



Written by [William P. Hoar](#) on October 28, 2009

Razing Dollars: Obama Wants More Giveaways

Item: Speaking at the United Nations on September 23, President Barack Obama boasted of what his new administration had done already:

We've also re-engaged the United Nations. We have paid our bills. We have joined the Human Rights Council.... We have fully embraced the Millennium Development Goals....



We have sought — in word and deed — a new era of engagement with the world. And now is the time for all of us to take our share of responsibility for a global response to global challenges....

In an era when our destiny is shared, power is no longer a zero-sum game. No one nation can or should try to dominate another nation.

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Item: *Writing in the Los Angeles Times for September 23, in a piece called "The G-20's New World," Brazil's President Luiz Inacio Lula da Silva expressed "dismay" at the "reluctance of developed countries to embrace proposals for reform of the IMF and the World Bank. There is fierce resistance to putting teeth into financial markets' oversight mechanisms.... Bankers continue to be overpaid, while millions of men and women lose their jobs."*

The G-20 "must bring the representation and the voting power of developing countries into line with their relative weight in the world economy." Apparently speaking for "the poorest countries," the Brazilian President said, "we stand for more democratic and global governance."

Item: *An October 7 article from London by Washington Post "Foreign Service" writer Antony Faiola described a coming "power shift" in the global economy. "At a major summit in Pittsburgh..., leaders from the Group of 20 major economies, including President Obama, reiterated calls for an enhanced global role for the IMF. One fundamental change would be in the ranks of nations that call the shots there."*

Correction: There is inequality in the world. That's always been the case and will remain so in the future. The real problem is, as demonstrated above, that left-wingers, statist, and globalists strive to exploit this fact, transform it into envy, then use that resentment to accrue more political and economic power. What egalitarian demagogues usually neglect to mention is that the promised equality is going to take place by leveling down, by destruction, not through maximizing liberty, thus allowing men and nations to reach their full potential.

President Obama could never give away enough of our wealth — though he's certainly trying — to appease a radical such as Brazil's Lula. And Obama surely cannot believe his fatuous assertion to the UN membership — replete with despots, kleptocrats, and subjugators — that no nation *can* dominate another. To suppose that, one has to ignore all recorded history.



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Meanwhile, the commissars, sheikhs, and grand panjandrums of the world body really do not have the best interests of Americans at heart. To think otherwise is folly as well. Or worse. Yet the position of the U.S. government is to hand over more American tax dollars to those repressing some of the poorest people on the globe — which is essentially how foreign aid works. The process takes wealth from the poor and middle class in the United States, for example, and gives it away to the rich in impoverished nations. That's also what we are signing up for with the Millennium Development Goals to which the President has unilaterally committed us. Talk about overreaching. The unattainable goal is, alleged Obama, "eradication of extreme poverty in our time."

That would cost more than a pretty penny, if the global levelers even let us have pennies after they have depleted our dollars.

When he was running for President in October of 2007, Obama declared: "The United Nations has embraced the Millennium Development Goals, which aim to cut extreme poverty in half by 2015. When I'm president, they will be America's goals. The Bush administration tried to keep the U.N. from proclaiming these goals; the Obama administration will double foreign assistance to \$50 billion to lead the world to achieve them." Given his druthers, he'd throw even more good money after bad. A bill sponsored by Senator Obama would have committed Washington to spending 0.7 percent of the nation's GNP — driving up foreign-aid spending by an astonishing \$845 billion over 13 years.

Also, some have suggested that it doesn't matter if China, for example, holds so much of the U.S. public debt because it is in the vested interest of the Chinese not to rock the boat to hurt their investment. Yet, it is naïve to think that the butchers of Beijing are not going to extort something in return when it suits them. China has what amounts to a debt knife at the throat of the United States.

As it is, Beijing has been exerting its influence more because of this situation. As the *Washington Post* noted in another article on October 7: "The U.S. dollar continued its six-month slide Tuesday amid a growing international chorus that wants the dollar replaced — or at least supplemented — [as] the world's reserve currency, a move that would end the greenback's six decades of global dominance."

The recession has also opened the door for more disrespect for the dollar. Said the *Post*: "China was the first major power to attack the greenback, calling in March for the dollar to be replaced as the world's reserve currency. China holds more U.S. debt than any other country — about \$800 billion.... Both China and Russia have called for a new 'global supercurrency,' similar but larger in scale to the euro, that would replace the dollar."

None of this happened overnight. As economist Larry Kudlow has noted, "The dollar has been falling on and off for nearly 10 years, and it's in big trouble right now. The commodity inflation, housing bubble, and oil shock of recent years all can be traced to dollar weakness and excess money-creation by the Fed. A weak dollar helped destroy the Bush Boom and create the Great Recession. But now people are talking about ending the dollar's reserve-currency status."

The bleeding dollar is a bigger story than many pundits seem to think. The wound is largely self-inflicted — that is, if you think of the Fed as a U.S. institution. It has been churning out new money with more than reckless abandon. As the *Wall Street Journal* has explained: "The value of any currency is ultimately determined by the supply and demand for that currency. And the problem for the dollar at the moment is that there is a much larger supply of dollars than there is global demand for them. The solution rests not in Manila, Bangkok or Paris, but in Washington." The dollar supply, said the *Journal*, "is entirely a function of America's central bank, the Federal Reserve. The Fed has been flooding the



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world with dollars in the name of preventing a U.S. deflation after last year's panic, and it shows no sign of tightening any time soon."

China, meanwhile, seems to be hedging its bets, including buying gold. Richard Rahn, chairman of the Institute for Global Economic Growth, observed in the *Washington Times* in late September:

The Chinese are not stupid, and they have been vocal in saying they are concerned that U.S. policies will lead to a further fall in the dollar and higher rates of inflation, both of which undermine the value of their investment in U.S. government securities.

The Chinese are now trying to diversify their holdings — and their recent activity in buying large quantities of tradable commodities is probably, in part, a hedge against a falling U.S. dollar. Thus, at the same time, the U.S. government needs to sell trillions of dollars of new bonds. It is by its own actions driving away foreign purchasers of bonds, which can only result in higher interest rates in the United States, which will further slow economic growth.

What is particularly frightening is that neither political party has offered a serious plan to defuse the debt bomb. The Democrats are just piling up more debt as if there were no limit, and the Republicans, to date, are only proposing measures to reduce the increase, rather than reverse it. When the debt bomb explodes — within the next one to three years — expect to see record high real interest rates and/or inflation, coupled with a collapse of many "entitlements."



The economic policies being followed by the Obama administration and the Congress are going to make matters ever worse. While the Congressional Budget Office has estimated that the amount of federal debt held by the public grew from \$5.9 trillion to \$7.5 trillion — in one year, mind you — still, that is only part of the story. An analysis by Brian Riedl of the Heritage Foundation, including what the government has neglected to tell us, finds that actual budget deficits will much more likely add a head-shaking \$13 trillion to the national debt over the next decade. Writes Riedl:

Overall, Mr. Obama's agenda would increase the budget deficit by nearly \$4 trillion more than has been reported. Federal spending, which has generally remained between 18 percent and 22 percent of the economy since the 1950s, would surpass 28 percent by 2019. Federal spending per household would rise from \$25,000 per household in 2008 to more than \$37,000 per household. This represents an enormous, permanent increase in the size of government.

The national debt would surge. After borrowing just under \$6 trillion from 1789 through 2008 (plus nearly \$2 trillion in 2009), Washington would borrow \$13 trillion over the next decade — nearly \$100,000 for every household. By 2019, annual budget deficits would approach \$2 trillion and push the public debt to nearly 100 percent of GDP.

Merely paying the interest on this debt would soon cost taxpayers \$1 trillion annually, and spending and deficits would continue to rise thereafter. Just balancing the budget would require permanently raising



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taxes by \$12,000 per household.

We are being bled at home and abroad. That is the reality. If it makes you feel any better about your hard-earned money, which is doubtful, keep in mind the Millennium Declaration — which calls the United Nations “the indispensable common house of the entire human family, through which we will seek to realize our universal aspirations for peace, cooperation and development.” Right.

The efforts for an international currency, perhaps backed by the IMF, are cut from the same tapestry. At a recent conference in Washington, Bennett McCallum of Carnegie Mellon University suggested a way to look at the replacement of dollars with so-called Special Drawing Rights credits in the International Monetary Funds. One needs only imagine, he said with dismay, “how the world’s international monetary system would function if it were managed by an agency of the United Nations.”

— *Photo of President Obama at G-20 Summit: AP Images*



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