

# Peter Schiff: Dollar Breaking Point - Debt & Energy Crisis

Peter Schiff is the CEO of Euro Pacific Asset Management and the host of the Peter Schiff Show. Schiff explains why the dollar is reaching its breaking point - Debt crisis, energy crisis, agriculture crisis, failed government interventions in the market, and investments fleeing the US. Visit Peter Schiff's Euro Pacific Asset Management: <https://europac.com/> Follow Prof. Glenn Diesen: Substack: <https://glennDiesen.substack.com/> X/Twitter: [https://x.com/Glenn\\_Diesen](https://x.com/Glenn_Diesen) Patreon: <https://www.patreon.com/glennDiesen> YouTube: <https://www.youtube.com/@GDiesen1> Support the research: PayPal: <https://www.paypal.com/paypalme/glennDiesen> Buy me a Coffee: [buymeacoffee.com/gdieseng](http://buymeacoffee.com/gdieseng) Go Fund Me: <https://gofund.me/09ea012f> Books by Prof. Glenn Diesen: <https://www.amazon.com/stores/author/B09FPQ4MDL>

## #Glenn

Welcome back. Today we have the great privilege of being joined by Peter Schiff, the CEO of Euro Pacific Asset Management and also the host of the very popular podcast, The Peter Schiff Show. Whenever we hear Trump speak about an end to the war in Iran, it appears to be all about efforts to calm the markets. But given that it doesn't appear that this war will come to a quick end—or hopefully I'm wrong—what do you think are going to be the wider consequences for not just the U. S. market, but the global markets?

## #Peter Schiff

Well, I mean, the war is a big problem. It's very disruptive to the supply chains, particularly with energy and agriculture, in addition to the damage done by the war itself—buildings, human lives. So it's obviously a problem. I think the markets are too optimistic about how soon the war is going to be resolved and how quickly oil prices may come crashing down when that happens. I don't think the war is going to end as soon as people think. And even if it ends, it really may not be over because it could restart at any moment. And I think there's always going to be that risk that if there is a peace deal, the deal gets broken somehow and then the war is back on. So I don't think oil prices are going to come all the way back down to where they were—probably not even close to where they were.

They could come off, and they will come off from the highs. But I think there are other factors that are going to drive oil prices higher that have nothing to do with the war, particularly a weakening U. S. dollar. And I think that the war interrupted the dollar weakness. And I think to the extent that the war ends, the dollar's weakness is going to resume. And that's going to put more upward pressure not only on oil, but on bond yields, because bond yields have gone up quite a bit since the war

started. And they seem to back off when it looks like the war may be coming to an end. But again, I don't think bond yields are going to go down significantly when the war ends. And I think other factors—rising deficits, more money printing, more inflation, a weak dollar—are going to be driving bond yields up along with oil prices.

## **#Glenn**

Well, the debt is obviously a key problem. And when we see the lack of trust in repayment, at least in good money—the money could always be printed, but then devalued—you would assume that investors would expect higher yields. But this would impose a lot of problems on the United States because paying higher yields on such huge debts becomes very problematic. So do you see countries moving away from American treasuries? Because I've heard stories now about... well, I read stories about the UAE, for example, and the United States considering currency swap lines. Do you see this in the context of a lack of trust in the dollar or the fear that they might have to unload some of their American assets? Or how are you assessing the situation?

## **#Peter Schiff**

I think, you know, it's almost a reflexive action that when there's a war, people buy the dollar as a safe haven trade. And this, you know, happened. But to me, what was significant was not that the dollar rallied, but how minimal that rally was. You didn't get the big rally that you might have gotten 10, 20 years ago had something like this happened. And the dollar has already lost all of the gains from the war. So it hasn't gone anywhere, really. It's just stopped going down. But I think what's going to be weighing the dollar down is going to be the soaring deficits that are bigger because of the war. Even if it ends, we're still going to be spending more money, you know, replenishing all of the missiles and bombs that we used up.

And now we have to replace them. So military spending is going to go up, but other spending is already going up, and interest spending is on autopilot now with higher rates. So our fiscal position is deteriorating, and there's no sign that we're going to do anything about it. There was some hope that Donald Trump would do something, that the GOP would do something about getting a handle on deficit spending. But those hopes have been dashed. The GOP is gone. In fact, the deficit spending under Trump is worse than it was under Biden. So the markets recognize this, and they don't want to be left holding the bag. So they're getting out while they can. They're moving their money out of dollars, out of treasuries, and they're buying gold. And I think that's going to continue.

## **#Glenn**

Well, given all the pressure that's being put on the dollar, what do you see as the long-term consequences? Do you think the dollar could reach a breaking point where the rest of the international system would begin to reject it? Well, I guess my question is, do you expect a slow decline or a rapid collapse?

## **#Peter Schiff**

Well, I expect a slow decline and then a rapid collapse. So the question is, when is it going to transition from a slow decline to a rapid collapse? I don't know. But when it happens, it's going to be quick. It's just like the old expression or saying, "How did you go broke? Slowly at first, then all at once." And that's what's going to happen to the dollar.

## **#Glenn**

Do you have any predictions in terms of how the government might respond to, well, not just an economic decline, but a crisis in the dollar? So, for example, I see that Trump is considering taking over key assets, rescuing companies. I think he considered buying an airline on behalf of the U.S. government. Do you think this is a possible solution, that the government will step in and try to save the market? Or I assume this will make matters worse.

## **#Peter Schiff**

Yeah, well, Trump said they were considering buying Spirit Airlines. Spirit did file for bankruptcy, and the government did not buy it. So I don't know if they were actually considering it or if Trump just posted about it on Truth Social. I think it would have been a bad decision, and it's something they shouldn't even think about. They should know without thinking that it's the wrong thing to do. But also, it highlights, you know, the problems that government makes, because Spirit Airlines, just a few years earlier, there was a buyout offer for two or three billion—I forget the amount—by JetBlue. JetBlue wanted to buy the airline, and the Biden administration, really led by Elizabeth Warren, killed it.

And ultimately, the courts stepped in and said, no, it's bad for competition, because if these two airlines got together, it actually would have been good for competition, because it would have made JetBlue a better competitor for all the other airlines that really dominate—United, American, the big carriers, Southwest, Delta. They could use more competition. And a combined JetBlue and Spirit would have been a better competitor. But they said, no, no, we need all these airlines, we can't allow two of them to merge. Well, now one of them is completely gone. So what did they accomplish? Now they have the same number of airlines that they would have had had they allowed the buyout.

And had they done that, the shareholders would have gotten a bunch of money instead of getting wiped out. The employees, most of them would have still had their jobs. Not all of them—I'm sure there would have been some consolidation, so there would have been some layoffs. But now everybody's getting laid off. And JetBlue is a smaller airline than it would have been had it bought Spirit. So the competitive landscape has been reduced significantly because the government blocked this deal. And so the government always screws stuff up. Antitrust has done so much harm to this

country in trying to prevent acquisitions and mergers that actually would have been good for everybody. The government prevents them from happening because they claim it's somehow going to harm competition.

## **#Glenn**

I've been trying to make some predictions—or not predictions, but foresee where the markets might be moving over the shutdown of the Strait of Hormuz. That is, oil prices obviously are going up. There's a lack of access to fertilizers, which creates problems, as you said before, in agriculture. But how do you see this manifesting itself or creating problems further down the economy? Because it kind of affects all areas of the economy, it seems. And if one adds on top the social and political challenges as well, it becomes very unpredictable. So how do you see this crisis in energy and agriculture affecting the wider economy?

## **#Peter Schiff**

Well, you know, there are things that people have to buy, and then there are things that they want to buy. And for the most part, food and energy are things that you need. Now, you can cut back to a degree. You can have less expensive food. You can have hamburger instead of steak, right? So, you know, you can cut back. You can drive less, you know, you can avoid a vacation or certain trips that you don't need to make. You don't have to turn up the heat as high or turn down the AC as low, right? So, you know, you can make adjustments, but you can't stop consuming food. You can't stop consuming energy.

You can consume less, lower-quality food. But, you know, you still need it. What happens is, if I'm spending more money buying the things I need, I don't have as much left over for the things that I want. And that's where you really see a big hit—in that discretionary spending. The stuff that I can't buy because food is now so much more expensive, or energy is now so much more expensive. So what happens in those areas? People lose their jobs in those areas because now their customers aren't there. Businesses are in trouble in those areas. So it is a negative for the overall economy when you have a big increase in the cost of basic necessities of life.

## **#Glenn**

But again, I see why the high energy prices obviously cause a massive crisis throughout the economy. But are there any benefits for the United States because it is an energy exporter, or is this simply outweighed by the problems? Yeah, look, if you're in the oil business, yeah, it's a positive for you.

## **#Peter Schiff**

If your income comes from oil and gas, but the overall economy is not going to benefit from that. But yes, individuals within the economy—there's always going to be winners and losers, right? But by and large, it's not a net positive. Now, if we were more dependent on imported oil, then it would be a bigger net negative than it is. The fact that over the years our oil output has increased, that will, on the margin, help because we will have some more Americans benefiting than might otherwise benefit from these higher prices. And, you know, it won't have as big an impact on our trade deficit if we're not importing all that expensive oil. In fact, if we're exporting expensive oil, it should help reduce our overall trade deficit.

But, you know, even though America—we import and export oil, so we're a net exporter—we still import a lot of oil. It's not like we're just self-sufficient. So we still have to bring some oil in. And one of the reasons we do that, too, is because of the Jones Act, which at least they've temporarily suspended with respect to oil and fertilizer to allow some of the oil that we produce in one part of the country to be shipped by boat to another part of the country. Because with the Jones Act, a lot of times it makes more sense to import the oil from another country rather than use our own because of the higher cost of using Jones Act-compliant ships to move the oil.

## **#Glenn**

I just want to return a bit to the dollar because I was curious what is possible to do now in order to, I guess, reverse the decline. I know you and Trump had some arguments on X, or Twitter, about, you know, if he would pick up the phone and call you, ask for how to essentially restore fiscal discipline or, well, preserve the dollar in its current form as the international reserve currency. What do you think could be done now? Well, I mean, the opposite of what he is doing.

## **#Peter Schiff**

The worst thing that he did for the dollar was the big, beautiful bill. That was the one opportunity to try to get our fiscal house in order. And what did he do? He took our fiscal house and made it even more disorderly than it was when he got there. So we need massive cuts to government spending. And those are things that Donald Trump refuses to support. You know, he will support some cuts here and there, but overall, he wants government to spend more money, not less money. And he also believes in tax cuts, so he wants to reduce the revenue coming into the government, but he wants to increase the money going out.

The only taxes he's willing to raise are tariffs. And that's because he claims that we don't pay those, that they're paid by foreigners, which is not true. They're paid by Americans. But tariffs seem to be the only taxes he's willing to impose. The problem is, it's not enough to deal with all the extra spending, and so it's not enough to cover the cost of the debt. And so foreigners are just going to be selling dollars and selling treasuries, and that puts downward pressure on the exchange rate and upward pressure on interest rates.

## **#Glenn**

Well, on the foreigners, you addressed how they will deal with the dollar. How do you see China's position changing? Because its position has hardened a little bit towards the U.S. now, given that a lot of the military actions against Venezuela and Iran, the Chinese see themselves as being a target, and they've essentially now banned their own corporations from abiding by U.S. sanctions. How do you think the Chinese will, I guess, reposition or avoid being pulled down with the dollar?

## **#Peter Schiff**

Well, you know, I think that China is distancing itself from the dollar. I mean, they still own a lot of dollars, but fewer than they had 10 years ago. And the percentage the dollar represents of China's total reserves is much, much smaller than it was. And certainly, the percentage of the total U.S. debt that is held by the Chinese is much lower than it was. So China is moving away from the dollar, and I think they're going to accelerate the rate at which they do that. And where China is moving is to gold. China's gold reserves are exploding, and I'm sure they're far higher than what they admit to. But they have been reducing their dollar exposure and simultaneously increasing their gold exposure. So they are replacing dollars with gold. Now, I think they also maybe have other currencies—maybe they have euros in there and different currencies—but I think what they're mainly interested in is gold as the best way to get out of the dollar. But the motivation is getting out of the dollar.

## **#Glenn**

Well, another key goal for Trump, though, has been the reindustrialization of the United States, something I think would be a good idea. He had envisioned the tariffs playing a central role in this. Probably they weren't used in a very good manner. But how do you see this possibility, though, of the United States being able to reindustrialize and again take back some of the production base which was outsourced abroad over the past few decades?

## **#Peter Schiff**

Well, I don't think we're going to reindustrialize based on tariffs. So I don't think that's going to work. And in fact, in many cases, the tariffs are counterproductive because they make U.S. manufacturers that we still have less competitive, because those manufacturers may depend on a lot of imported components. And now those components are more expensive because of the tariffs. And to the extent that the tariffs do protect some industries from competition, it allows those industries to be less efficient, and therefore they end up losing market share globally. Maybe they gain some market share domestically, but they end up losing share internationally. So protectionism never really works. As a strategy, what we really need to do to get to the root cause of the problem is, why is it that we have deindustrialized?

What is the reason that we manufacture so little relative to what we manufactured in the past? And why do we have such large trade deficits now when we used to have trade surpluses? And it's not because of a lack of tariffs or because other countries have high tariffs and they're, you know, keeping our goods out. That's got nothing to do with it. Trade has been relatively free. It's not completely free. It's not free here. We keep out a lot of foreign imports. We have quotas, we have tariffs. So, you know, we're just as guilty as everybody else when it comes to protecting some politically connected industries from competition. And every country is worse off because politicians do this. But by and large, trade has been pretty free.

The problems in the U.S. are artificially low interest rates. So we don't save enough. We don't invest enough in capital equipment. And we've been able to rely on the overvalued dollar to import the things that we don't produce. And the world has been willing to exchange the goods they produce for the dollars that we print because the dollar has been the reserve currency. So in a way, we're a victim of our own success in getting the world to accept the dollar, because in accepting the dollar, they relieved us of the burden of having to produce stuff. We could live off of what they produced, but it's created a dependent situation that, obviously, when it comes to an end, we're in a lot of trouble. But unless we get to the root causes, you know, we need higher interest rates. We need more savings.

We need more investment. We're never going to be able to reindustrialize. And the move from a service sector economy to a producer economy is very disruptive to the people that are now making a living in the economy as it exists today. And so, to transition it to a more healthy, sustainable model, you've got some transitional pain. But the instincts of all politicians are to resist any of that pain because that would be taken out on whoever's in power in the elections. So the politicians never want any short-term pain that may influence voters. They want voters to feel good in the short run, even if the policies to get them to feel good in the short run make them feel worse in the long run. Politicians don't care about the long run. Their time horizon is the next election. That's as far as they can see.

## **#Glenn**

You're describing a situation where the economy is not doing well, the dollar could be reaching a breaking point, and there's a political class unwilling to make the tough decisions in such an environment. I'm not sure if "economic collapse" describes it enough, but where does the smart money go in the world?

## **#Peter Schiff**

Well, I think it's going, you know, right now it's going to precious metals, commodities, gold. I think it's going into foreign markets, you know, emerging markets. I think I'm the smart money — that's where I'm investing. So I think the smart money is doing the same thing. It's much in Asia then, or? Yeah, I mean, people should look at my strategies at Euro Pacific Asset Management. Look at my

mutual funds that are available, no-load, at any discount broker. You can get information at the EuroPac website, europac.com. Contact Schiff Gold and get yourself some gold and silver. I think these are the important steps that you could take now to prepare for what's happening and what's going to happen to an even greater degree in the future than it already is now.

## **#Glenn**

Just a last question on Europe. Do you see any good investments there, or do you think they are in a worse situation than the United States?

## **#Peter Schiff**

Yeah, look, there are problems in Europe in general. Some countries are less problematic than others, and we try to focus on those. But a lot of it is very company-specific. There are businesses in Europe that I think represent good investment value and that have markets that go beyond Europe, and that are positioned to satisfy customer demand in emerging markets where I expect demand to explode. I think when the dollar crashes, these other currencies are going to rise and America's purchasing power is going to be transferred abroad. And so that's going to open up new markets and new consumers, and companies that are positioned to take advantage of that will do very well. And so I want to be invested in those companies. You know, the world's going to change. For some people, it's going to change for the better.

For Americans, it's going to change for the worse in that we're not going to be able to live beyond our means anymore. We're going to have to produce to consume. We're going to have to save to borrow. But that means the people around the world who have been living beneath their means to make it possible for us to live above our means, now they're going to see a gain. They're going to be relieved of the burden of supplying the U.S. consumer and lending to the American borrower. That's going to free up capital, that's going to free up consumer goods, and they're going to be able to enjoy a higher standard of living. But that means, you know, that companies will be able to make more money in those markets because their customers have more buying power.

## **#Glenn**

Well, I think I've read most of your books, but still, where can people find you in terms of, yeah?

## **#Peter Schiff**

I haven't written a book in a while. You can still get my books on Amazon or eBay, you know, Schiff books. Although, not that many there. And you've got to buy them pretty much used now. I don't think there are any new ones. I haven't written one in a while. The publishers keep bugging me, but I haven't done it. The best way to follow me now is on my podcast by listening regularly at shiftradio.com or on my YouTube channel. So make a point of listening to my weekly podcasts and follow me

on social media. In particular, not just YouTube where I have the podcast, but on X. I'm constantly putting out my opinions on what's happening that day on my X account.

And I now have over 1.4 million followers, so I'm building up a bigger soapbox, you know, to scream from. So you should join that and encourage your friends. You know, the more people that are following me and reposting what I have to say, the wider I can spread my message, which is the truth. And, you know, I'm trying to get the truth out there, and there's a big chorus of lies that drown me out. So the more help I can get, the better. Excellent. Well, thanks a lot for taking the time.

**#Peter Schiff**

All right, take care.