

Re: What could China do to the American economy if they traded their dollars for Euros?

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- *From:* "Robert Miller" <[stargazr@xxxxxxxxxxxx](mailto:stargazr@xxxxxxxxxxxx)>
  - *Date:* Sat, 11 Nov 2006 08:58:04 -0700
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"S. Doo" <[none@xxxxxxxxxxxx](mailto:none@xxxxxxxxxxxx)> wrote in message  
[news:755jj2lv1cq2q7dh8pb5i7ks1lvkppk8rg@xxxxxxxxxxxx](mailto:news:755jj2lv1cq2q7dh8pb5i7ks1lvkppk8rg@xxxxxxxxxxxx)

On Fri, 20 Oct 2006 22:11:20 -0600, "Robert Miller"  
<[stargazr@xxxxxxxxxxxx](mailto:stargazr@xxxxxxxxxxxx)> wrote:

China has a Trillion dollar balance. What could they do if they wanted to hurt us or get Taiwan?

"Get Taiwan" with dollars? What, buy it?

If they dump their dollars and buy Euros. It seems to me the dollar would be in for a very bad time, devalued by how much?

Well, let's start from the beginning:

The Chinese gov't got that money to invest in US dollars by borrowing it from the Chinese people's savings — \*poor\* people, overwhelmingly, who have no social security system or western style pensions to carry them in their old age, and who thus have a very high personal savings rate to provide for themselves, with their savings kept in banks that collect the money the gov't invests.

OK, so the Chinese gov't borrows this money from its people, then it invests this money in a trillion \$US.

Then the Chinese gov't decides to drive down the value of the US dollar by dumping it.

Let's say the dollar drops in value by fully half, a good 50%.

Now the Chinese people have had the value of their savings halved, and their retirement wealth such as it was is gone, because the gov't

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can't repay them. Now how happy are they with their gov't?

Can you say "Tiananmen Square times one billion"?

#### Dollar Drops Further on China Diversification

LONDON -- China will diversify its \$1 trillion foreign exchange reserves, the largest in the world, across different currencies and investment instruments,

including in emerging markets, Chinese central bank governor Zhou Xiaochuan said on Friday.

His remarks sent the dollar tumbling for a second day and fuelled a growing debate about how China should best use its fast-growing reserves, which are about 70 percent in U.S. debt securities, bankers estimate.

I guess now we can see what strategy the Chinese will use, and how much they want to influence U.S. policy if that's what they intend to do.

Smart Chinese govt! They sure taught the Americans a lesson!

Robert Miller