

Go Forward to Gold

How to lift the 'reserve currency curse'

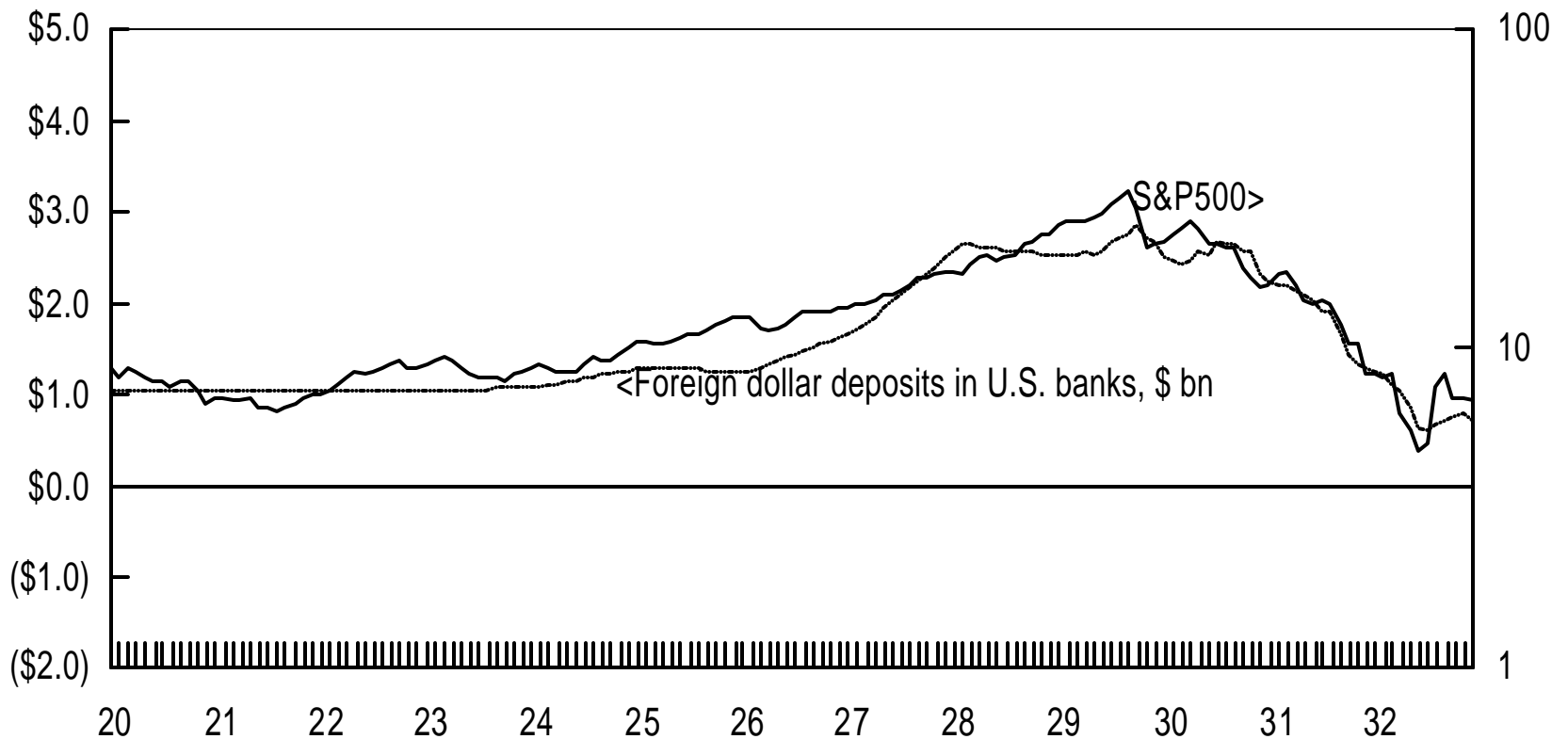
By Lewis E. Lehrman & John D. Mueller

Charts for article in *National Review*

December 15, 2008

Foreign Dollar Deposits & U.S. Stock Market

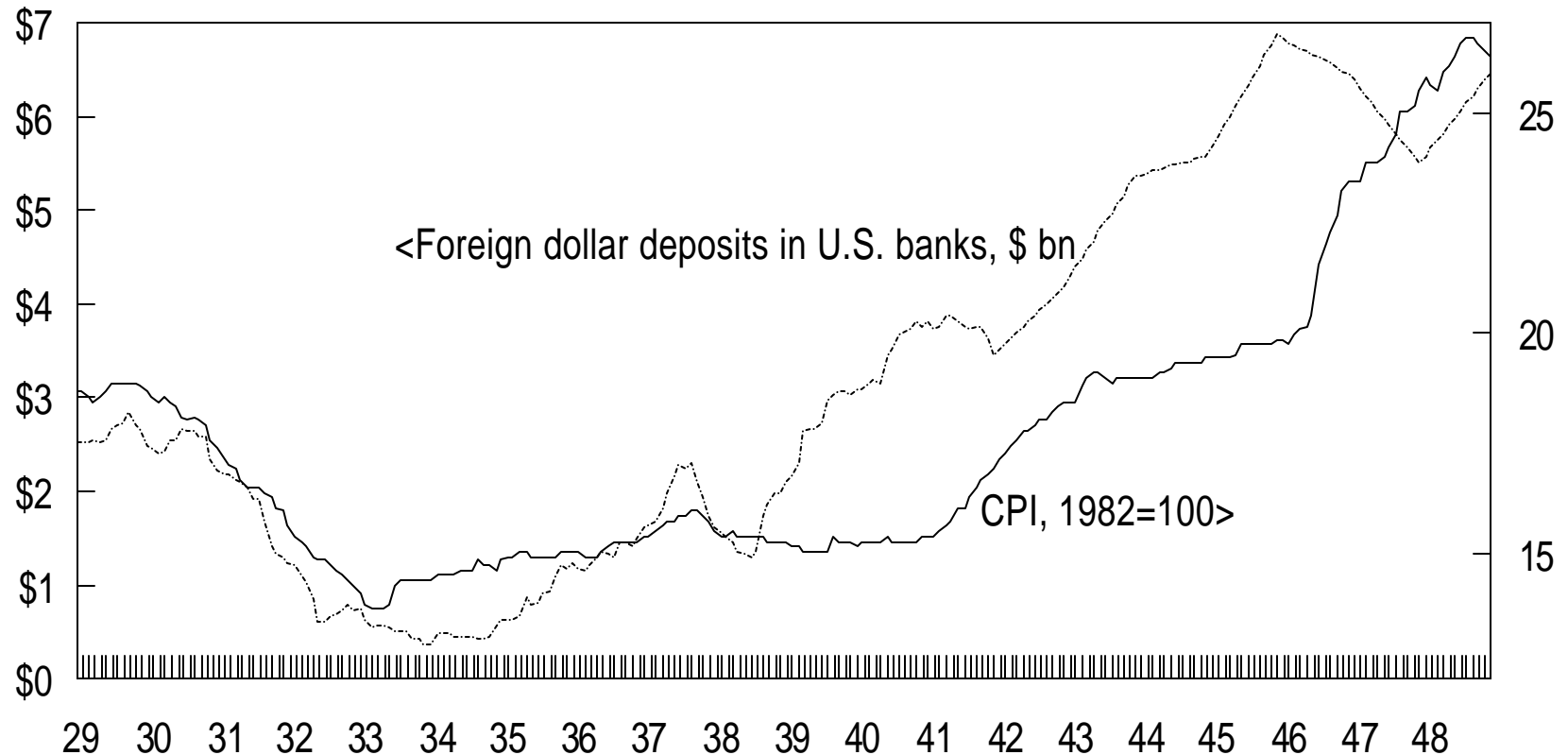
Cowles Commission (Standard & Poor's 500) Index, 1920-32



Source: Federal Reserve, Standard & Poor's

Foreign Dollar Deposits & U.S. Consumer Prices

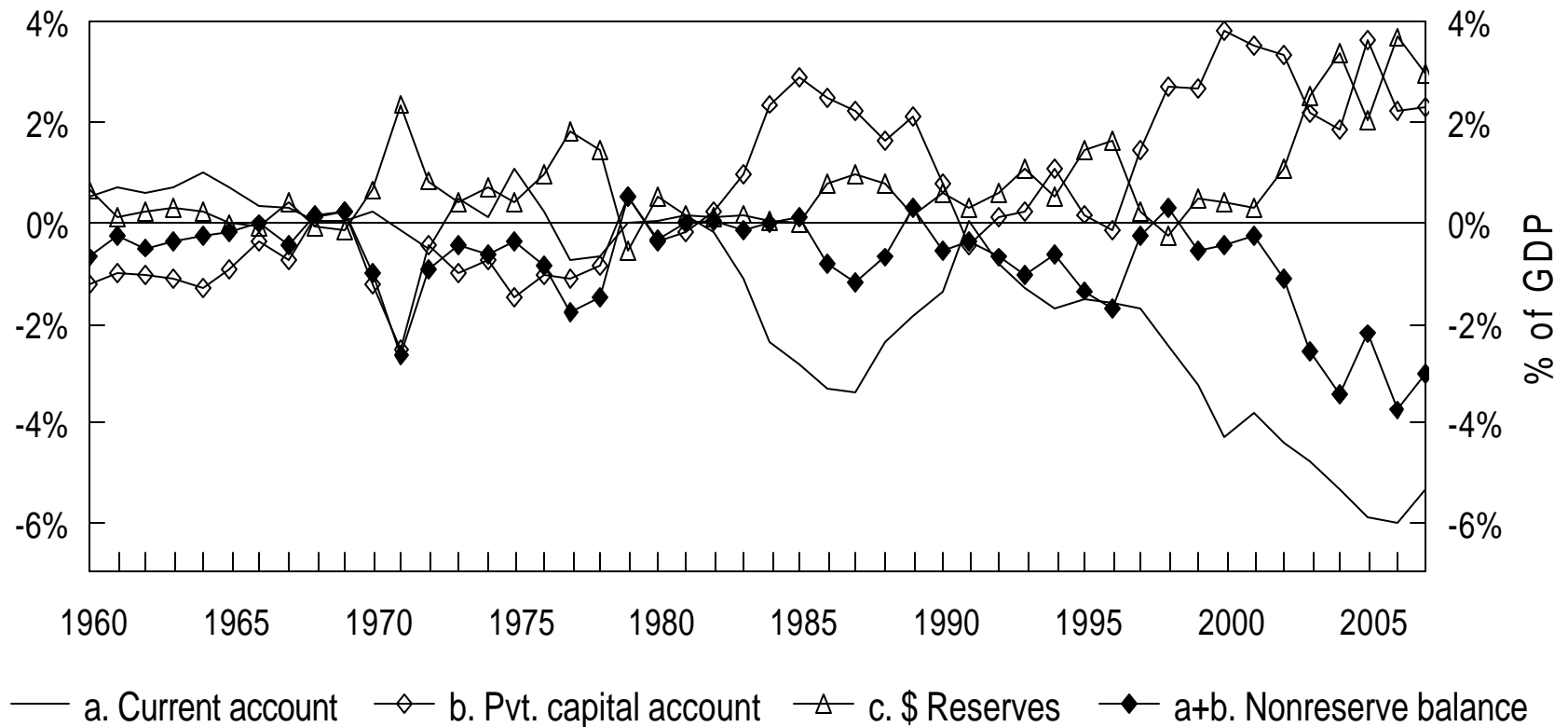
1929-1948



Source: Federal Reserve, Standard & Poor's

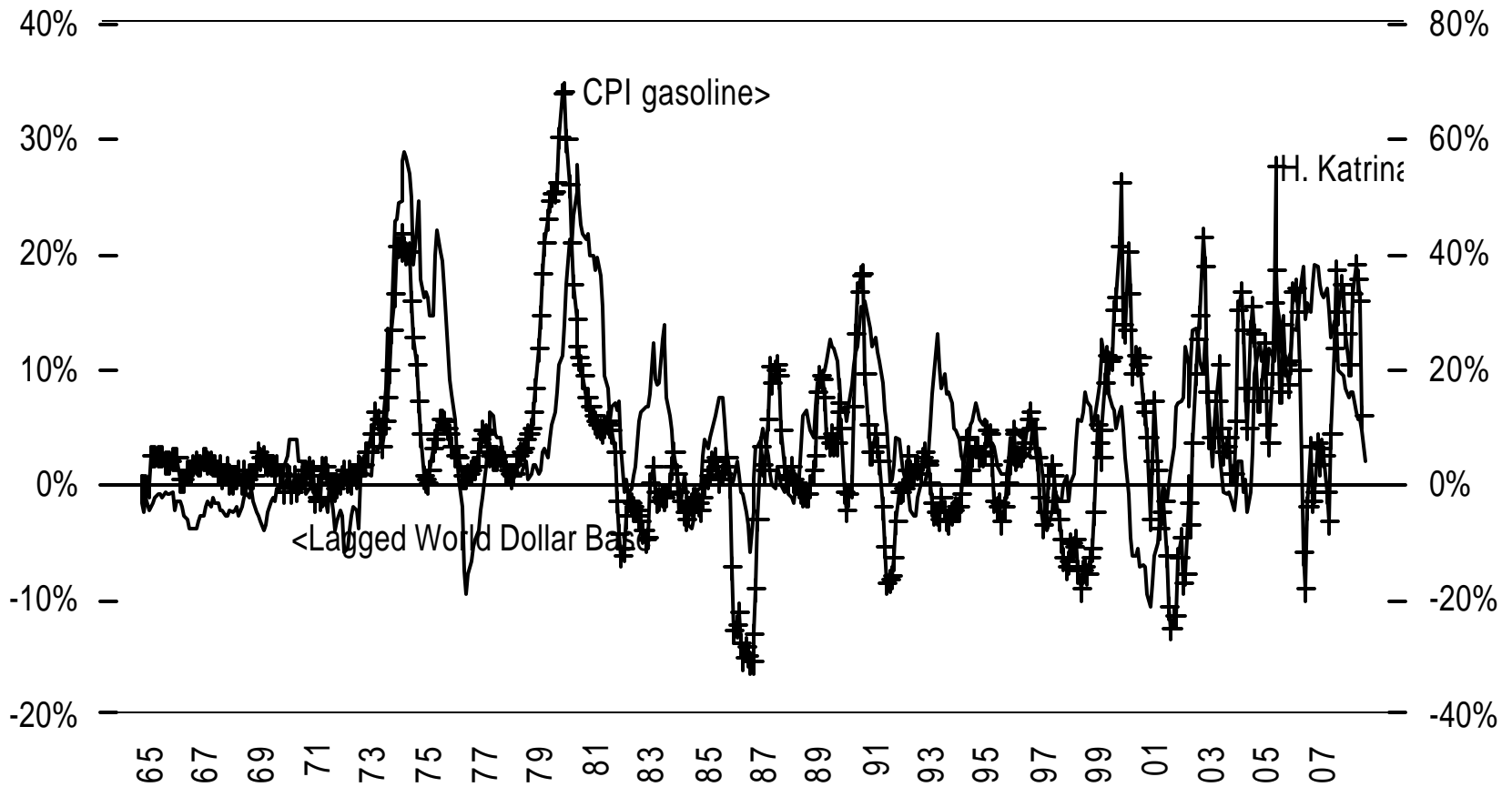
How Dollar Reserves Create "Hot Money"

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



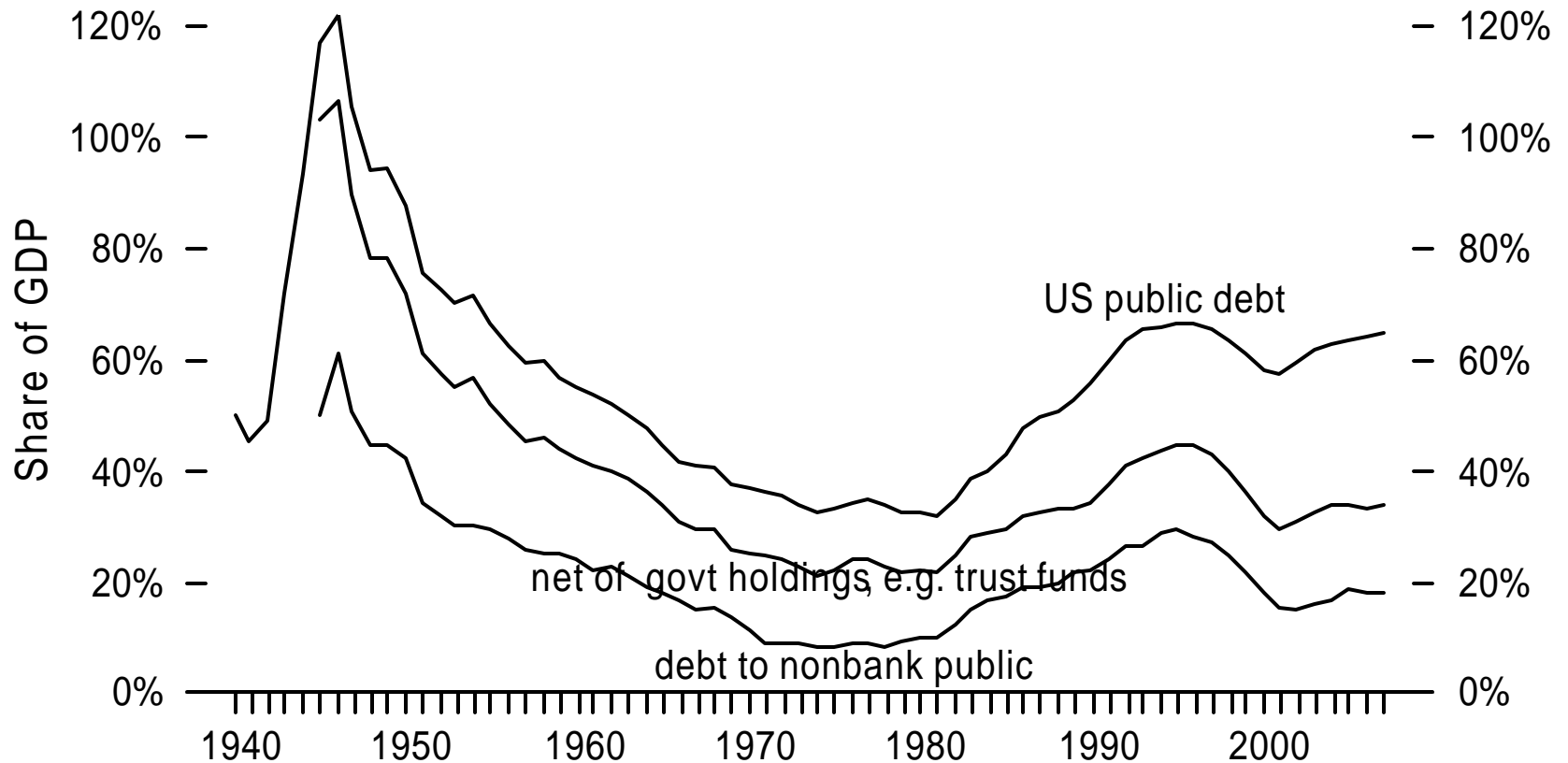
World Dollar Base & Oil Supply vs. CPI Gasoline

Year/year: \$ Base (lagged 32 months) / (U.S. manufacturing capacity x world crude oil supply)

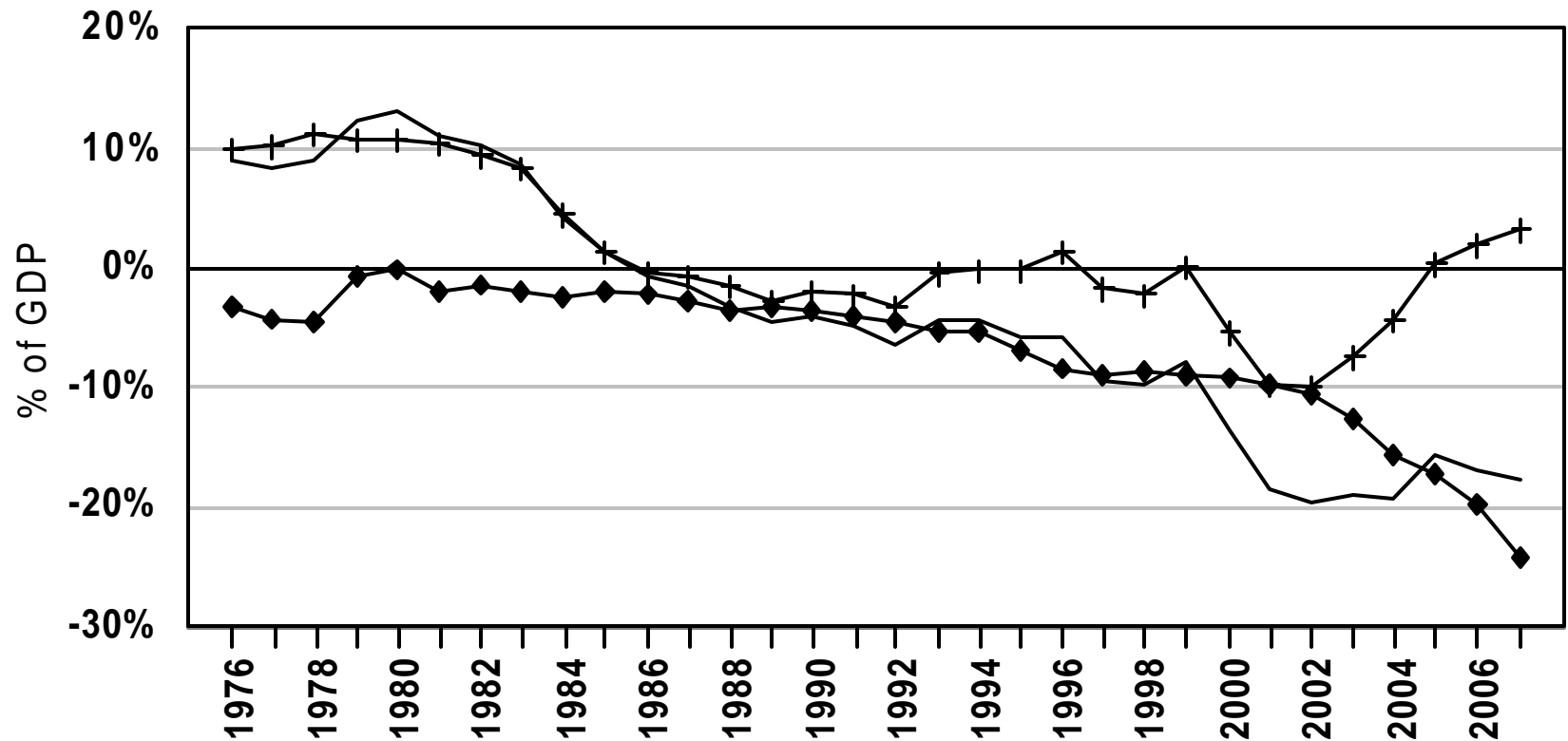


"Parkinson's Debt Corollary"

Public debt expands to absorb all means of finance



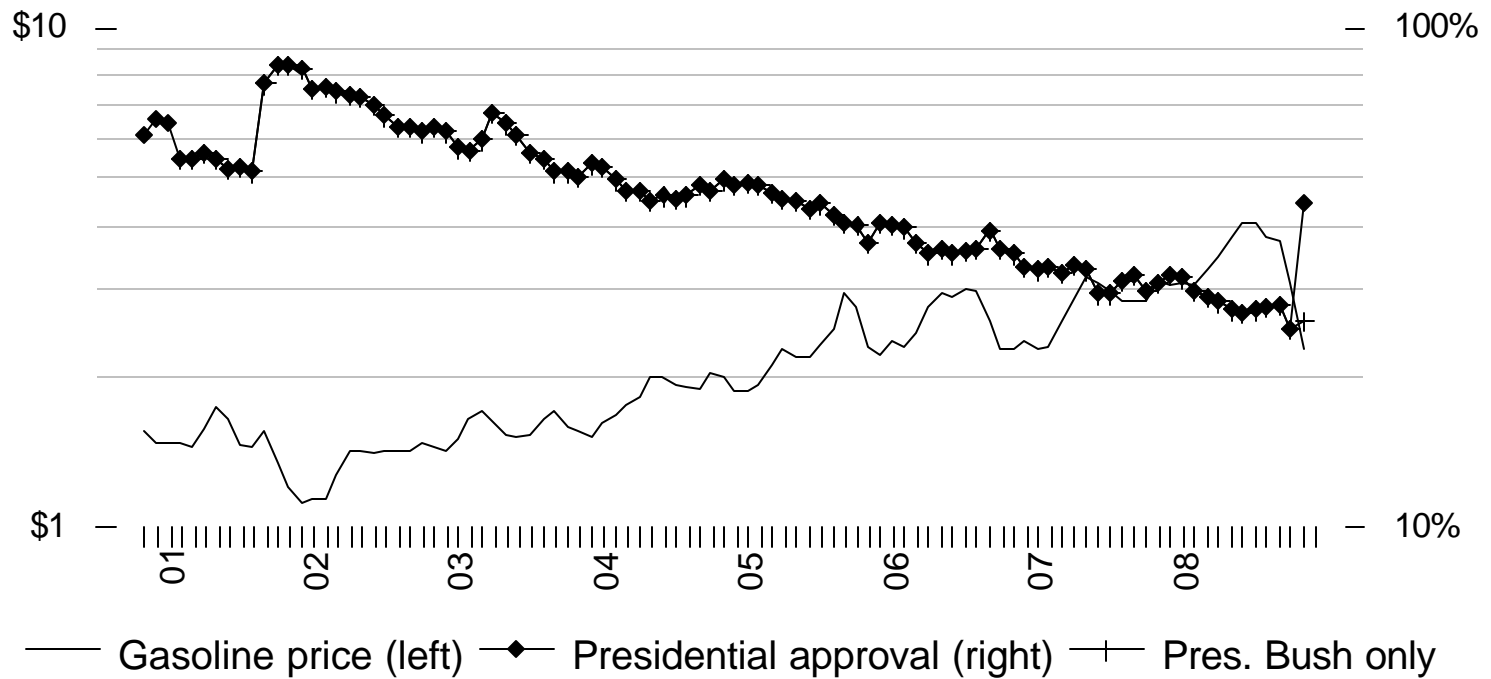
US Net Official Reserves v. Investment Position



◆ 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; $R^2=.897$