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Iran Drops the Dollar, Begins Selling Its Oil in Euros

The potential impact of this decision on world markets would be difficult to understate. For decades, OPEC countries accepted only U.S. dollars for oil, effectively pegging to oil a currency unbacked by gold or silver. The phenomenon of the “petrodollar” has probably helped to maintain international confidence in the dollar in spite of the Fed’s inflationary policies. But if other countries, like Venezuela, follow Iran’s lead and begin selling their oil for other currencies (a financially prudent if politically risky choice, given the dollar’s recent free-fall), fragile confidence in the dollar’s long-term viability could suffer irreparable damage. Among other possible consequences, countries with large dollar holdings could decide to liquidate those assets, creating a flood of dollars and inflationary side-effects beyond any American consumer’s wildest dreams.



Iran, which has every political incentive to undermine the American dollar, has also been reducing its central bank’s dollar holdings, according to the CNN report. While the Iranian regime can scarcely be regarded as a trendsetter, it is possible that Tehran’s actions may be a portent of worse to come.



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