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# The Dollar is Doomed

## View from the Mount

**Sober Thought Provoking Essays**


**and the TRUTH WILL SET YOU FREE . . .**

***The creditor hath a better memory than the debtor.***
***James Howell***

# *The Dollar is Doomed*

The Debt will never be paid

The Value of the Dollar will sink

*"Record-low interest rates encourage present consumption and generate massive debt. In just five years, total financial as well as nonfinancial American debt has surged by 51 percent or $10.9 trillion to more than $32 trillion, three times the annual Gross National Product. The Federal government itself is chafing under a $6.8 trillion debt and adding $1.6 billion a day. At present interest rates, this debt alone commands charges of $300 billion a year, or more than $1,000 per man, woman, and child."* According to Hans F. Sennholz in his essay - Saving the Dollar from Destruction - we are presented with a bleak financial future. Even under optimum conditions the alternatives are not pleasant. Now let's

ask the 64,000 dollar question. What will happen when interest rates start to rise?

One needs to accept the fact that the world financial system rests upon an illusion. Fundamental balances and empirical realities have been masked for decades. Business relationships that produce real products and create intrinsic value are systematically penalized as interest rates are manipulated and currencies are crushed. All the time there is one constant - The DEBT grows . . .

Fiscal responsibility is dead. The age of hyper inflation is the future. Cash was once king during a crash, but is no longer true. Today, the lessons of the past have been forgotten and the former proven rules to protect your wealth will not work. The worse of all times and the world hangs as the Sword of Damocles over the markets. Reversing the inescapable is impossible, that's why it is inevitable.

Before you dismiss this analysis as dangerous cynicism, the onus to provide an alternative how to service the debt rests with the critics. Surely, no rational person can conclude that government spending is stable. Deficits are dismissed as necessary and manageable. Prudence requires establishing a debt level that can be serviced without destroying the ability to conduct commerce. We are staring at an avalanche that will bury us when a critical mass of consensus finally admits that the furtherance in productivity, new technology and consumer demand can no longer support the ability to pay existing obligations.

Unprecedented low interest costs are unsustainable. As rates rise the current debt becomes more difficult to finance; however, the real risk is that creditors will refuse to rollover the bond debt. Equity markets will crash, because the currency will be seen for what it has become - a promise to pay that can't be met.

Never underestimate the measures that the financial magicians will use to paper over the problem. A debt crisis based upon a geometric progression of tax revenue shortfall requires a currency devaluation. Historic foreign trade deficits, crazed escalating federal spending, housing prices that far exceed homeowner after tax income ability to afford, costs of household necessities that continually rise - all add to the public and private debt. Individuals are driven into bankruptcy, but governments remain intact even when they are insolvent.

Sennholz is a brilliant economist. Nevertheless, his libertarian sacred cow is the fallacy that protective tariffs are always detrimental to the fiscal health of the world economy. Folks, this core issue is crucial. The most sincere and well meaning Free Traders, like Sennholz, don't deserve to be in the camp of the Corp/State internationalists. The crowd that preaches the benefits of open trade are the culprits that created the debt bubble.

This scholar of the Mises Institute contends: *"Unfortunately, an American slide into protectionism would have grave consequences not only in the United States but also throughout the world. It would not alleviate the very causes of the present imbalance: the Federal Reserve stimuli and Treasury deficits. In fact, it would aggravate the situation as new import restrictions would cause goods prices to rise, consumption to be curtailed, and standards of living to fall. It would slash various sources of government revenue, which in turn would boost budget deficits and make matters worse."* Clearly, the Federal reserve is an artificial institution designed for placing and keeping Americans in economic slavery, but the notion that international trade conforms to a free marketplace is utterly absurd.

Government deficits are caused by foolish policies that pander to obscene special interests and a demented guilt and a false sense of global responsibility. Public debt is a result of the functions of a deranged Socialism that has captured the culture of dependent serfs. Politicians grab power by feeding the hungry, while the marketplace of legitimate business transactions are tormented under the burden of regulatory altruism.

How can the purchasing value of the dollar be preserved under this scenario? The way to judge tax rates is as a percentage of income. The true - *extreme inflation* - is the rise in the ratio of personal wealth transferred into the coffers of the State. When you add the fallen value in our currency to this equation, the net sum for each person is that our new abode will have a poor house address. Diminishing real returns on imaginary investments is the fate for savers as their wealth is systematically expropriated and intentionally confiscated. All the while the STATE carries on the business of protecting itself . . .

We encourage advocates of the gold standard, because it places an external restraint upon corrupt Mattoids. But don't expect that such a position solution will see the light of day. The demise of the US Dollar as the world's reserve currency means that the chickens are coming home to roost. When foreigners stop holding Treasury debt the rush through the door will commence. They may even break through the windows to get out of a house consumed by an inferno of liabilities with no fire fighters left to put out the blaze. But don't worry, you won't own your home at that point - the mortgage will be called in - and refinancing options with Ditech will be over. Their sugar daddy Citibank, just failed.

SARTRE - October 31, 2003

**Energetic action on debt would make a radical difference to the prospects of many of the poorest countries in the world, at no practical cost to creditor countries.**
**Kenneth Clarke**

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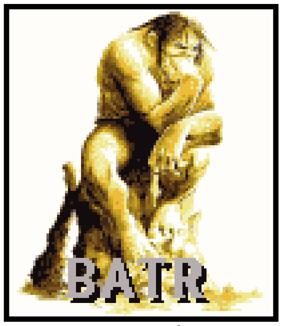


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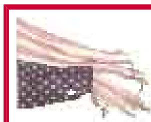

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