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Crashing the Dollar:

How to Survive a Global Currency Collapse

by Craig R. Smith and Lowell Ponte

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Executive Summary

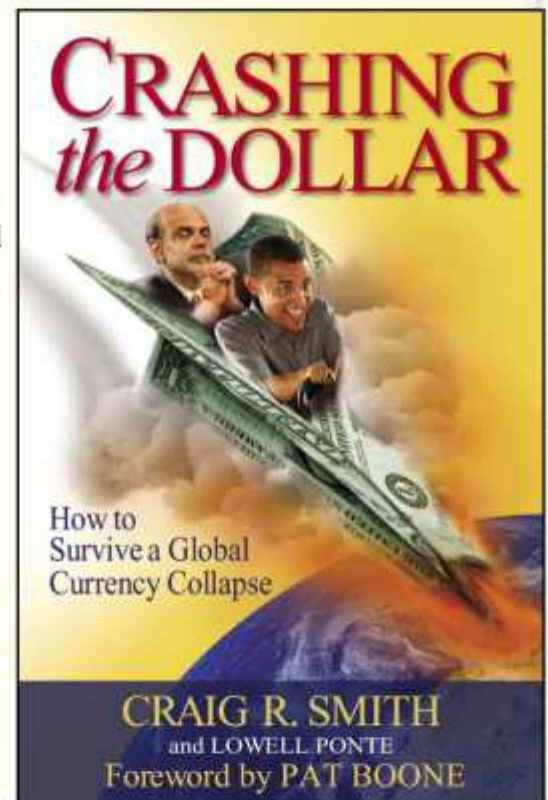
The current economic downturn - the worst since the Great Depression - will soon be replaced, this book predicts, by severe inflation that could destroy the value of the U.S. Dollar. The dollar is the world's "reserve currency," used in international purchases of oil and other key commodities, and in central bank reserves that many other countries use to support their own currencies.

Inflation is coming, this book argues, because the United States now has combined short-term and long-term obligations of more than \$120 trillion.

The most politically palatable way to pay these obligations is by "monetizing the debt," running tens of trillions of dollars off the printing press, which will cause the dollar's value to plunge and prices to soar.

Such a deluge of dollars would cause severe inflation - perhaps even hyper-inflation - in the U.S., as well as a potential domino-effect collapse of the U.S. Dollar and other major currencies and economies around the world.

Chapter One, "Inflatable America," traces the roots of today's economic problems to the Vietnam War era, when Democratic President Lyndon Johnson ended the dollar's convertibility into silver, and Republican President Richard Nixon closed the last window through which foreign central banks could exchange their dollars for gold at a fixed \$35/ounce rate. *(Continued on Page 2)*



Executive Summary

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Both these presidents wanted to remove the precious-metal constraints on their ability to print money - for Nixon, to create money to fund the war; for LBJ, to fund the war and his vast new "Great Society" welfare programs.

In Chapter Two, "The Politics of Debt," Smith, a monetary expert and the founder and Chairman of Swiss America Trading Corporation, and Ponte, a former Reader's Digest editor and think tank futurist, use the ongoing debasing of the dollar, cut adrift from its gold and silver anchors, as a mirror reflecting a fresh view of political, cultural and economic changes over four decades and seven presidencies since Nixon ended the dollar gold standard.

Chapters Three, "Houses of Cards," and **Four**, "Betting the House," examine how government manipulations of the home mortgage market led first to home-price inflation and then to a plunge in home prices and to the current economic crisis.

Chapters Five, "Decline of the Dollar," and **Six**, "The Dollar Death Spiral," explore how government has used deliberate inflation both to create the illusion of prosperity and as an invisible form of taxation. In inflation-adjusted dollars, the average American income has remained flat for more than three decades, a fact largely masked until 2008 by inflation, home equity growth, and the shift from one-earner to two-earner families.

America's seeming prosperity and world power since the 1971 severing of the dollar's gold anchor have come from borrowing - borrowing by individuals of growing equity in their homes, and borrowing 41 cents of every dollar Congress spends from Japan, China and others. These cheap credit lines will soon end, and this could end American power, success and dreams.

Chapter Seven, "Crashing the Dollar," considers political options and likely actions. Paying off America's astronomical debts would require politicians to double most federal taxes, or slash social welfare programs, or print vast quantities of money. It voices concern at President Barack Obama's ideology.

Chapter Eight, "Next Stop: Weimar," vividly describes 1922-23 Germany and its hyperinflation caused by a left-liberal government printing one sextillion - a 1 with 21 zeroes after it - Marks. This crashed its currency, making it worthless; caused bizarre economic chaos; destroyed social values of thrift, honesty and hard work; and paved the way to Adolf Hitler's Third Reich.

Chapter Nine, "Escaping Weimar," explores ways to prevent a "Weimerica," an American hyperinflation, by restoring a dollar gold standard. This is politically unlikely, write Smith and Ponte, but individuals with their own "gold standard" can thrive during a hyper-inflationary crash of the dollar. ■