

Will the End of the Petrodollar End the US Empire?

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Future historians may say that the most significant event of 2023 had nothing to do with Donald Trump, other 2024 presidential candidates, or even the war in Ukraine. Instead, the event with the most long-term significance may be one that received little attention in the mainstream media — Saudi Arabia's movement toward accepting currencies other than the US dollar for oil payments.

After President Nixon severed the last link between the dollar and gold, his administration negotiated a deal with the Saudi government. The US would support the Saudi regime, including by providing weapons. In exchange, the Saudis would conduct all oil transactions in dollars. The Saudis also agreed to use surplus dollars they accumulated to purchase US Treasury bonds. The resulting "petrodollar" is a major reason why the dollar has maintained its world reserve currency status.

Also this year, China and Brazil made an agreement to conduct future trade between the countries using the countries' own currencies rather than dollars. Brazilian President Lula da Silva has called on more nations to abandon the dollar.

This de-dollarization movement is driven in part by resentment of America's foreign policy, including, in particular, the US government's increasing use of economic sanctions. Dethroning the dollar from its world reserve currency status makes it easier for countries to ignore these sanctions.

De-dollarization will negatively impact the US government's ability to manage its over 30 trillion dollars debt. With a few exceptions, there is still no real support in Congress for spending cuts. Republican leadership members may say they will not support a debt ceiling increase unless it is tied to spending cuts. However, after the Biden administration accused the Republicans of wanting to cut Social Security and Medicare, House Speaker Kevin McCarthy declared a reduction in spending on Social Security and Medicare — big drivers of

the federal deficit — “off the table.” Similarly, despite the growing skepticism of foreign interventionism among Republicans, the military-industrial complex maintains a viselike grip on congressional leadership and the White House. Therefore, do not expect any reduction in military spending. Instead, the Pentagon’s budget will likely increase.

The Federal Reserve will face continuing pressure to monetize ever-increasing federal debt and keep interest rates (and thus the federal government’s borrowing costs) low. The resulting inflation will lead to more support for ending the dollar’s world reserve currency status. As more countries abandon the dollar, the Fed will become less able to monetize the federal government’s debt without creating hyperinflation. This will result in a dollar crisis and an economic meltdown worse than the Great Depression.

This crisis will lead to the end of the welfare-warfare-fiat currency system. While history suggests this will lead to the rise of even more authoritarian political movements, the growing popularity of libertarian ideas suggests the collapse will also fuel the further growth of the liberty movement. This could mean that the crisis leads to a restoration of limited government and an advancement of liberty. The key to taking full advantage of the opportunity presented by the crisis is to keep spreading our ideas. Fortunately, we do not need a majority; we just need a tireless, irate minority committed to the cause to regain our liberty.

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