World Reserve Currencies Since 1450

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January 6, 2021

The US supplied the Allies in WWII and got paid in gold. After the war, countries linked their currencies to the US dollar, which was linked to gold. The Gold Standard ended completely in 1971, but the US dollar's reserve status remained. Today more than 61% of all foreign bank reserves are denominated in US dollars. Nearly 40% of the world's debt is in US dollars. **Reserve currency** status has both benefits and drawbacks. The benefits are lower exchange rate risk and greater buying power, and the drawbacks are artificially low-interest rates that can spur asset bubbles. Since 1450 there have been six major world reserve currency periods. Portugal (1450–1530), Spain (1530–1640), Netherlands (1640–1720), France (1720–1815), Great Britain (1815–1920), and the United States from 1921 to today. If you notice the average currency span is 94 years. The US dollar presently has been the world's reserve currency for roughly 99 years.

France held the world reserve currency from 1720–1815

The Dutch East India company went bankrupt in the late 18th century. This was mainly due to the War against the British Empire in Asia. After the tulip mania bubble, France became a republic and invaded the Netherlands. France conquered the Netherlands and issued the dominant trade currency of the time. The paper money of the French Revolution was the

Assignat. The Assignat originated in 1789 shortly after the start of the Revolution when France was threatened with insurmountable debt, starvation, and revolt in the countryside. According to the American Numismatic Association,

> "the Assignats successfully stimulated the economy, but the shortage of circulating money for small transactions and the government need for still more money encouraged the Assembly to first lower, then eliminate the interest rate on the notes while simultaneously re-issuing instead of destroying them once they returned to the treasury. Coinage of all denominations had disappeared from circulation creating a crisis in small transactions that the National Assembly attempted to resolve through issuing more Assignats, first in 5 livre denominations in May 1791. By this time, Assignats had begun to depreciate (in July 1791, they were worth 87% of their face value) as the government began to issue more and more of the notes (with over 1.3 billion livres issued from May to December 1791 alone!), but necessity forced the continued issue and use of the notes. In January of 1792 low-value Assignats were issued in denominations of 10, 15, 25, and 50 sous to relieve the coin shortage and to replace the local paper issues that had become prevalent over the previous year."

Hmmm very interesting. One of the main reasons for failed France's world currency status was the devaluation of paper currency.

Great Britain held the world reserve currency from 1815–1920

The rise of the British East India Company issued in the dominant British currency of the time. British companies were the leaders in the industry and British insurers became the main insurers of trade globally. The 1920s for the UK was a period of depression, deflation, and a steady decline in the UK's former economic pre-eminence. After the post-war boom of 1919–20 ended, UK unemployment rose sharply to over 10% and stayed high until the Second World War. According to economicshelp.org,

> "A big feature of the UK economy in the 1920s was a desire to maintain the value of Sterling at its pre-war level of $4.86. This was partly a political move – the feeling a strong Pound was a key feature of Britain's past economic success. During the war, Sterling had held its value relatively well – thanks to American loans. But, with the ending of the war and drying up of US loans, the Sterling started to slide. Because US inflation was very low, this meant that the UK was effectively aiming for deflation. The attempt to keep the Pound in an overvalued fixed exchange rate was a key factor in contributing to deflation and lower economic growth. UK failed to make a significant impact on the national debt as a % of GDP. This has interesting parallels today (i.e. EU austerity) because the UK experience shows that cutting spending during a deflationary recession (combined with tight monetary policy and fixed exchange rate) can be counterproductive to reducing debt burdens. Very high debt levels, which were not solved by deflationary fiscal policy."

Hmm very interesting. History says, simply put, manipulation of monetary policy and the increase in the cost of debt does not work.

The US has held the world reserve currency from 1921 to today

The Federal Reserve System is the central banking system of the United States of America. It was created on December 23, 1913. The US has enjoyed world reserve currency status a little after World War I. The US dollar Gold Standard was partially torn down by Executive Order 6102 requiring all persons to deliver on or before May 1, 1933, all but a small amount of gold coin, gold bullion, and gold certificates owned by them to the Federal Reserve in exchange for $20.67 per troy ounce. The government was giving themselves control to increase the money supply. The debasement of the paper dollar had gained steam. WW I and World War II kept the US as a manufacturing power relevant. After the Vietnam War, the US economy needed a boost. President Richard Nixon took the US off the Gold Standard completely in 1971. The US was now taking the steps to become a financially backed system based on money creation and debt. US debt in 1980 was about $800 billion. When Obama took over it was about $10 trillion. Now we are at $28 trillion and counting. Joe Biden and Janet Yellen will have the printing presses working overtime for years to come if the political situation plays out that way. The government is taking more control over our lives. Our financial freedoms are disappearing. The US dollar's value is eroding and the printing will continue at exponential levels. **History tells us that debt, currency devaluation, rampant speculation, and government control ends very badly.** The US dollar dominance is running on fumes. Many are not willing to bet their entire nest egg on the paper market and the banking system casino.

Gold is set for the biggest annual advance in a decade, with gains this month aided by the dollar's decline to the lowest point since April 2018. The yellow metal gained roughly 25% this year against the greenback. Gold reflects the lost purchasing power in the US dollar. Physical gold preserves wealth. The risk today is more than ever. We are in the mother of all asset bubbles. This bubble over the last few decades is due to debt. This credit expansion is historical and exponential. Corporate debt, government debt, and consumer debt is at all-time highs. Money supply expansion works for a little while until it doesn't. No one is talking about the wrecked monetary system we have and what has caused it. Central bank stimulus and money creation is the only event we now are looking forward to. Vaccine rollout is an embarrassment and not realistic.

Midas Gold Group is recommending to its clients to understand what physical gold can do for you. **Get some of your money out of the banking system and financial markets while you can.** If you have benefited from speculation, debt, credit expansion, overvalued equity markets, or momentum stocks, preserve some of it. Physical gold is wealth preservation. Gold will keep you rich during the next financial collapse. Gold has a 5000-year track record of preserving your buying power. And yes, according to history, a collapse is in our future. Call Midas Gold Group today at 480-360-3000 or 805-601-6000 and get educated on owning physical gold. Gold in your possession is a lot better than hope in the markets based on central bankers' stimulus plans. **The nation's #1 veteran-owned gold dealer is prepared to fight for your financial survival.** Call Midas Gold Group today at 480-360-3000 or 805-601-6000 and speak to an experienced trader today. A live person can be reached from 8 am to 4 pm PST M–F.