The US Dollar: A Worthless Piece of Paper

Following the OPEC Summit in November of 2007, Iranian President Mahmoud Ahmadinejad shook things up when he said the U.S. dollar was "a worthless piece of paper." He had expressed concern over the dollar's decreasing value and wondered aloud if the global marketplace should use another currency in the trading of oil. At the time, the world scoffed at the concept and looked at Ahmadinejad as a mad man.

How the times have changed! Ahmadinejad could almost be looked at as trendsetter and more of a genius than a mad man as other world leaders – some of the most powerful on the planet – have taken to his way of thinking. On October 6, a United Kingdom newspaper, *The Independent* issued a shocking report that said Gulf Arabs along with the leaders of China, Russia, Japan, and France, have been meeting in secret to develop a plan that would abandon the dollar as the unit of trade for oil. The article noted their plan to move to a mixed currency basket that would include, among others, the Chinese yuan and euro.

This suddenly mainstream belief that the dollar is worthless does have its merit. The world's reserve currency has tumbled as of late, hitting this past week its lowest value in 14 months versus the value of the currencies of the United States' largest trading partners. This decline follows a brief half-year period when it grew in strength, becoming a safe haven for domestic and foreign investors in the panic that followed the collapse of the financial markets in September and October of 2008. Prior to that, the dollar had been in a frighteningly steep decline — *independent of the recession* — in which wholesale prices grew by 6.7 percent in 2007, inflation's greatest annual increase in 26 years.

The dollar has become so weak that many investors — at home and abroad — are abandoning it and heading to gold ,which reached all-time highs in recent days. On October 9 it ended the day at $1,056 an ounce, a record high that will no doubt be exceeded in the coming weeks.

The expansion of gold's value is something one typically sees in periods of crisis, but we are supposedly not in a crisis — many nations and even the Federal Reserve have said that the world is climbing out of the recession. That means that people are now buying gold not out of fear but rather because it's a safe bet against inflation. This situation has become so extreme that the oil fund conspirators have planned to add gold to their currency basket, something that would mark the first time since the abandonment of the last vestiges of the gold standard in 1971 that the precious metal will be used as a currency equivalent.

Gold’s ongoing rise indicates even rougher times ahead for the U.S. dollar. As investors sell-off their dollars and foreign borrowers pay off their debts far in advance, the global markets will be flooded with greenbacks that no one, other than Americans, will really have any use for. Because of high supply and low demand for it, the dollar will continue to devalue and become the least powerful of the currencies used by the world’s largest economies.

As that takes place in the global markets, the U.S. federal government, aided and abetted by the virtually untouchable and uncontrollable Federal Reserve, will demand the creation of more of our money — out of thin air — in an effort to address the irresponsible runaway spending that the Bush and Obama Administrations have instituted in their misguided endeavors to right our sinking economy. The current national debt is just under $12 trillion and the Congressional Budget Office recently estimated that the federal deficit will be $1.4 trillion for fiscal year 2009. This constant addition to the already-overabundant supply of dollars will debase our currency because it won’t be backed by anything of value (which it really hasn’t been since the loss of the gold standard) because those who have been our biggest borrowers (like China) will borrow no more out of fear of getting no return — or, quite realistically, a loss — on their investment, meaning that every dollar added is, as Ahmadinejad put it, a worthless piece of paper.

This is inflation in practice, which is guaranteed to cause real pain for the average American. Higher money supply will raise the specter of growing wholesale prices, which, in coming years, will far exceed the pinch we felt in 2007. This will in turn create a lower standard of living for all who live in the United States.

Upon assessing this development, one cannot help but wonder if the dollar’s demise is being done in purposeful fashion. It’s not the dollar’s naysayers, the Chinas and Russias, who made it weak. No, it was the United States’ government itself. Even while knowing full well the impact of overspending and inflation, our leaders have pressed ahead in a manner that cheapens our dollar and our existence. Such decisions may be a deliberate move to weaken our nation, the most powerful in history, so it can be fully integrated into the less-prosperous and less-free economies and societies of the world.

The dollar has been made worthless by design. Hopefully, our great nation will not follow suit.