

Will the End of the Petrodollar End the U.S. Empire?

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.

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.

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



Written by [Ron Paul](#) on April 17, 2023

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.

Ron Paul is a former U.S. congressman from Texas. This [article](#) originally appeared at the Ron Paul Institute for Peace and Prosperity and is reprinted here with permission.



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