

The West's SWIFT Kick is Aimed at Russia, But it Will Also Hit the US Dollar

As part of the western response to Vladimir Putin's invasion of Ukraine, several regimes acted on February 26 to exclude certain Russian banks from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network. As of March 1, Reuters reports, SWIFT says it's awaiting a list of the sanctioned banks so that it can cut them off.

SWIFT is a messaging service that connects banks worldwide. It's not a bank itself. It's not even, strictly speaking, a payment network. It carries instructions for transfers, but the transfers take place via other networks. It's just one moving part in the world's complex finance and trade system.

As with most such measures, giving Russian banks the boot from SWIFT is certain to hurt the sanctioners along with the sanctioned. In this case, the potential victims with the most to lose are the issuers and holders of US dollars.

Dollars aren't the only currency that gets moved using SWIFT, but the dollar is the de facto "global reserve currency" and thus the most affected by such moves. Nearly everyone accepts the dollar. Nearly everyone wants to have a fat stack of dollars on hand. In particular, global trade in oil has been powered by the "petrodollar" for nearly 50 years.

If you want to buy a barrel of Brent crude from most sellers, you need to be able to plunk down (as I write this) 105.46 US dollars. Not 395.72 Saudi riyals. Not 7,983.35 Indian rupees. Not 665.78 Chinese yuan. \$105.46 or no sale.

What happens when one of the world's largest oil producers is 1) cut off from SWIFT; 2) doesn't want US dollars as much as it used to because other sanctions make those dollars difficult to spend; and 3) has trading partners who are watching these sanctions and fear they could be the next victims? Well, this:

A "rupee-rouble trade arrangement may get a push now that Russia is out of SWIFT," reports *The Times of India*. China will presumably likewise increase its yuan-rouble trade with Russia.

The *Times of India* article reveals that this isn't a sudden development: "India had entered into a rupee-rouble trade arrangement with Russia earlier to shield the two nations from unilateral sanctions from the United States."

What makes the dollar valuable? The same thing that makes anything valuable: People wanting it. Between China and India, more than a quarter of the world's population are in the process of wanting the dollar less than they used to. That, in turn, makes every dollar

in your pocket worth less than it once was.

In the short term, the SWIFT kick and other sanctions may hurt Russia more than they hurt you. But the uncontested reign of the US dollar among global currencies seems to be nearing its end, in part because the US government is driving the world away from it with the constant threat of sanctions.

The smart move for Americans? Hold as few dollars as you can get by on. Trade your dollars for gold, silver, and cryptocurrency while they're still worth something, to someone, somewhere.