Go Forward to Gold

*How to lift the ‘reserve currency curse’*

By Lewis E. Lehrman & John D. Mueller

Charts for article in *National Review*

December 15, 2008
Foreign Dollar Deposits & U.S. Stock Market
Cowles Commission (Standard & Poor's 500) Index, 1920-32

Source: Federal Reserve, Standard & Poor's
Foreign Dollar Deposits & U.S. Consumer Prices
1929-1948

Source: Federal Reserve, Standard & Poor's
How Dollar Reserves Create "Hot Money"

Foreign official dollar reserve inflow drives net US nonreserve outflow (="hot money")

- a. Current account
- b. Pvt. capital account
- c. $ Reserves
- a+b. Nonreserve balance
World Dollar Base & Oil Supply vs. CPI Gasoline

Year/year: $ Base (lagged 32 months) / (U.S. manufacturing capacity x world crude oil supply)
"Parkinson's Debt Corollary"

Public debt expands to absorb all means of finance

- Share of GDP
- 120%
- 100%
- 80%
- 60%
- 40%
- 20%
- 0%


- US public debt
- debt to nonbank public
- net of govt holdings, e.g. trust funds
US Net Official Reserves v. Investment Position

-30% -20% -10% 0% 10% 20% 0% -10% -20% -30%

US net reserves  US net investment position  Net non-monetary assets
Gasoline Price vs. Presidential Voter Approval
Average retail price (all grades)

Sources: DoE; RealClearPolitics.com; Pollkatz.com; includes presidents-elect; R^2=.897