

Israel Lobby Routs Obama As Dollar Dies

Friday, 13 November 2009

By Paul Craig Roberts

(source: rences.com)

It did not take the Israel Lobby long to make mincemeat out of the Obama administration's "no new settlements" position. Israeli Prime Minister Netanyahu is bragging about Israel's latest victory over the US government as Israel continues to build illegal settlements on occupied Palestinian land.

In May President Obama read the Israelis the riot act, telling the Israeli government that he was serious about ending the Israeli conflict with the Palestinians and that a lasting peace agreement required the Israeli government to abandon all construction of new settlements in the occupied West Bank.

On November 10 Obama's White House chief of staff, Rahm Israel Emanuel, surrendered for his boss at the annual conference of the United Jewish Communities.

The ongoing Israeli settlements, he said, should not be a "distraction" to a peace agreement.

Allegedly, the US is a superpower and Israel is a client state whose very existence depends entirely on US military and economic aid and diplomatic protection. Yet, in the real world it works the other way. Israel is the superpower and the US is its client state.

This true fact is proved to us at least once every week and sometimes two or three times in one week. A few days ago the US House of Representatives voted 344 to 36 in favor of disavowing the UN report by the distinguished Jewish judge Richard Goldstone that found that Israel had committed war crimes in its attack on the civilian population in the Gaza Ghetto. The Israel Lobby demanded that the House repudiate the fact-filled report, and the servile House did as its master ordered.

US Rep. Dennis Kucinich spoke to his colleagues for 2 minutes in an effort to make them see that their vote against the Goldstone report would be a great embarrassment to the US government and demean the House in the eyes of the world.

But none of that matters when Israel gives its servants an order. The US House of Representatives preferred to demean itself and to embarrass the US Government rather than to cross the Israel Lobby.

Retribution quickly fell upon Kucinich for his 2 minute speech. On November 9, Kucinich was forced to withdraw as the keynote speaker for the Palm Beach County (Florida) Democratic Party's annual fundraising dinner. The Israel Lobby gave the order-dump Kucinich or there's no money and no one is coming to the dinner. County Commissioner Burt Aaronson called Kucinich "an absolute horror."

Kucinich is the rare Democrat who stands up for his party's principles, the working class, and tried to get health care for those Americans the corporations have thrown out on the street. But helping Americans doesn't count. Israel über alles. Meanwhile, the US dollar continues to decline relative to other traded currencies. Since spring, anyone could have made a double-digit rate of return betting on most any currency against the US dollar.

The International Monetary Fund (IMF) recently expressed concern that despite the dollar's continuing slide, it might still be over-valued. The Federal Reserve's low interest rate policy encourages speculators to use the dollar for the "carry trade." Speculators, whether individuals or financial institutions borrow dollars at rock bottom interest rates and use the almost free capital to purchase higher yielding instruments in other countries. The demand for dollars to finance the "carry trade" keeps the dollar higher than it would otherwise be.

Last year it was the Japanese Yen that was used for the "carry trade" due to the practically zero Japanese interest rates. The next scare that unwinds the "carry trade" will cause another big drop in financial asset values. This means that the stock market is very volatile. It is based on speculation, not on fundamentals.

When the "carry trade" next unwinds, the demand for US dollars to pay off the loans will temporarily boost the dollar. But don't be fooled. The large US trade and budget deficits are the dollar's death warrant. When the dollar finally goes, so will the government's ability to conduct wars of aggression, underwrite Israel, finance its red ink and pay for imports. That's when the printing press will really get going.