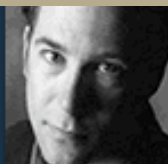


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WORLDNETDAILY EXCLUSIVE

U.S. dollar facing imminent collapse? Fed in bind as Paulsen, Bernanke head to China

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Jerome R. Corsi
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Even as the stock market is hitting new record highs almost every day, the Federal Reserve and Treasury Department are quietly coordinating a devaluation of the dollar that the Bush administration hopes will be a slow decline rather than a dollar collapse.



This week, in an unusual move, the [Bush administration](#) is sending virtually the entire economic "A-team" to visit China for a "strategic economic dialogue" in Beijing Dec. 14 and 15.

Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke are leading the delegation, along with five other



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cabinet-level officials, including Secretary of Commerce Carlos Gutierrez. Also in the delegation will be Labor Secretary Elaine Chao, Health and Human Services Secretary Mike Leavitt, [Energy Secretary](#) Sam Bodman, and U.S. Trade Representative Susan Schwab.

The Bush administration wants to get China's cooperation in preventing a dollar collapse. That's the conclusion of John Williams, an experienced professional econometrician, who writes the "[Shadow Government Statistics](#)" blog.

(Story continues below)

Williams has re-created M3, a money-supply measure whose data the Federal Reserve simply stopped publishing after issuing a technically worded [March 2006 announcement](#).

Williams reports M3 is currently growing at close to a 9.6 percent rate and trending higher, compared with an 8 percent rate early this year, when the Fed quit reporting the measure.

"The Fed is pumping liquidity into the U.S. economy," Williams told WND, "and the Fed evidently did not want the markets to follow too closely what the Fed was doing with the money supply."

China today now is holding a historically unprecedented \$1 trillion in foreign exchange reserves. During the Thanksgiving holiday, an announcement by China that their central bank planned to diversify foreign-exchange holding away from the dollar caused the dollar to drop in value on international currency markets. Since then, the dollar has hit a 20-month low against the euro.

"This was almost an orchestrated announcement," Williams

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claimed. "Around Thanksgiving the markets were thinly traded. I'm not sure who was playing games there, but the signal was clearly heard."

"You're dealing with mass psychology here," Williams argued. "The central bankers around the world know they are going to take a hit on their dollar holdings. None of the central bankers want to start a dollar panic, but none of the central bankers want to be the last out of the dollar, either."

Williams explained that the Federal Reserve is in a bind.

"Raising rates would kill any chance of avoiding a recession, but in terms of the dollar, we can't raise the rates fast enough when the dollar starts to slip quickly."

Are we experiencing a dollar collapse?

"Not yet," Williams answered. "I believe we're going to have a dollar collapse, but the Fed is going to do its best to slow play the dollar's decline in value, so that it takes a year or two for the dollar value to reach its low point."

Williams explained the risk of collapse the dollar faces:

"There will be a central bank, most probably in Asia, who will start the move away from the dollar and when it happens, you're going to see other central bankers covertly trying to follow. The move will magnify very quickly and it could become a full-fledged panic and a dollar collapse."

The Fed is struggling right now to contain inflation and stimulate economic growth. All the Fed is doing right now with all their

Where
does
Chuck
Norris
write?

Anywhere
he
wants.





grand policy shifts is using a lot of propaganda and market massaging to try to prevent a financial panic."

Recent reports have shown that U.S. gross domestic product growth slowed to 1.6% in the third quarter, the lowest in more than 3 years.

Will a declining dollar help narrow the U.S. trade deficit with China?

"You could take a 30 percent decline in the value of the dollar," Williams argued, "and it wouldn't make much of a dent in our trade deficit with China, not as long as Bush administration trade policy continues to be one-sided in favor of China."

"The Fed is faced with an impossible circumstance with the trade and budget deficits being run by the Bush administration," Williams told WND, "and they are just playing games with the markets and the public by not publishing M3, the broadest measure of money supply and the best indicator we have of long-term activity."

M3 is the broadest measure of the total money in the economy, including checking and savings accounts, cash, time deposits, and money-market funds. Economist Milton Friedman, one of the key economists contributing to the conservative theories that led to the development of "Reaganomics," argued that money supply is a key measure correlated both with economic growth and inflation.

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