



TUESDAY, JANUARY 25, 2005

US Deficit Rising; US Dollar Falling

by Michael in New York on [1/25/2005 09:40:00 PM](#)

Tension is growing around the world over the ballooning budget deficits and the weakening dollar. Europeans say they're bearing too much of the cost of Bush's profligate ways, no one thinks he's up to the task of tackling the deficit, and analysts compare our economy to the tepid Japanese economy of the 90s that went into a tailspin and lengthy recession.

Even China is chiding Bush. "The prime minister complained about the fall of the dollar, asking, 'Shouldn't the relevant authorities be doing something about this?'" according to the New York Times.

In an unrelated article (darned if I can find it) it was noted that even criminals are abandoning the dollar: in Russia's blackmarket, the US dollar used to dominate but the euro is gaining on it by leaps and bounds. (This might also be due to the fact that the euro comes in 500 note currencies that make carrying larger amounts of cash around that much easier.

And as [Paul Krugman points out](#) in an aside in a column about the replacement for Alan Greenspan,

"The United States is running record budget and trade deficits, and the foreigners we depend on to cover those deficits are losing faith. According to yesterday's Financial Times, central banks around the world have already started shifting into euros. If Mr. Greenspan is replaced with someone who looks like a partisan hack, capital will rush to the exits, the dollar will plunge, and interest rates will soar."

Nonsense says Treasury Secretary John W. Snow. He's a deficit "hawk!"

Oh wait: The [latest NYT headline](#) says:

White House Predicts \$427 Billion Deficit, Including New War Costs

If you've got a floating interest rate on your mortgage, now might be a good time to lock it in.



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Waterloo, But for Who? Liveblog 3 - The mini-tutorial on deficits is good. Will it sink in? Will anyone say, hey, the Iraq war is costing TWICE what this reform is going to cost? No.

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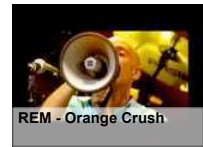
Ben Smith

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