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Green over dollar

ANY other country with the persistent deficits and huge national debts that the United States is saddled with would be in serious economic crisis. Its currency would have sunk. Why not the US dollar?

One compelling reason is that the rest of the world still has faith in the greenback and will readily accept it for international trade and investment.

But, as Prime Minister Datuk Seri Dr Mahathir Mohamad has reiterated, the dominance of the US dollar is unhealthy because of the dangers of currency manipulation. It makes sense for countries to reduce their overdependence on the US dollar and use other currencies such as the euro, yen and even gold, for trade and international transactions.

Any commodity, be it a mineral or currency, there will have value attached to it as long as people want it and are prepared to pay for it. It all simply boils down to supply and demand. The US economy is the world's largest economy, and this is one important reason why many people in the world still have trust in the US dollar.

However, they seem to have overlooked the fact that the US economy is also heavily debtridden and its currency's value is holding up because the rest of the world is buying US dollars that are flooding the market.

In other words, the US is living beyond its means and can continue to do so because the world is financing it. This poses risks to the US - and the world economy.

That being the case, there is ample reason for countries to move away from the US dollar. All it requires is a more acute appreciation of economic self-interest.