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# The Dollar's Full-System Meltdown

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The U.S. Dollar is kaput. Confidence in the currency is eroding by the day.

A report in The Sydney Morning Herald stated, "Australia's Treasurer Peter Costello has called on East Asia's central bankers to 'telegraph' their intentions to diversify out of American investments and ensure an 'orderly adjustment'….Central banks in China, Japan, Taiwan, South Korea, and Hong Kong have channeled immense foreign reserves into American government bonds, helping to prop up the US dollar and hold down interest rates,' said Costello, but 'the strategy has changed.'"

Indeed, the strategy has changed. The world has come to its senses and is moving away from the green slip of paper that is currently mired in $8.7 trillion of debt.

The central banks now want to reduce their USD reserves while trying to do as little damage to their own economies as possible. That'll be difficult. If a sell-off ensues, it will start a stampede for the exits.

There's little hope of an "orderly adjustment" as Costello opines; that's just false optimism. When the greenback begins listing; things will turn helter-skelter quickly.

In September, we saw early signs that the dollar was in trouble. The trade deficit registered at $70 billion but the Net Foreign Security Purchases (NFSP) came in at a paltry $33 billion. That means that our main trading partners are no longer buying back our debt which puts downward pressure on the greenback. The Fed had two choices; either raise interest rates substantially or let the currency fall. Given the tenuous condition of the housing bubble and the proximity of the midterm elections, the Fed did neither.

A month later, in October, the trade deficit hit $69.9 billion but, then, without warning, a miracle occurred. The Net Foreign Security Purchases skyrocketed to a "historic high" of $116.8 billion; covering both months' shortfalls almost to the penny.

Coincidence?

Not likely. Either the skittish central banks decided to "stock up" on their dollar-denominated investments or the Federal Reserve (and their banking-buddies) is buying back its own debt to float us through the elections.

This is exactly the kind of hanky-panky that people expected when Greenspan stopped publishing the M-3 last March keeping the rest of us in the dark about what was really going on with the money supply.

Are we supposed to believe that the skeptical central banks suddenly doubled up on their T-

Bills while they’re (publicly) moaning about the dollar’s weakness and threatening to diversify?

That’s a stretch.

According to the Wall Street Journal the Chinese Central-bank governor Zhou Xiaochuan stated unequivocally that “We think we’ve got enough.” The Chinese presently have nearly $1 trillion in USD and US Treasuries.

“Enough”?

The United States runs a $200 billion per year trade deficit with China. If they’ve “got enough” we’re dead-ducks. After all, it doesn’t take a sell-off to kill the dollar, just unwillingness on the part of the main players to stop purchasing at the same rate.

Of course, everyone in Washington already knew that doomsday was approaching. That’s the way the system was designed from the very beginning. It’s all part of the madcap scheme to “starve the beast” and transfer the nation’s wealth to a handful of western plutocrats. That’s explains why the Fed and the White House whirred along like two spokes on the same wheel; every policy calculated to thrust the country headlong toward disaster.

The administration never created a funding mechanism for the $400 million tax cuts or for the 35% expansion of the Federal government. Defense spending increased by leaps and bounds as did the “no-bid” contracts for friends of the Bush clan. At the same time, interest rates were lowered to rock-bottom to put as much money as possible into the hands of people who couldn’t meet the traditional criteria for a mortgage. And, if gluttonous waste, reckless overspending and “Mickey Mouse” loans were not enough; the Fed capped it off by doubling the money supply in 7 years; a surefire prescription for hyper-inflation.

So, which one of these policies was not deliberate?

The financial crisis that we now face was created by design. It is intended to destroy the labor movement, crush the middle class, quash Medicare, Medicaid and Social Security, reduce our foreign debt by 50 or 60%, force a restructuring of America’s debt, privatize all public assets and resources, and create a new regime of austerity measures which will divert more wealth to the banking and corporate establishments.

The avatars of neoliberalism invariably use crooked politicians to spawn enormous “unsustainable” debt so that the nations’ riches can be transferred to ruling elites. It works the same everywhere. It’s a form of corporate colonization, only this time the victim is the good old USA.

“The Phase of Impact”

According to Richard Daughty in his prescient article “The Phase of Impact” the Federal Reserve and the Treasury Dept have already manned the battle-stations. Here’s an excerpt:

“Mr. Paulson, the Secretary of the Treasury, is, by virtue of his ascension to the throne, now the head of the shadowy President’s Working Group of Financial Markets (which was created by Presidential Order 12631) and he is insisting that they meet more often, namely every 6 weeks!

This whole Working Group thing was originally set up as a fallback, ad-hoc, if-then defense to deal with possible economic emergencies, but now they are routinely meeting every 6 weeks. He has even ordered Jim Wilkinson, his chief of staff, to 'oversee the creation of a Treasury Command Center to track markets world-wide and serve as an operations base in a crisis"! (Wall Street Journal) World-wide!! The American government is moving to take control of the world-wide economy as the result of an anticipated crisis? Yikes!"

Daughty goes on to say: "So a lot of the hubbub is obviously being caused by some approaching upheaval, perhaps reflected in something sent to me by Phil S., which is the Global Europe Anticipation Bulletin No8 which reminded us that last May they predicted that the economy would have a 'phase of acceleration' that would begin in June, and it "would be spread out over a period of a maximum of 6 months', which it subsequently did. They said then, and are saying again now, that a 'phase of impact will begin in November 2006', and that this impact phase would be the 'explosive phase of the crisis'.

This 'phase of impact' that is due to begin momentarily is, they explain, 'a period when a series of brutal crises starts affecting by contamination the total system. This explosive phase of the crisis, which will last 6 months to one year, will affect directly and very strongly financial players and markets, the owners of investment schemes with fixed incomes in dollars, pension funds and the strategic relations between the United States on the one side, and Europe and Asia on the other." (Richard Daughty; "The Phase of Impact" Kitco.com)

Predictions, of course, are rarely reliable and Daughty's scenario may be a bit too apocalyptic for many. But if we accept the premise that the tax cuts, the expansion of the federal government, the doubling of the money supply, and the $10 trillion that was sluiced into the housing bubble were not merely "honest mistakes" made by "supply side" enthusiasts; then we must assume that this is all part of a loony plan to demolish the economic foundation-blocks of the current system and remake society from the ground up.

Domestically, that plan appears to involve the activation of the police state.

In the last few weeks the Bush administration has passed the Military Commissions Act of 2006 which allows the president to arrest and torture whomever he chooses without charging him with a crime. Also, unbeknownst to most Americans, Bush signed into law a provision which, according to Senator Patrick Leahy, will allow the president to unilaterally declare martial law. By changing The Insurrection Act, Bush has essentially overturned the Posse Comitatus Act which bars the president from deploying troops with the United States. The John Warner Defense Authorization Act of 2007 (as it is called) also allows Bush to take control of the National Guard which has always been under the purview of the state governors. Bush now has absolute power over all armed troops within the country, a state of affairs which the constitution purposely tried to prevent. The administration's dream of militarizing the country under the sole authority of the executive has now been achieved although the public still has no idea that a coup that has taken place.

Internationally, the falling dollar means that America's debt will be reduced proportionate to the percentage-loss of the dollar in relation to other currencies. This is a great deal for the U.S. First the Fed prints fiat money to buy valuable resources and manufactured goods and then it nabs a discount by depreciating its currency. It's a "win-win" situation for Washington, although it will undoubtedly cheat unwitting foreign-creditors out of their hard-earned profits. It's doubtful that their interests will weigh very heavily on the money-lenders at the US Treasury or the Federal Reserve.

The dollar faces a second crisis at home which is bound to play out throughout 2007. The $10 trillion dollar housing bubble is quickly losing air causing a precipitous drop in GDP. The housing industry is seeing its steepest decline in 30 years and home equity is beginning to shrivel. Housing has been the one bright spot in an otherwise bleak economic landscape. With the housing market slowing down and prices decreasing, the $600 billion of consumer spending which was extracted in 2005 from home equity will quickly evaporate triggering an overall slowdown in the economy. (Consumer spending is 70% of GDP)

By the Fed's own calculations; "The total amount of residential housing wealth in the US just about doubled between 1999 and 2006 up from $10.4 trillion to $20.4 trillion. ("Times Online") If these figures are accurate than we can assume that much of America's "perceived" growth has been nothing more than the expansion of debt. In fact, that seems to be the case. Wages have been stagnant since the 1970s, 3 million manufacturing jobs have been outsourced, savings have shrunk to below 0%, and personal debt is soaring. We have become an "asset-based" society and when the principle asset begins to loose its value, we are in deep trouble. As housing prices continue to decline through 2007 we can expect a full-blown recession. If energy prices rear their ugly head again, (were they lowered for the elections?) it will just be that much worse.

So, how will recession affect the dollar?

Capital has no loyalties. It follows the markets. When America's bustling consumer market stalls, we'll undergo capital flight just like everywhere else. The 3 million lost manufacturing jobs, the 200,000 lost high-paying high-tech jobs, the tax incentives for major corporations doing business outside the country; all signal that corporate America has already loaded the boats and is headed for more promising markets in Asia and Europe. A sluggish consumer market could further weaken the dollar and force Americans to begin saving again but, (and here's the surprising part) the decision-makers at the Federal Reserve and the Treasury Dept don't really care if the face-value of the greenback goes down anyway.

What really matters is that the dollar retains its position as the world's reserve currency. That allows the Federal Reserve to continue to print the money, set the interest rates, and control the global economic system. The dollar presently accounts for 66% of foreign currency reserves in central banks across the globe, an increase of nearly 10% in one decade alone. The dollar has become the international currency, a de-facto monopoly. This is the goal of the globalists and the American ruling elite who dream of one system, the dollar-system; with us running it.

So, how will this cadre of plutocrats coerce the other nations to continue to use the dollar while it plummets from its perch?

**Oil.**

As long as oil is denominated in dollars, the central banks will be forced to stockpile American scrip regardless of its value. It's no different than holding a gun to someone's head. They will use our debt-plagued greenbacks or their cars and trucks will sputter, their tractors and factories will wheeze, and their economies will grind to a halt. It's just that simple.

America cannot maintain its superpower status unless it continues to control the global economic system. That means the linkage between the dollar and oil must be preserved.

> The Bush troupe sees this as an existential issue upon which the future of America's ruling class depends. By 2020, 60% of the world's oil will come from the Middle East. Bush will do everything in his power to control the resources of the Caspian Basin, thereby expanding US dollar-hegemony and paving the way for a new American century



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