Economic News

Major Threat To The Dollar

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opening the floodgates for the seemingly limitless printing of fiat dollars.

Reagan Thwarted

Through the 1980's, Ronald Reagan attempted to restore some of the policies that could bring our burgeoning debt and dollar exploitation under control, but his efforts were continuously thwarted by the Democrats in Congress. At the same time, more and more of the so-called free trade agenda went into effect, with negative consequences for industry.

Neocons Deliver Fatal Blow To The Dollar

In 1995, Republicans regained control of the House of Representatives and the Senate, but under Neocon influence, they have hammered the dollar. On the Neocon watch, the federal and private sector debt bubble has increased by about a third and the manufacturing trade deficit, which is caused by the outsourcing of jobs, has tripled. Thanks to foolish Neocon monetary, fiscal and trade policies (including NAFTA), the American economy, which backs up the dollar, has gotten even weaker and foreigner's faith in the dollar has measurably weakened, too.

Crisis Begins September 20, 2007

The U.S. Dollar Index measures the value of the dollar relative to several other major currencies. When the value of the dollar on the index falls, this means foreigners are moving out of the dollar. On September 20, the dollar fell below a safe threshold on the Index ($80) that had held up for nearly four decades. Since September 20, its Index value has only fallen further, namely, to unprecedented lows, namely, $74.50. At the same time, the price of gold has reached unprecedented highs. This rising price of gold is another strong indicator that the dollar is in trouble.

The country needs to wake up to the falling of the dollar below the long-term, safe threshold of $80 on the U.S. Dollar Index. It is understood in the investment community that the breeching of such a threshold typically risks a free-fall or ratcheting down of the commodity--in this case the dollar--to half the value, or worse! (The dollar's value on the Index may go up and down at times but what is to be feared is a general trend down.) If the dollar falls far (say, to $40) and falls fast, our dollar could be worth half of its value relative to other major currencies, leading to a major setback or depression.

Better Policies Pre-dating 1972 Are The Key To Recovery

The American Dream, including an ever rising prosperity for the great many, was halted by 1972. The days of one parent sufficing as the sole breader for the family were over for most. The American family came under ever expanding duress.

The typical household did not give up, of course. But both parents typically work outside the home. Household debt spirals upward, too. And some, actually many, families are sundered through divorce; shattered lives must be rebuilt anew.

Even worse now comes into view. The devaluation of the dollar bodes an economic calamity. Yet this is no time to give up! The blueprint for recovery, moreover, a new long season of prosperity, is at hand.

The policies of the government pre-dating 1972 enabled the genius and hard work of the American people to achieve great things. The Neocons and others of their ilk have taken us farther and farther away from these good policies or practices. As long as our nation heeds the current unwisdom, the dollar will keep dropping, and American citizens will pay the price.

The candidates of the Ron Paul Maryland Ticket offer sound solutions to the economic problems facing the people of Maryland and the rest of America. These solutions are hardly their own, however. They are tried-and-tested, proven ways that made America the marvel of the world.

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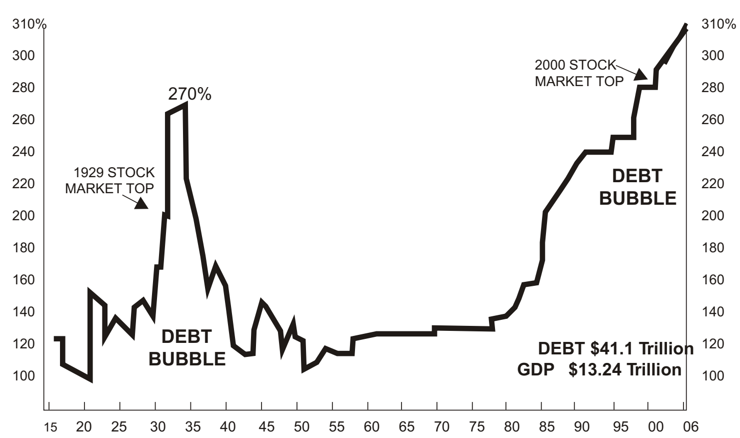
Why Are Foreigners Unloading Dollars?

Our debt is huge.



Legend:--The **horizontal axis** represents years, that is, 1915 to 2006. The **vertical axis** represents the total debt--government and private sector debt--as a percentage of gross domestic product. The total debt amounts to 310% of GDP at end, 2006, compared to 270% on the eve of the Great Depression.

The Debt Bubble today is 15% bigger than the Debt Bubble that triggered the Great Depression!

The present debt bubble began to build soon after 1972.

Our industry is in deep decline.

From 1870 to 1910 exports and imports were typically respectively 7% and 4.5% of GDP. During World War I, exports were about twice imports.

By 2004, domestic manufacturing output was 76.5% of domestic demand, according to the Economic Policy Institute.

Legend:--The **horizontal axis** represents years, that is, from 1875 to 2000. The **vertical axis** represents exports and imports as a percentage of gross domestic product.

Today, imports are about twice as much as exports.

From 1890 to 1972, our industrial heyday, we exported about $3 for every $2 of imports.

In 1979, manufacturing jobs peaked at 19.4 million. At end 2006, there were 14 million.

All charts in this paper are derived from public sources, including the Bureau of Economic Analysis.