



Written by [Rebecca Terrell](#) on July 21, 2026

The World's Biggest Shell Game

In 2001, Enron's collapse [revealed](#) that a corporation could manufacture the appearance of financial health by creating thousands of shell companies, the purpose of which was to buy the real corporation's toxic assets, keeping them hidden from investors and regulators. Enron [created](#) more than 3,000 such shell companies, officially dubbed "Special Purpose Vehicles" (SPV). When the shell game [unraveled](#), \$30 billion in hidden debt materialized overnight.

[Lehman Brothers](#) used this principle with "[Repo 105](#)," temporarily moving \$50 billion in assets off its balance sheet at quarter-end to SPVs, then retrieving them days later after reporting deadlines passed. Lehman's bankruptcy examiner [documented](#) the fraud across 2,200 pages. [No one went to prison](#).

Citigroup ran \$80 billion through off-balance-sheet [structured investment vehicles](#). When the commercial paper market froze in 2008, Citigroup had to [re-absorb](#) \$58 billion, requiring a \$45 billion government bailout. Bear Stearns created hedge fund SPVs housing toxic mortgage securities. When they imploded in 2007, they served as the canary in the coal mine for the entire financial system.

Bigger Than Corporations

The crucial question is: Does the same architecture operate at the level of nation-states? It does, through the mechanism of dollar reserve requirements and Treasury market structure.

[Here is how it works](#). The United States issues Treasury bonds to finance deficit spending. Under the [post-Bretton Woods dollar reserve system](#), central banks worldwide are expected (and in practice effectively [required](#)) to hold significant portions of their foreign exchange reserves in U.S. dollar-denominated assets, primarily Treasury securities. The Bank for International Settlements and International Monetary Fund frameworks for reserve adequacy create structural pressure on smaller countries to accumulate Treasuries as a demonstration of financial stability and as insurance against currency crises.

[The result](#): Japan holds approximately \$1.1 trillion in U.S. Treasuries. China holds approximately \$760 billion. The United Kingdom, Luxembourg, the Cayman Islands, Belgium, and Ireland each hold hundreds of billions. Together, foreign countries hold approximately \$8.5 trillion of the \$36 trillion U.S. national debt.

The Carrot and the Stick

These countries are not freely choosing to hold American debt the way a private investor chooses a stock. Many are [incentivized](#), and in some cases [coerced](#), into doing so by the international monetary



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system.

Countries that attempt to [de-dollarize](#) their reserves face currency instability, reduced access to dollar swap lines, and in some cases direct U.S. diplomatic and financial pressure. Iraq announced it would price oil in euros in 2000. Libya's Moammar Gadhafi proposed a gold-backed African currency to replace the dollar for oil transactions. Both countries experienced U.S. military intervention shortly thereafter. Correlation is not causation, but the pattern has not gone unnoticed by smaller nations.

Without foreign central-bank demand structurally supporting the Treasury market, the interest rates required to attract voluntary buyers would be considerably higher. Foreign reserve requirements effectively subsidize American borrowing costs, suppress Treasury yields, and support the dollar's reserve status in a mutually reinforcing cycle that benefits the issuer enormously.

Enron's SPVs kept toxic assets off the balance sheet, allowing rating agencies such as Moody's and S&P to maintain investment-grade ratings until days before the collapse. The structural foreign demand for Treasuries similarly influences how sovereign debt markets evaluate American [creditworthiness](#). When [Moody's](#) downgraded the United States from [Aaa to Aa1 in May 2025](#), it cited the \$36 trillion debt and deficit trajectory. But that downgrade was [decades late](#) relative to what the raw numbers would suggest.

Loss Is Inevitable

The difference between Enron's SPVs and the sovereign SPV system is that Enron collapsed suddenly. The dollar reserve system is [unwinding slowly](#) — through [BRICS de-dollarization efforts](#), bilateral currency swap [agreements](#) between China and trading partners, Saudi Arabia's [acceptance](#) of yuan for oil sales, and the gradual [diversification](#) of central bank reserves away from Treasuries toward gold, which global central banks purchased at record rates in 2022, 2023, and 2024.

When enough of the SPV network decides to [stop absorbing](#) the parent's liabilities, the parent's [true balance sheet](#) becomes visible. What happened to Enron in 2001, and to Lehman in 2008, will eventually happen to any entity that has confused the appearance of solvency with its substance.

The shell game always ends the same way.

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