

# Republicans and “Free Market” Zealots Bring Death to America

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Crude oil for April delivery hit \$110 per barrel. The US dollar fell to a new low against the Euro. It now takes \$1.55 to purchase one Euro.

These new highs against the dollar are the ongoing story of the collapse of the US dollar as world reserve currency and corresponding collapse of American power.

Each new decision from the insane Bush Regime pushes the dollar a little further along to oblivion. The same Fed announcement that boosted the stock market on March 11 sent the dollar reeling and the price of oil up. The Fed's announcement that it and other central banks are going to deal with the derivative crisis by monetizing \$200 billion of the troubled instruments signaled more dollar inflation.

Of course, something needed to be done to forestall an implosion of the financial system, but a less costly alternative was at hand. The mark-to-market rule could have been suspended in order to halt the forced sale and write down of assets and to provide time in which to sort out derivative values, which are higher than the fire sale prices.

Debt economy has overreached its limit

More pressure on the dollar resulted from the decision to award the European company, Airbus, a \$40 billion contract that could reach \$100 billion to build US Air Force tankers. In simple terms, that means another \$40 to \$100 billion added to the US trade deficit, and a loss of \$40 to \$100 billion in US Gross Domestic Product and associated jobs.

Of course, the Bush Regime had to award the contract to Europe as a payoff for Europe's support of the Bush Regime's wars of aggression in the Middle East. Europe is not going to provide Bush with diplomatic cover for his wars and NATO troops for his war in Afghanistan without a payoff.

Here is the picture: The US economy, which has been kept alive by enormous debt expansion that has overreached its limit, is falling into recession. The traditional way out by expanding the supply of money and credit is blocked by the impaired banking system, the levels of consumer debt, the collapsing value of the US dollar, and rising inflation.

US dependent on foreigners to finance consumption and wars

The Bush Regime is attempting to bypass the stalled credit expansion by sending Americans \$600 checks, money that will mainly be used to reduce existing credit card debt and not to

fund new consumption.

The US is dependent on foreigners not only for energy but also for manufactured goods and advanced technology products. The US is dependent on foreigners to finance our consumption of \$800 billion annually more than the US produces. The US is dependent on foreigners to finance its red ink wars, and the US government's budget deficit is now expanding as tax revenues decline with the declining economy.

The bottom line: US power is enfeebled. US power depends on the willingness of foreigners to finance our wars and on the willingness of foreigners to continue to accumulate depreciating dollar assets.

The US cannot close its trade deficit. Oil prices are rising, and offshore production of goods and services for US markets results in a dollar-for-dollar increase in imports, while reducing the supply of domestic goods available for export.

Living standards will plummet when China drops the dollar

The US cannot close its budget deficit while it is squandering vast sums on wars that serve no US purpose, handing out \$150 billion in red ink rebates, and falling into recession.

US living standards, which have been stagnant for years, will plummet once dollar decline forces China off the dollar peg. So far prices of the Chinese made goods on Wal-Mart shelves have not risen, because the Chinese currency, pegged to the dollar, falls in value with the dollar. In a word, tottering US living standards are being supported by China's willingness to subsidize US consumption by keeping its currency grossly undervalued.

The US is overextended economically and militarily, just as was Great Britain with the fall of France in the opening days of World War II. The British had the Americans to bail them out. After the chewing gum and bailing wire patch-ups are exhausted, who is going to bail us out?

*Paul Craig Roberts was Assistant Secretary of the Treasury during President Reagan's first term. He was Associate Editor of the Wall Street Journal. He has held numerous academic appointments, including the William E. Simon Chair, Center for Strategic and International Studies, Georgetown University, and Senior Research Fellow, Hoover Institution, Stanford University. He was awarded the Legion of Honor by French President Francois Mitterrand.*

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