Crash of the Dollar, When?

Everyone knows that the dollar will eventually crash. The big question is when.

For two very different views on the subject, here is what billion-dollar fund manager Peter Schiff and investment advisor Mike "Mish" Shedlock say on what's in store for the dollar in 2009.

Schiff believes that – starting soon after Obama's inauguration – the dollar will experience its biggest plummet yet, as the Obama administration prepares to print off several trillion more greenbacks (money used to pay for bailouts and his "stimulus" packages). Schiff believes that this will create an unprecedented amount of inflation, which will trash the follar and cause gold prices to skyrocket.

On the other hand, Mish argues that deflation – not inflation – will rule in 2009, and says of the dollar:

> Where the dollar goes will depend greatly on what foreign central banks do. Additional cuts by the ECB, BOE, and China will be dollar friendly. I expect those to happen. I am sticking with a thesis that has the dollar index in a trading range of 75-90 for most of the year. If Obama proves to be more fiscally prudent than the market participants think (this is quite possible because no prudence at all is expected), then the dollar can easily bust the top of that range. If the ECB refuses to cut in the face of an expanding recession, the dollar can fall to the bottom of that range.
>
> It is highly unlikely the dollar crashes in 2009. The dollar already crashed. There is no other word for a plunge from 120 to 70 on the US dollar index. Furthermore, seignior currencies tend to strengthen in deflation and there is no reason to believe deflation will come to an abrupt end.***
>
> China is a wildcard, as is war in Mideast between Israel and Iran, as is protectionist legislation coming from Congress. On the positive side, pulling troops out of Iraq is likely dollar friendly. The rationale is spending money in the US where we at least get something out of it on the asset side of the balance sheet is better than wasting money dropping bombs. And finally it is possible that Obama makes peaceful overtures towards Iran, defusing a messy situation. This too would likely be dollar friendly.

As always, one's views on inflation versus deflation are key to one's prediction on where the dollar is heading. Indeed, Schiff and Mish have been debating inflation versus deflation for approximately a year, and their debate about the dollar is just one facet of the debate.

Source:
http://georgewashington2.blogspot.com/2009/01/wheres-dollar-heading-in-2009.html

The original source of this article is [George Washington Blog](#)
Copyright © [Global Research](#), [George Washington Blog](#), 2009

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Global Research](#)