

# How To Revive The Dollar

## Arminio's Plan would reduce the debt and boost production.

Observing that the debt bubble began to build and industry went into serious decline after 1972, we should revive those very same pro-worker, pro-growth policies pre-dating 1972. But we need to start now. **Emergency measures are called for!** Foreigners are looking for some sign from us that we recognize the danger the dollar is in and that we are determined to institute responsible, long-term reform.

### Reduce The Debt

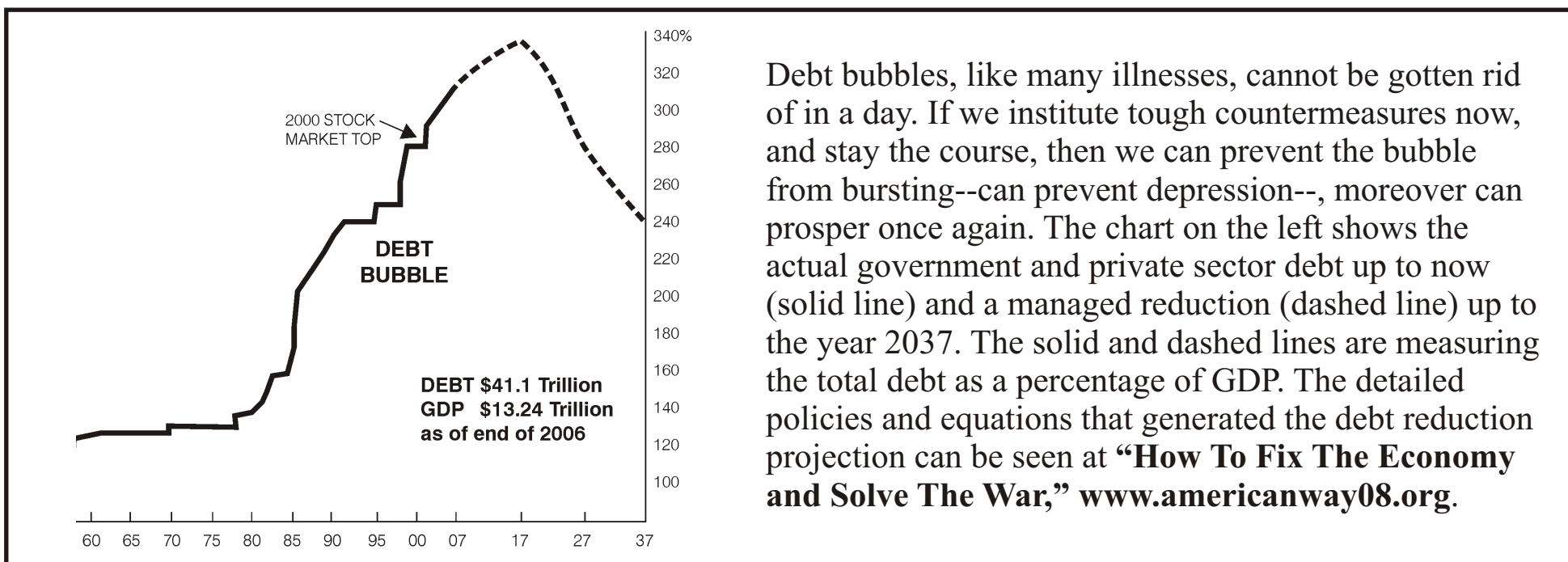
Where the debt is concerned, we should **restore the gold standard** (dollars redeemable at a fixed price of gold.), **or something like it.** Nixon took us off the gold

period, perhaps, ten years, and then to hold borrowing down indefinitely.

### Boost Production

To boost industry and family farms, **tax cuts and deregulation have their place.** John Kennedy and Ronald Reagan used such tools with considerable effect. But **nothing would boost production more than tariffs applied where appropriate,** that is, tit for tat, against other protectionist countries. The so-called free trade era--the reduction of tariffs to nearly zero--began in 1972. Industry and good jobs sharply declined thereafter. Our economy has now come full circle, in a sense. We are not unlike those **Americans of the early Republic,** who imported more than exported, and whose industry was lacking. **Their remedy was protective tariffs.** This should be a major remedy for us, now!

It is the boast of the free trade advocate that the volume



Debt bubbles, like many illnesses, cannot be gotten rid of in a day. If we institute tough countermeasures now, and stay the course, then we can prevent the bubble from bursting--can prevent depression--, moreover can prosper once again. The chart on the left shows the actual government and private sector debt up to now (solid line) and a managed reduction (dashed line) up to the year 2037. The solid and dashed lines are measuring the total debt as a percentage of GDP. The detailed policies and equations that generated the debt reduction projection can be seen at "**How To Fix The Economy and Solve The War,**" [www.americanway08.org](http://www.americanway08.org).

standard for good in 1971. There is no more powerful inhibitor of borrowing than the gold standard. Why? Borrowing typically results in the printing of new dollars. If the gold standard is in existence, and if the public feels there are too many dollars in circulation--too much debt--it can demand gold for its dollars. Neither the government nor banks like to surrender their finite supply of gold. Under the gold standard, there is a powerful disincentive for the government to borrow and for banks to loan an irresponsible amount of dollars.

It is a sign of how bad the situation is today that we cannot restore the gold standard itself. The government has permitted so many dollars to be printed (permitted so much debt) that there is not enough gold to reinstate the gold standard. **The next best thing is to approximate the gold standard.** Some call this **inflation targeting.** The idea is to expand or contract the money supply--add or subtract dollars--within a tight band relative to the market value of gold. What is more, the tool of inflation targeting should be used in such a way as to ratchet down government and private sector borrowing over a long

of trade is now greater and consumer prices are now lower. Indeed they are. But a broader analysis is in order. That high volume of trade has made us dependent on the outside world. Moreover, we have afforded more imports than exports through heavy borrowing. Such borrowing cannot go on much longer, as the devaluation of the dollar attests. And those lower consumer prices? **Statistics in 2002 showed that a family of four averaged about \$2000 a year in lower prices. Yet average wages--a bit over \$31,500--are about half as high as they should be, if we had maintained pro-worker, pro-growth policies pre-dating 1972, including protective tariffs.** Give me the much higher wages, keep the lower prices!

A little more history affirms the value of protective tariffs. **British industry** became unequalled, when protected by tariffs. Their industry went into decline, when tariffs were taken away. **Mainland China** is rising fast; its industry stands behind tariffs.