Gold price surges as US dollar crisis deepens

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The fall of the US dollar in international currency markets, turning into a collapse, is being accompanied by an ongoing surge in the price of gold, reaching new record highs virtually every day, and a further slide on Wall Street, as US President Trump's economic war intensifies the developing crisis of the entire global financial system.

The immediate cause of the latest fall in the US stock market, along with a move out of the bond market which saw yields rise yesterday, was the renewal of attacks by the Trump administration on Federal Reserve Chair Jerome Powell, with threats to sack him.

Trump has demanded that Powell lower interest rates, apparently with the immediate aim of boosting Wall Street and with the longer-term goal of finding a scapegoat for a US recession, which is becoming increasingly likely amid mounting layoffs, shattering Trump's claims that his tariff wars will boost the American economy.

Powell, who was appointed by Trump during his first term, has been under fire for some time. The attack intensified last Friday when Kevin Hassett, director of the National Economic Council, said Trump would "continue to study" the matter of firing Powell after he had said the previous day that he had the right to do so.

Trump told reporters that "if I want him out, he'll be out of there real fast—believe me."

He again weighed in with a post on his social media platform on Monday morning shortly after the markets opened. He claimed inflation was trending down, "but there could be a slowing of the economy unless Mr. Too Late, a major loser, lowers interest rates, NOW."

The move against Powell is producing increasing nervousness in financial circles both in the US and internationally because it would mean an end to so-called Fed independence. As far as they are concerned, the chief task of the Fed and other central banks is to prevent a rise in inflation through their interest policies, and this would go by the board if Powell were removed.

Trump's push for the removal of Powell underscores the conflicting and internally contradictory aims of the administration—itself an indication that the deepening financial crisis is racing out of control.

On the one hand, Trump and other members of his administration have said that the dollar is overvalued, and this has led to American goods being priced out of global markets, worsening the US trade deficit.

On the other, they are determined that the dollar must remain as the global reserve currency. It is this status which enables the US to finance its rapidly growing government debt mountain, now at $36 trillion, in a way that no other country can.

The crucial importance of the global reserve status was emphasized by Trump during the presidential election campaign, when he said losing it would be the equivalent of losing a war.

But the cut in interest rates he is demanding would lead to a further fall in the dollar in international markets, undermining its reserve status, and even mayhem if it were achieved by the removal of Powell.

One of the factors which contributes to the dollar's role as the reserve currency is international confidence in US institutions and the so-called rule of law. If Powell were axed over a policy decision--for which the Fed chair has insisted there is no legal basis--it would be a signal that the lawlessness which increasingly characterizes the administration in all other areas has extended to the financial system as well.

The gathering crisis was reflected in all financial markets in the US and globally.

As the *Wall Street Journal* put it: "The 'sell America' trade intensified on Monday."

The Dow Jones index dropped by almost 1,000 points, losing 2.5 percent, and is now on the way to its worst April since 1932.

The benchmark S&P 500 index was down 2.4 percent, with more than nine in 10 of its constituent stocks in negative territory, and the NASDAQ dropped 2.6 percent.

Among the hardest hit were the members of the so-called Magnificent Seven high-tech companies, which have led the rise of the market over the past two years.

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The chipmaker Nvidia lost 4.5 percent and Amazon 3.1 percent. Tesla fell a further 5.8 percent, bringing its total loss for the year to 44 percent.

The fall in the value of the dollar continued. It lost 1.5 percent in value against a basket of major currencies yesterday, with rises in the value of the euro and the yen.

The bond market also fell, with the yield on Treasury debt, which moves inversely to prices, rising by 0.08 percent to 4.41 percent.

Gold has set another record, reaching $3,500 per ounce. Its accelerated rise is an expression of the growing lack of confidence in the US dollar as the global reserve currency. Since August 1971, the dollar has functioned as a fiat currency. That is, it has no foundation in real value, like gold, but has rested on the economic and financial power of the American state.

But with the US financial system operating under increasing stress—the financial crisis of 2008, the Treasury bond market freeze of March 2020, and the collapse of three significant banks in March 2023 being the most notable examples—its longer-term stability is being called into question.

If it were any other country, it would have already been declared bankrupt, as the interest bill on its debt soars to $1 trillion a year and becomes the biggest item in the government budget.

These underlying processes are reflected in the present upheaval, which has seen a significant shift in the operation of financial markets.

On previous occasions, market turmoil has been accompanied by a move into US Treasury bonds, as finance capital seeks a safe haven in the supposedly most secure financial asset in the world. On this occasion, however, the movement is in the opposite direction with every new twist.

This is now raising questions in financial circles about its implications.

Commenting on the broad-based nature of the declines, Carol Schlief, chief market strategist at BMO Private Wealth, a Canadian banking and investment firm, told the *Journal*:

> It is concerning. The bigger issue people are trying to assess: Is the bloom truly off US exceptionalism just in the short term, or is it going to be an intermediate or longer-term factor?

The present slide was triggered by Trump's announcement of sweeping "reciprocal tariffs" on April 2. Apart from China, where tariff hikes remain at 145 percent, those tariffs have been paused for three months to allow negotiations to take place. This led to an easing of the selloff. But with no signs of talks or deals, concerns are rising again.

RJ Grant, the head of global equity trading at Stifel & KBW, told the *Journal:*

> Supposedly, there's been lots of negotiations happening, but there haven't been any deals announced. ... The longer that drags on, the more there's going to be some angst and anxiety in the markets.

But there is more than angst and anxiety at work.

These are just the initial expressions of the fact that the entire post-war economic and financial order is at an end. The ruling classes are already responding to that collapse in the way they always have historically— by deepening their attacks on the working class, imposing fascist and authoritarian forms of rule and rearming themselves in accordance with the objective logic of trade war, that is, military conflict.

The working class must rearm, that is, politically, by initiating a conscious struggle for an international socialist program, which is the only viable and historically progressive way forward out of the deepening crisis gripping the world capitalist system.

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