



Soros: U.S. Dollar No Longer World Reserve Currency

It was President Richard M. Nixon, a favorite of the neoconservative establishment, who announced in his first term that “We’re all Keynesians now,” indicating that the old Republican bible of balanced budgets and a limited role for government in the marketplace was dead forever. Perhaps a future President — no doubt one who, like Nixon, got elected by preaching the virtues of free markets and small government — will look back at the Bretton Woods II Conference and announce grandly: “We’re all Sorosians now.”



Whether the conference held at the Mount Washington hotel in Bretton Woods, New Hampshire, over the past weekend eclipses in significance its namesake of 1944 is yet unknown. The event — organized by left wing billionaire George Soros, was strictly a private affair — a gathering of kingmakers who, like their 1944 counterparts, are out to reshape the world and redefine its currency. Then the world had been torn apart by World War II and the creation of a “new world order” would, in the early postwar years, be accomplished on such a scale that when President Harry Truman’s Secretary of State Dean Acheson published his memoirs, the book’s title was *Present at the Creation*.

This time the crisis is the burden of debt that is driving the United States and key western allies to the brink of bankruptcy and the declining dollar that had long been the leader of world currencies.

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Soros, like British economist John Maynard Keynes, whose pump-priming, big-spending activist role for government became orthodoxy in America during the New Deal of the 1930s, appears to be looking for a more inflatable, adaptable currency, more easily manipulated by the political and economic elite to create yet another “new world order.” And Soros, of course, would be “present at the creation” and, presumably, calling the shots.

Speaking to Bloomberg News on Sunday, [Soros described the decisions](#) facing the world leaders at the conference:

The big question is whether the U.S. dollar should be the reserve currency. It no longer is[;] it shares that role with the euro, other currencies and commodities. But it’s not just gold being used as a substitute, but oil too, which is putting upward pressure on the market.

While the original Bretton Woods Conference created the World Bank and the International Monetary Fund, the second was called to create a new financial “architecture” for the world, Soros wrote when he called for a second Bretton Woods Conference two years ago. Current economic arrangements are not working, he told Bloomberg on Sunday, as developed nations have devalued their currencies and are sinking beneath mountains of unsustainable debt. Yet even as the Obama administration and the Republican-dominated House of Representatives in Washington square off in a battle over raising the legal ceiling on the nation’s debt of more than \$14 trillion, Soros believes the United States should, *à la*



Written by [Jack Kenny](#) on April 12, 2011

the Keynes philosophy, be willing to take on still more debt to jumpstart a stagnant economy. He acknowledged, "There is very a strong push to tighten the budget as a way to reduce government spending. In my opinion, the country could actually absorb some more debt in order to get the economy going."

Soros contends that with a growing economy the United States could "tolerate a higher level of debt." He recognized China as a major new powerhouse on the world economic scene and observed that despite risks of inflation, the Asian giant has emerged as the "big winner" in the current financial crisis. No longer isolated, China has become the "main beneficiary" of the globalization of national and regional economies, Soros commented.

The billionaire investor also indicated that he believes last Thursday's hike in interest rates by the European Central Bank came at a "quite inappropriate" time and called China's reluctance to allow currency appreciation a mistake:

There is a real danger of wage price inflation because prices have gone up and particularly real estate prices have gone up. So, the Chinese government I think made a mistake not allowing its currency to appreciate, which would have controlled the price inflation.

Instead, authorities now face 20-percent to 30-percent wage increases, which seem to be falling out of their control, Soros added. Moreover, he sees a shadow banking system that is "growing out of control" in China because of the strong demand for money while banks are refusing to lend.

China, officially communist since the conquest by Mao Tse-tung's red army and the establishment of the People's Republic of China in 1949, has in recent decades relied for economic growth on state capitalism, a system that allows the government to both stimulate and control economic development. Because of the nation's spectacular economic success in recent years, other countries are emulating the Chinese way. But Soros sees the surging Asian giant as an economic threat to the rest of the world. "They are effectively controlling the world currency system," he declared.

More statements regarding the secret conference are expected to come out over the next several weeks, Bloomberg News reported.

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Photo: George Soros speaks during an interview with The Associated Press, Sept. 7, 2010, in New York.: AP Images



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