

The Stench of US Economic Decay: Russia and China Dump the US Dollar

By [Dr. Paul Craig Roberts](#)

Global Research, November 29, 2010
29 November 2010

Region: [USA](#)

Theme: [Global Economy](#)

On Thanksgiving eve the English language China Daily and People's Daily Online reported that Russia and China have concluded an agreement to abandon the use of the US dollar in their bilateral trade and to use their own currencies in its place. The Russians and Chinese said that they had taken this step in order to insulate their economies from the risks that have undermined their confidence in the US dollar as a world reserve currency.

This is big news, especially for the news dead Thanksgiving holiday period, but I did not see it reported on Bloomberg, CNN, New York Times or anywhere in the US print or TV media. The ostrich's head remains in the sand.

Previously, China concluded the same agreement with Brazil.

As China has a large and growing supply of dollars from trade surpluses with which to conduct trade, China is signaling that she prefers Russian rubles and Brazilian reals to more US dollars.

The American financial press finds solace in the episodes when sovereign debt scares in the EU send the dollar up against the euro and UK pound. But these currency movements are just measures of financial players shorting troubled EU-denominated debt. They are not a measure of dollar strength.

The dollar's role as world reserve currency is one of the main instruments of American financial hegemony. We haven't been told how much damage Wall Street fraud has inflicted on EU financial institutions, but the EU countries no longer need the US dollar for trade between themselves as they share a common currency. Once the OPEC countries cease to hold the dollars that they are paid for oil, dollar hegemony will have faded away.

Another instrument of American financial hegemony is the IMF. Whenever a country cannot make good on its debts and pay back the American banks, in steps the IMF with an austerity package that squeezes the country's population with higher taxes and cuts in education, medical and income support programs until the bankers get their money back.

This is now happening to Ireland and is likely to spread to Portugal, Spain, and perhaps even to France. After the American-caused financial crisis, the IMF's role as a tool of US imperialism is less and less acceptable. The point could come when governments can no longer sell out their people for the sake of the American banks.

There are other signs that some countries are tiring of America's irresponsible use of power.

Turkey's civilian governments have long been under the thumb of the American influenced Turkish military. However, recently the civilian government moved against two top generals and an admiral suspected of involvement in planning a coup. The civilian government further asserted itself when the prime minister announced on Thanksgiving day that Turkey is prepared to react to any Israeli offensive against Lebanon. Here is an American NATO ally freeing itself from American suzerainty exercised through the Turkish military. Who knows, Germany could be next.

Meanwhile in America the sheeple remain content with, or blind to, their role as sheep to be slaughtered to feed the rich. The Obama administration has managed to come up with a Deficit Commission whose members want to pay for the multi-trillion dollar wars that are enriching the military/security complex and the multi-trillion dollar bailouts of the financial system by reducing annual cost-of-living increases for Social Security, raising the retirement age to 69, ending the mortgage interest deduction, ending the tax deduction for employer-provided health insurance, imposing a 6.5% federal sales tax, while cutting the top tax rate for the rich.

Even the Federal Reserve's low interest rates are aimed at helping the banksters.

The low interest rates deprive retirees and those living on their savings of interest income. The low interest rates have also deprived corporate pensions of funding. To fill the gap corporations are issuing billions of dollars in corporate bonds in order to fund their pensions. Corporate debt is increasing, but not plant and equipment that would produce earnings to service the debt. As the economy worsens, servicing the additional debt will be a problem.

In addition, America's elderly are finding that fewer and fewer doctors will accept them as patients as a 23% cut looms in the already low Medicare payments to doctors.

The American government only has resources for wars of aggression, police state intrusions, and bailouts of rich banksters. The American citizen has become a mere subject to be bled for the ruling oligarchies.

The police state attitude of the TSA toward airline travelers is a clear indication that Americans are no longer citizens with rights but subjects without rights. Perhaps the day will come when oppressed Americans will take to the streets like the French, the Greeks, the Irish, and the British.

The original source of this article is Global Research
Copyright © [Dr. Paul Craig Roberts](#), Global Research, 2010

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

[Become a Member of Global Research](#)

Articles by: [Dr. Paul Craig Roberts](#)

About the author:

Paul Craig Roberts, former Assistant Secretary of the

US Treasury and Associate Editor of the Wall Street Journal, has held numerous university appointments. He is a frequent contributor to Global Research. Dr. Roberts can be reached at <http://paulcraigroberts.org>

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca