U.S. must do more to start saving money

While we were celebrating the holidays, China and Japan were working to insulate their economies from the financial instability of U.S. markets.

On Dec. 25, they signed an agreement to begin direct trading of their currencies.

This is a significant development.

One of the reasons many goods and services cost less in the United States than in the rest of the world is because of the dollar's status as the world's reserve currency.

When countries engage in international trade, they typically convert their domestic currencies to U.S. dollars. This agreement has been in place – and working to our advantage – since the end of World War II.

The reason we're paying $3.50 a gallon for gasoline while our counterparts in other countries are paying $8 or more has everything to do with how the dollar anchors the global financial system.

The arrangement between China and Japan is a calculated attempt to begin to change that.

The primary reason nations want to sever ties to the dollar is obvious. The United States can't manage money.

Currently, China has around $3.5 trillion in reserve assets; Japan has about $1.3 trillion. Even the euro zone – which is in the middle of a well-publicized debt crisis – has roughly $912 billion.

The United States, in stark contrast, has only $149 billion available in case of emergency.

Moreover, the national debt ($15.23 trillion) is now larger than the entire U.S. economy ($15.17 trillion).

Our government continues to display the same fiscal ineptitude as many of its citizens; i.e., we do not value saving as a safeguard against economic uncertainty.

My grandparents grew up during the Great Depression and understood the importance of saving money.

It's a lesson we still need to learn.

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