



TODAY'S DAILY RECKONING:

The U.S. Dollar: From Strength to Weakness

London, England

Wednesday, 5 November 2008

...Our old friend Adrian Day, originally from London, England, now from Annapolis, Maryland, explains:

“The position of the United States today is approaching that of Britain at the end of World War II. Britain had been the world’s dominant economic, political and military power, with the world’s reserve currency. But by 1946 it was militarily stretched beyond its capacity, and highly indebted. The U.S. took over the #1 spot and the dollar became the world’s reserve currency, with the pound falling from five-to-one in 1946, down to parity four decades later.

“The problem with being the world’s reserve currency is that more money is created than is necessary for the domestic economy’s needs. For decades, the United States has created far more dollars than it needs, but it didn’t matter so long as other countries were prepared to buy and hold those dollars. But those dollars still exist. As other countries lose confidence and diversity, those dollars eventually come back...”