

Impending U.S. Dollar Collapse Should Be Getting Attention, Not China's Devaluation, Financial Analyst

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Peter Schiff, CEO of Euro Pacific Capital and bestselling author of "Crash Proof," believes the impending collapse of the United States dollar should be getting the attention of investors and news outlets and not the devaluation of the Chinese yuan.

Speaking in an interview with [Newsmax TV](#) on Tuesday, Schiff explained that the U.S. economy has an abundance of problems but China's monetary policy (SEE: [Donald Trump on China's Devaluation: 'They're just destroying us'](#)) isn't one of them.

The contrarian investor stated that China's economy isn't experiencing a freefall and the current devaluation is minuscule. He noted that the yuan's value has substantially increased over the past several years compared to the U.S. dollar.

"So this move was motivated not by the exchange rate between the yuan and the dollar, but between the yuan and all the other currencies because the dollar is in a bubble right now," he said. "The dollar is very overvalued ... and the dollar is a bubble. This dollar bubble is going to burst."

He added that the U.S. economy is in a much worse situation right now than the Chinese. This is something, Schiff says, the Federal Reserve will have to admit. He also averred that the Fed won't raise interest rates this year (SEE: [Federal Reserve rate hike could cost indebted consumers \\$9 billion per year](#)) and will have to do another round of quantitative easing.

"That's going to sink the dollar and then the Chinese are going to have to revalue their currency much higher in the future against the dollar and it's the dollar collapsing that's going to hurt the US. Not this recent move by China," Schiff posited.

The reasons why the U.S. dollar has been trading well since the financial crisis is because of hope, hype and speculation.

Schiff alluded to the immense trade deficit with China, and how China is producing all things the U.S. consumers and can't produce. On the other hand, however, the U.S. doesn't produce anything the Chinese want to consume.

Overall, Schiff asserts, the Chinese economy is "far more powerful" and "far more dynamic" than the U.S. economy. This is why the U.S. suffers from massive deficits.

“But people believe in the myth of this US economy, they believe that this bubble is genuine, they made the same mistake in the late 1990s, they made the same mistake right before the financial crisis of 2008. They’re making a mistake again,” said Schiff.

We’re on the verge of a much worse financial crisis than the one we went through in 2008 and it’s going to take the form of a currency crisis. You’re talking about currency wars. American is going to win the currency war, which is a race to the bottom, and you don’t want to win a currency war because a currency war is different from most wars in that the object is to kill yourself and unfortunately, we’re going to succeed.

At the time of this writing, the Dow Jones has fallen more than 200 points, while the Shanghai Composite Index has hiccuped just 40 points.

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