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February 28, 2005

America's Superpower Status Coming To An End

By [Paul Craig Roberts](#)

The U.S. economy is headed toward crisis, and the political leadership of the country—if it can be called leadership—is preoccupied with nonexistent weapons of mass destruction in the Middle East.

The U.S. economy is failing. The afflictions are serious. They could be fatal even if diagnosed and treated. America is losing the purchasing power of its currency and its ability to create middle-class jobs.

The dollar's sharp decline and projections of continuing trade and budgetary red ink are undermining the dollar's role as reserve currency. A number of [central banks](#) have announced that they will be diversifying their currency holdings and will not be buying dollars at the same rate as in the past.

This will put more pressure on the dollar. At some point, the flight will begin. Instead of buying fewer dollars, central banks will sell dollars, hoping to get out before the dollar hits bottom.

Suddenly, the advantage of being the reserve currency becomes a nightmare, as the world's accumulations of dollars are brought to market. An enormous supply and weak demand mean a [very low exchange rate](#) for the [once almighty U.S. dollar](#).

Overnight, those cheap goods in [Wal-Mart](#), which are the [no-think economist's](#) facile justification for Wal-Mart's decimation of communities, small businesses and employment, shoot up in price.

Interest rates will escalate, as the government struggles to finance its endless red ink. Heavily indebted Americans with adjustable rate mortgages will attempt to sell homes just as rising mortgage rates reduce buyers. Real estate assets, the rising value of which have been keeping the economy going, will give back gains.

The United States has lost its ability to create middle-class jobs, or for that matter, any jobs. During the last four years, the United States has experienced a net loss of 760,000 private sector jobs (January 2001 to January 2005). Think what this means for graduating classes and people coming of age to enter the workforce.

Moreover, the composition of jobs has changed away from high-value-added, high-productivity jobs in tradable goods and services toward lower productivity domestic service jobs that cannot be outsourced.

Even here, in this last remaining area of employment for Americans, the U.S. workforce is losing job opportunities to [foreign nurses](#) and schoolteachers brought in on H-1b work visas as a result of budgetary pressures on local [school budgets](#) and [hospitals](#).

No-think economists and politicians continue to propose unemployment insurance and education as remedies for the jobs problem. These proposals are mindless, to say the least. The same incentive to outsource holds for all tradable skills. If truth be known, job outsourcing and offshore production sound the death bell for U.S. higher education.

Americans unable to find jobs in export and import-competitive sectors find themselves searching for jobs in nontradable domestic services, where their inflow into those labor markets is augmented by illegal immigrants and foreigners on H-1b visas. Obviously, the pressure on wages is downward.

No-think economists explain away the difficulties as a "**globalization adjustment**" that will require Americans to curtail their consumption of imported goods. These economists are ignorant of American's dependence on imported manufactured goods. Even American brand-name goods are made abroad in whole or in part. Tightening the belt will mean much more than cutting out foreign-made luxuries.

The dollars' decline will drive up the price of all inputs except U.S. labor, which is being substituted out of production functions and replaced with foreign labor.

Oblivious to reality, the Bush administration has proposed a Social Security privatization that will cost \$4.5 trillion in borrowing over the next 10 years alone! America has no domestic savings to absorb this debt, and foreigners will not lend such enormous sums to a country with a collapsing currency—especially a country mired in a Middle East war running up hundreds of billions of dollars in war debt.

A venal and self-important Washington establishment combined with a globalized corporate mentality have brought an end to America's rising living standards. America's days as a superpower are rapidly coming to an end. Isolated by the nationalistic unilateralism of the neoconservatives who control the Bush administration, the United States can expect no sympathy or help from former allies and rising new powers.

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Paul Craig Roberts is the author with Lawrence M. Stratton of [The Tyranny of Good Intentions : How Prosecutors and Bureaucrats Are Trampling the Constitution in the Name of Justice](#). Click [here](#) for Peter Brimelow's Forbes Magazine interview with Roberts about the recent epidemic of prosecutorial misconduct.

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