

American Economy Collapsing

The Politics eZine - Economics

This Website is Best Viewed Using Firefox

Skyrocketing Inflation in the USA

By Charles Moffat - March 11th 2008.



Oil prices skyrocketed today, nearing \$110 US per barrel while the US dollar slumped.

The highest point was \$109.72/barrel, a new all time record, even when adjusted for inflation. Gasoline prices likewise are skyrocketing, and with them the cost of food and goods.

It is not so much that [oil prices](#) are going up however. It is actually the slumping American dollar which has dropped in value internationally by 18% in the last year against other major currencies.

The American dollar is becoming worthless, and unlike a normal [recession](#) the US economy is still growing in GDP. In 2007 the American Gross Domestic Product grew 2.2% to \$13.8 trillion, but since the American dollar is worth 18% less than last year in reality the American economy actually took a huge hit. So when you think about it the US economy actually shrunk by roughly 16% in 2007 compared to the rest of the world.



But what happened in 2007 that could be so devastating to the US economy? The answer is a bit complicated.

The housing crisis and too much credit has created a credit crisis that undermines the actual value of American currency.

Imagine if someone pumped millions of dollars of counterfeit into the US economy, and then somehow the media found it. It would create economic confusion and and uproar. People wouldn't be able to trust cash. It would undermine the overall value of the American dollar and its value would plummet.

In this case however it isn't counterfeit (although technically speaking US currency is one of the easiest to counterfeit), it is simply too much credit. Americans have too many mortgages, too many credit cards and too much national debt. They rely on foreign imports from [China](#) and other nations and their own economy has become too service oriented and [lacks manufacturing](#).

The result is that for the American dollar isn't actually worth much when you think about it. It is just paper after all. For decades its value has been boosted by strong demand overseas as banks used it as backup currency because it was stable and strong. In this era of the Bush Administration however, with [George W. Bush](#) asleep at the wheel, economic prosperity has been given a backseat and basically totally ignored while the White House focuses on international terrorism.

There was once a time when currency was usually backed up with actual substance such as gold in Fort Knox or a national treasury, but that era is long gone. Now a currency is valuable because the

government and the markets say it is based on demand, but when a society bases most of its purchases on credit and isn't making enough to support those purchases the value of the dollar ends up plummeting.

Think of it like this: Someone buys 120 million widgets for \$1 each in a single year and pays for it with credit. They pay for the interest and the next year they buy another 120 million widgets and buy it on credit also, and keep doing it every year. They pay the interest on the widgets but they never actually pay it off. After 5 years they've bought 600 million widgets but have bought it on credit and have never paid any of the balance off, paying only the interest. Eventually the bank says: "No. We're not giving you any more credit. You have no intention of ever paying us back in full."

Imagine if I bought your old TV, but instead of paying for it with gold or something of value I gave you an IOU instead. If I kept buying stuff with IOUs and never paid them off you would eventually say "Hey, these IOUs are worthless!"

Unlike the widget example above the IOUs don't gain interest. But what is the point of interest if the value of things keeps going up due to inflation? The price of grain, food, oil, gold, and many other basic commodities are all skyrocketing in value, much higher than the actual rate of interest.

Imagine you have \$10,000 in the bank and the yearly compound interest rate is 5%. Over a year you would get \$500 in interest. But imagine for a moment if the value of food, gasoline and all commodities doubled in price in one year. Your \$10,500 isn't really worth the same as it used to be... it is now worth approx. \$5,250 in terms of actual purchasing power.

And so this is the situation the USA is in right now. Commodity prices are skyrocketing, which means America's GDP is going up because prices are going up due to inflation. But if you adjust the GDP to make up for the loss of currency value you realize what has really happened. The USA is now in a recession and Americans just hasn't realize it because the GDP numbers still look up, but they haven't clued in that the GDP's value has actually gone down.

In the last year the American dollar has dropped in value by approx. 18% compared to the Canadian dollar and the Euro (and numerous other commodities). So even though the US GDP increased 2.2% in 2007 in the amount of US dollars, the actual value of that GDP has shrunk by about 16%.

Couple that with a mortgage and credit crisis and the [United States](#) is in for a wild ride in terms of economics.

Politics wise it should make for an interesting 2008 election campaign.

Quotes about America's Economy

See what America's chief economists have been saying about the US economy:

"The consequences for the US economy of doing nothing could be severe." - Alan Greenspan.

"The world is set to jump off the top of a waterfall without knowing how deep the water is below." - Kenneth Rogoff, IMF (International Monetary Fund) Head of Economic Research.

"There's a 75% chance that the US will experience a currency crisis within five years." - Paul Volcker, Chairman of the US Federal Reserve.

"There's nobody home on economic policy in America right now. Its an accident waiting to happen." - Stephen Roach, Chief Economist, Morgan Stanley.

More Reasons Why the US Economy is Collapsing

#1. The United States government is currently running a budget deficit of \$1.8 billion/day. Too much deficit will create a weaker American dollar and cripple the US economy.

#2. The US National Debt is \$8 trillion+. It has to be paid back eventually by raising taxes.

#3. Oil prices are \$100+ per crude barrel, there is a shortage of oil refineries and demand is growing due to more car drivers world wide.

#4. China's economy is now bigger than the United States and China is now the centre of the global economy.



Enjoying this website?

Check out the [Lilith News](#).

Updates, news and commentary.

Looking for affordable ways to promote your website?

Try [WebRing](#).

Free and easy to use!

Ads by LGN

#5. China's trade exports out-matches the United States (ie. they can build cars/trucks/SUVs for half the price).

#6. English is becoming less important as an international business language. Mandarin Chinese is becoming more important.

#7. Global warming is causing drought and shortages of grain crops, causing bread and flour prices to skyrocket.

#8. US universities aren't creating enough graduates to compete on the global market. Tuition is too expensive and there isn't enough university professors.

#9. The baby boomers are retiring, creating a shortage of skilled workers.

#10. The White House is being complacent about the US economy and is ignoring the possibility of a depression.

#11. Automobile companies keep laying off unionized workers and moving their factories to China. The only car company building new plants and hiring workers in North America is Japanese car-maker Toyota (which only hires non-union workers).

#12. The US government sold off the bulk of its oil/gasoline reserves in 2002. It no longer has large stocks of oil reserves in case of a national shortage.

#13. Adult American taxpayers have an average of \$48,000 in debt due to credit cards, mortgages, university debts, etc. Now that the economy has gone sour many are losing their houses or declaring bankruptcy.

#14. The US dollar is notoriously easy to make counterfeit bills of. Thanks to modern computer printers, counterfeit is reasonably easy to make.

#15. The US economy still has not recovered from 9/11.

#16. The US economy relies on the consumption of goods at a decadent rate. If something happens that throws the economy for a loop, it can very easily fall into a depression.

#17. Global Warming is causing record hurricanes, storms, floods and ecological disasters are destroying homes & businesses in the United States. In addition to wrecking havoc and raising insurance prices, the storms also prevent oil rigs from drilling in the Gulf of Mexico, causing oil shortages.

#18. The health problems resulting from high obesity and unhealthy diets combined with a shortage of doctors is causing the US healthcare system to become highly capitalized so that only the wealthy and middle class can afford health care.

#19. Rising costs of airplane flights are stifling business trips by companies seeking to do business.

#20. Foreign investors are pulling out of the United States and investing in Asia instead.

#21. Five years of drought and Global Warming has caused many farmers in the American mid-west to declare bankruptcy. The US is facing a food shortage if current drought trends continue. People aren't building enough green houses to grow extra food.

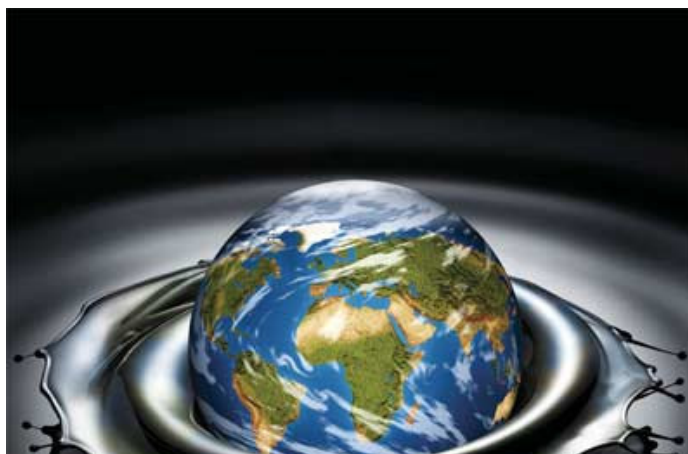
How do we Fix the US Economy?

How do you fix an economy once its gone into a depression? How do you prevent the current economy from going into a depression?

#1. Stop running a fiscal deficit. Balance the books as much as possible.

#2. Place trade quotas on Chinese goods in order to prevent "flooding of the market" or place trade tariffs on Chinese/Asian goods in order to raise extra money to pay off the National Debt.

#3. Invest in renewable energy sources. Long-term gain for a short-term investment.





9 captures
97 Mar 08 - 13 Apr 09

Go

OCT FEB MAR Close

9

2008 2009 2010 Help

#4. Invest in hydrogen fuel cell technol
cost down so its cheaper than oil/gasoline. Gasoline prices are the
biggest problem facing the United States economy. A cheaper
alternative is needed. Buying gasoline from overseas is basically
draining money from the American economy and shipping it to
other countries, making oil-tycoons rich and the American public
poor.



#5. Build more greenhouses in urban centres. Green houses
provide reliable fresh food to a growing population and reduces our
dependency on drought prone farms. If every grocery store built a
greenhouse on their rooftop, they could hire a greenhouse
technician to grow most of the vegetable food they need and buy
less food from distributors.

#6. Make Chinese (for Beginners) mandatory in highschools. It is the new language of business. Americans need to be more competitive in the global economy.

#7. Reduce tuition rates, train more university professors and build more universities. Our students need to be more competitive. Complacency will lead to financial ruin.

#8. Place a cap on credit card companies. Many Americans are in debt because they maxed out their credit cards on frivolous spending of things they don't need.

#9. Increase immigration (especially of skilled workers) to make up for babyboomers who are retiring.

#10. Americans need a president who is fiscally responsible. 8 years of George W. Bush will have seriously crippled the US economy.

[Art History Archive](#)

[Automotive eZine](#)

[Canada eZine](#)

[Entertainment eZine](#)

[Environmental eZine](#)

[Fashion eZ](#)

[Feminist eZine](#)

[Health eZine](#)

[Politics eZine](#)

[Religion eZine](#)

[Sex eZine](#)

[Technology eZine](#)

[About Us](#) [The Art History Archive](#) [The Lilith Gallery](#) [The Lilith eZine](#) [The Feminist eZine](#)

[<< Prev](#) | [Join Now](#) | [Politics Cafe](#) | [Random](#) | [Next >>](#)

[Visit a complete list of WebRing memberships here](#)