubt about whether any future president will be able to restore that, and Trump most definitely won't be able to do so.

In that case, trust is the key word here because trust is what a reserve currency requires, and trust in the dollar is falling. But the world does still need a reserve currency. It does need the liquidity that, at present, the dollar provides, and which the US literally creates by running perpetual deficits, which supply the world with the money supply that it needs.

To pretend that the US deficit is some form of accident is, in this case, nonsense. The US has to run a deficit, or the world comes to a halt right now, and that is what has created global dependency on the USA and, simultaneously, political resentment, both inside and outside the US. It is this that has helped create the instability within US politics, which is now giving rise to the policy shifts which lead to the question: Is the dollar going to lose its dominance?

My point is already clear: no, not overnight. But, and this is key, the question mark is there. Whilst the IMF is showing that the dominance is being maintained at present, its statistics clearly indicate that there is no short-term threat to dollar hegemony, the fact is that diversification is happening at the margins.

The key issue isn't collapse then, it's the fragility that is now built into a one-currency world system of trade when the currency is created by a country that is clearly indicated it doesn't believe in trade anymore, and that's why we need to go back to Keynes.

That's why we need to look at what he suggested as the alternative to the dollar way back in the middle of the Second World War, in the negotiations that ended when the Bretton Woods agreement was concluded about how the architecture of the world's financial systems would be created post the end of the conflict in 1945.

Keynes thought that global trade needed a global mechanism, and it did not, in his

opinion, require dependence on one national currency. He lost that argument, but he put forward the claim that we should not have the dollar; we should have what he called the bancor.

Now, the bancor was not a currency in the way that you are used to it. In fact, it would never have been issued for use by anyone in any country. It was only going to be a currency for use for the settlement of international debts. It was a clearing mechanism, and this is something that we should be used to if we have familiarity with money now. What he was creating was a form of central bank-created money.

We do have central bank-created money in every currency around the world right now. It's the money that the Bank of England creates for the clearing banks in the UK, which is distinct and different from the money that they create for use by us, their customers. And he was creating a central bank currency for use so that countries could pay each other through a central bank clearing system. Now, that makes it harder to understand than a normal currency because we would never see the bancor in use, but it is a system for settlement and not a gimmick, and that is critical.

What Keynes saw was that there were persistent surpluses being run by some countries in the world and persistent deficits by others. Now, which countries have run surpluses and which have run deficits have changed since then, but the point is that they create pressure both ways. There is an inherent instability in a world system where some countries always run deficits, and some always run surpluses, because resentment can arise, and the bancor was designed to create pressure on both sides of this equation to try to create a balanced system of world trade.

The goal was fairness and stability without necessarily requiring unity of systems at all times, and most definitely not necessarily balance in the short term.

But there was a problem. Keynes was negotiating in 1945 from a position of weakness. Britain might have been very early into the war, but as a consequence, it was, of course, heavily indebted by the time the war was over, and the US held the power. It had the dollar, and it had gold. 75% of all gold reserves, in fact, in the world at that time, and the US preferred a dollar-centred system, and so Keynes's argument for bancor were lost. The US person present at the negotiations, Harry White, won; the dollar became the system that we now use. But the point is, it was a choice, and that's incredibly important to note. This happened because of a choice; the dollar could be replaced by choice as well, that's why I make this point.

Now, the dollar was reinforced in its position because once the Bretton Woods logic was put into action, the International Monetary Fund and the World Bank reinforced the dollar's hegemony. They reinforced the idea that the dollar was anchored to gold. They encouraged the idea up until the early 1970s that other currencies were pegged by exchange rate to the dollar, and they created what, therefore, looked like a stable currency system for the world. And it was, until it wasn't, and it wasn't from 1971

onwards.

Global trade grew faster than gold supply did. That therefore created credit crises within this system, and US deficits mounted.

The credibility of the gold link within that currency was eroded as a consequence, and in 1971, when the French did, in effect, say to Richard Nixon as president of the USA, that they wanted their gold back from the US, he changed the world order by saying, "The US dollar was now no longer linked to gold," and that was the end of the matter, France couldn't have its gold. Convertibility was no longer possible, but dollar dominance remained, but now in an unmanaged state.

The system that existed from 1946 to 1971 was over, and now the situation moved into a new era. Trade imbalances became structural. Exporters began to hoard foreign currency reserves. Deficit countries were forced to deflate demand within their countries to try to manage the deficits that they were running and the floating exchange rates that they were managing, and global growth became dependent, fundamentally, on US consumers continuing to literally live beyond their means because as a consequence, they created the deficits, which kept the world's liquidity going.

This was all an economic design flaw. It wasn't chosen. It happened, and in a sense, it was a mistake, and now we can see the consequence. Global instability is intensifying. US politics are becoming increasingly erratic. Monetary policy independence is being contested, and to an extent, rightly so, and markets are noticing safe haven behaviour is developing: the price of gold and silver is rising. This is exactly what reserve systems cannot tolerate, and we are in a situation where the pressure on reserve systems is reaching breaking point.

So what we have to say is, what do we do next? Now, one of the answers has been put forward by what are called the BRICS countries. They are Brazil, Russia, India, and China. They say they'd create their own reserve currency to trade in and ignore the dollar, and I get the point that they're making. They don't want to be dependent upon the dollar, and why should anyone else? But the difficulty is, at present, they can't provide the deep capital markets that a reserve currency requires. Nor in all cases are they completely committed to the rule of law, and they need to be if they're going to truly provide a reserve currency, and they don't have scalability or reliability or, at present, credibility with regard to governance. As a result, whilst the BRICS currency idea is a good one, it isn't a solution. What we need is a world institution to manage a new reserve currency.

Could that be the bancor? My suggestion is that it could. The precise benefit of this is that it is a neutral clearing unit and is not nationally based. It would be issued by an international institution, although this, I would suggest, would require that the World Bank or IMF, or some other organisation, to create it would have to move out of the US,

and not be dependent upon US power, and it must be then used for the settlement of balances. It could be linked to a basket of other currencies or commodities, and also, interestingly, the value could be linked to carbon constraints. In other words, there could be an opportunity to link the value of a country's contribution to this basket of currencies, depending on its commitment to tackling the climate crisis that we have.

All of this makes it a policy instrument as well as a reserve currency, and this is important because Keynes did not have to consider such issues in 1946, but I suspect that if he had been alive today, he would have done. Today, we do face climate breakdown. We do face resource limits. We do face fragile supply chains, and we do face financialised speculation in a way that Keynes quite clearly condemned. So any new system of reserve currency has to be able to manage all those issues whilst providing a mechanism for exchange and clearance for world trade. This is the challenge that we face.

But, we also have to face another challenge, and that is, why, at this moment, when we so obviously need something better than the dollar, is no one talking about what I've just been talking about, the need for a new reserve currency?

Are the IMF and World Bank not talking about this?

Why are they locked into orthodoxy?

Why are they defending the existing order when it is clearly failing?

Why aren't they disciplining countries that clearly need to be brought into line in the world's international trading system?

And why aren't they also disciplining surplus countries, who should, in fact, be spending those surpluses into use because they are creating instability as much as any country that is running a deficit? After all, every deficit requires there to be a surplus. This is double-entry bookkeeping at work.

Why is all of that not happening? Because they're avoiding political confrontation with the USA. That's why I say these institutions have to move out of the USA, because if the USA is creating this problem, the world has to be able to challenge the US, or the problems can't be solved. We will be dragged down by the USA if we don't say what it is doing is wrong.

We also need, therefore, to look at the location where any such currency could be based, and the obvious answer right now is either within an EU country or at least within a G7 country. Canada may be uncomfortably close to the USA, but we don't necessarily require it to be in Europe either. The point is, we do need a place where there is stability, and that requires a country to be willing to stand up and say it will host this new settlement system that will not be dependent upon its currency, but to

which it will lend the credibility of its systems, its system of law, and its ability to maintain good governance. That's because we need to have stability, and that's precisely because instability costs everyone a great deal.

Europe does need this, and if it isn't going to speak out for it and even ask to create this system, then its apparent neutrality is in fact its complicity in chaos.

So we need to look at this. This is a question that cannot be avoided now. At some time, this problem is going to get worse than it is already.

We're going to see more currency volatility.

We're going to see bigger financial shocks transmitted globally.

We're going to see more destabilising capital flows than we are already getting now, and they are becoming worse.

We're going to see more austerity in vulnerable countries as a consequence of those flows.

And we're going to see more global resentment and fragmentation, and that is a price that we cannot afford to pay.

So Keynes offered us a system designed for stability. The dollar system is not designed for that, and it is clearly showing now. In a world of instability, we need to look at alternatives. This, then, is the moment to reopen discussion on bancor. Why aren't we doing it is the question we have to ask, when stability is a public good, reserve currencies are political choices, global money design affects real lives, and a fair system requires care, investment, and support for its survival? It's time to demand debate. It's time for change. It's time for the world to wake up and realise the day of the dollar is over.

What do you think? There's a poll down below.

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### **Poll**

[poll id="293"]

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**Tickets are now on sale for the Funding the Future live event in Cambridge on 28 February. [Tickets and details are available here.](#)**