

DEATH OF PETRO DOLLAR



The Petro-Dollar



The gold standard was abandoned in 1971 when the Nixon administration ended the practice, and the value of the US dollar went into freefall as inflation soared. In 1973, the petrodollar system was created through a deal between the US and Saudi Arabia.

...and its End

From long ago, the incredible discovery of oil, especially its exploration and development here in the U.S., was called “Black Gold” for a reason. It generated incredible wealth as well as increased portability within our economy. While gold, of course, represents wealth preserved, oil created wealth.

Removing gold from our currency—the only element that made our money real—caused an uproar of inflation within our economy that Carter inherited. At the same time, Iran held our hostages, and the oil embargo ensued where the Middle East wouldn’t send us oil. In addition, government stupidity ruined the oil market pricing, so Texas couldn’t sell oil for more than it cost to get out of the ground.

So the deal with the devil is done; as with so many “government solutions,” they create problems later





Nixon broke into tv show Bonanza to announce the end of real money Aug 15, 1971

So, leaving the gold standard at a time when the world was in disarray, opting for the petro-dollar meant the U.S. promised to buy all its oil from the source of terrorism for 9/11 in Saudi Arabia. In exchange, Saudi Arabia promised to sell its oil exclusively to all customers through the U.S. dollar. The Petro-Dollar was born. Nixon effectively wrecked our nation's autonomy from gold, tying our currency to oil from the Middle East. A very special arrangement indeed, don't you think?

So... What Would Happen If The Petrodollar System Ended Tomorrow

Allow me to briefly explain the impact that a sudden loss of the petrodollar system would have on the United States of America.

- ***The Federal Reserve would lose its ability to print more dollars to solve America's economic problems.***

o Foreign nations would begin sending a flood of U.S. dollars back to the United States in exchange for the new currency needed for oil.



The Treasury Secretary and the Federal Reserve Chairman would meet to determine the best course of action.

- That action would involve an immediate and dramatic increase in interest rates to reduce America's money supply.
- Hyperinflation would ensue for a long while until the interest rates took time to take full effect.
- All oil-related prices, including gas prices, would reach outrageous levels.
- Washington would soon realize that the total amount of money in the system would have to be dramatically slashed even further, leading to an even higher increase in interest rates, perhaps as high as 40%.
- The clueless American public would demand answers. Those on the left would blame the right. The right would blame the left. And both political parties would seek to blame the Federal Reserve.

People with adjustable-rate debts would be crushed, and massive layoffs would occur as businesses suffered from the high-interest rates.

- Asset prices across the board would plummet in value.
- Amid the financial carnage, an economic recovery eventually would begin to take place. Still, this new American economy would be tremendously smaller due to a drastically reduced money supply.

This brief scenario is far from exhaustive and is probably very incomplete. But I provide it to help you understand the great economic damage that you and I, and our nation in general, would sustain if the petrodollar system were to collapse suddenly.

What Negative Side-Effects Are We Dealing With Today?

So the bright ideas of our government helped give hundreds and hundreds of billions to the countries that came then to sponsor terrorism. Absolutely, with a different policy, the U.S. would have never financed their world to hurt ours. Therefore, the largest oil-producing nations are hotspots of dysfunction; they wouldn't be hotspots. Look below:

1	Venezuela	299,953,000,000	18.2%
2	Saudi Arabia	266,578,000,000	16.2%
3	Canada	170,863,000,000	10.4%
4	Iran	157,530,000,000	9.5%
3	Iraq	143,069,000,000	8.7%

6	Kuwait	101,500,000,000	6.1%
7	United Arab Emirates	97,800,000,000	5.9%
8	Russia	80,000,000,000	4.8%
9	Libya	48,363,000,000	2.9%
10	Nigeria	37,070,000,000	2.2%
11	United States (thanks Biden...)	35,230,000,000	2.1%

Since 1971, asset value creation has been on steroids. Think of the gold standard as the leash and the dog: the Federal Reserve. Once that dog was off the leash, real estate, the stock market, salaries, and the cost of living increases have been ungodly and unreal because this dog off the leash has caused absolute havoc.

FINANCIAL LIFE ON THE PETRO-DOLLAR

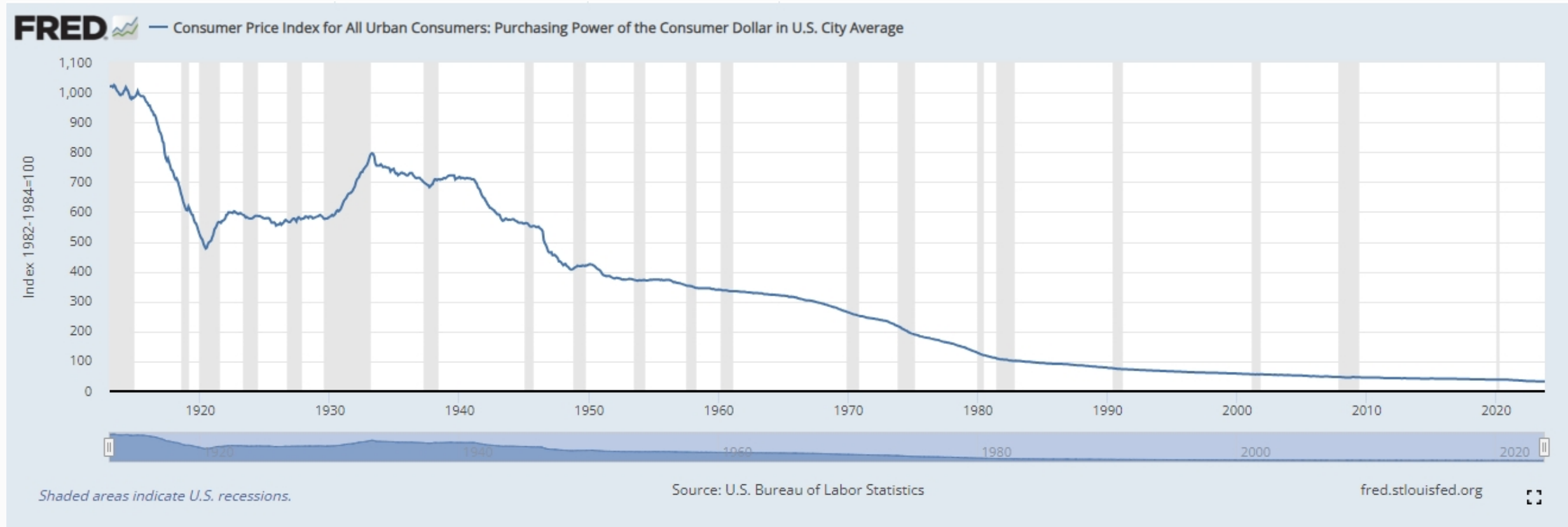
a government sponsored program



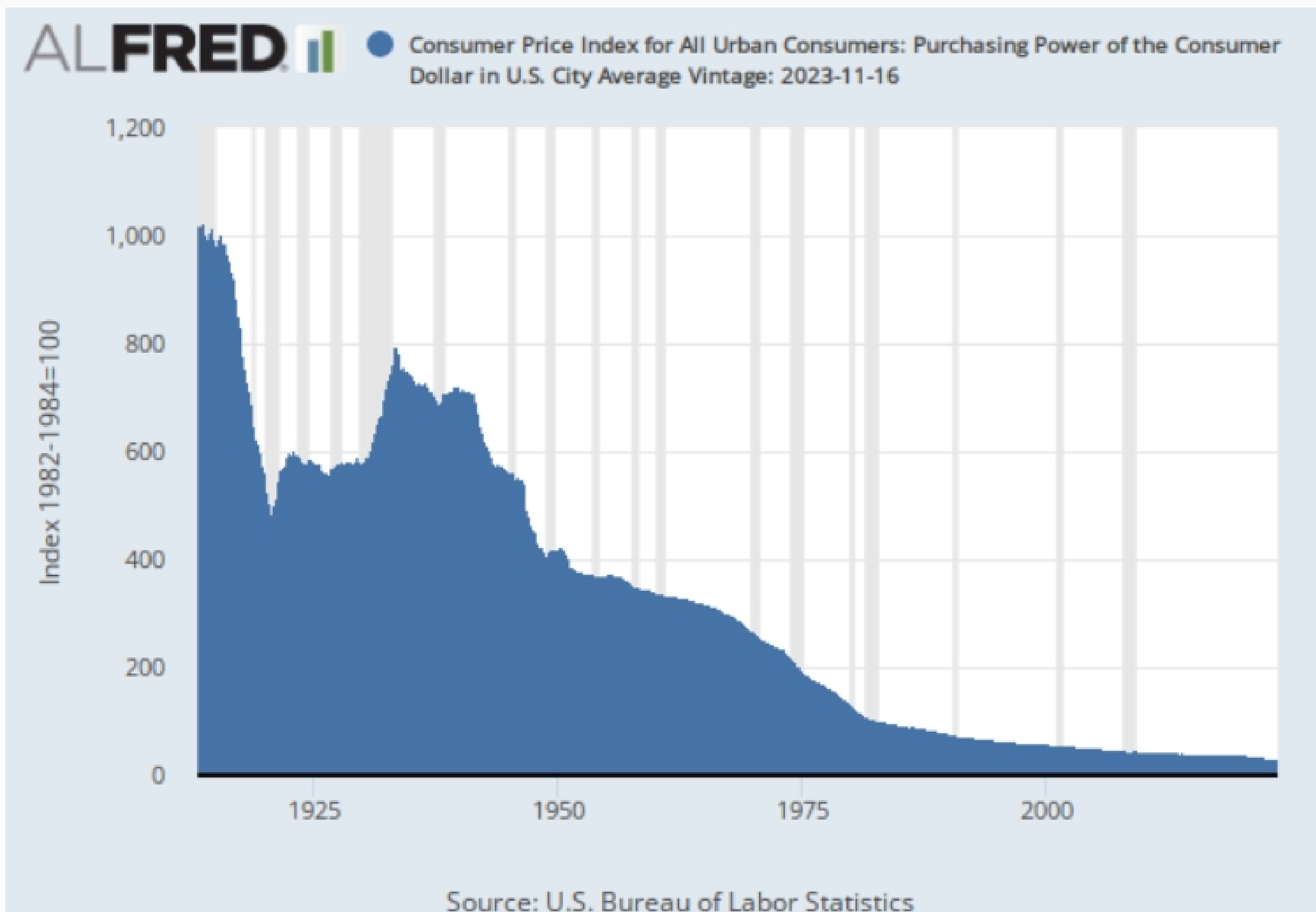
Object	1971	2023
● Median Home Price United States 1971	\$17,000	\$431000
● Average Car Price 1971	\$3,742	\$25449
● Dow Jones 1971	884	36000
● Barrell of Oil 1971	\$3.17	\$106
● Gold Price 1971	\$40.80	\$2000
● Growth of Wages U.S. Worker from 1971	\$3.88	\$27.45
● Factor of Wage Growth Since 1971	700%	
● Inflation Growth Since 1971	1160%	

Fast forward to 2023 and all the Federal Government ideas and solutions....

The USD is now eroded to be worth \$0.027 cents. If you took \$100 today back to the 1930s or any decade in that timeframe, you would have \$2.70 to spend.
U.S Dollar Value 1900 to Present



Purchasing Power of U.S. Dollar Last Hundred Years



And so Weakness begets Weakness...



Petrodollar be warned: Three Persian Gulf energy powers just joined BRICS

The BRICS revealed its geopolitical priorities when it added three Persian Gulf states to its once exclusive roster of members. Iran, Saudi Arabia, and the UAE have been strategically included to put an end to the petrodollar.

INVESTOR ALERT

Is This The End Of The Petrodollar?

While most investors were fixated on Jerome Powell & Co. recently, trying to gauge the Federal Reserve's next moves in light of recent bank failures, something interesting occurred in Moscow.

During a three-day state visit, Chinese President Xi Jinping held friendly talks with Russian President Vladimir Putin in a show of unity, as both countries increasingly seek to position themselves as leaders of what they call a "multipolar world order," one that challenges U.S.-centric alliances and agreements.

Among those agreements is the petrodollar, which has been in place for over 50 years.

In case you're wondering, "petrodollars" are not a real currency. They're simply dollars being used to trade oil. Early in the 1970s, the U.S. government provided economic aid to Saudi Arabia, its chief oil-producing rival, in exchange for assurances that Riyadh would price its crude exports exclusively in the U.S. dollar. In 1975, other members of the Organization of Petroleum Exporting Countries (OPEC) followed suit, and the petrodollar was born. This had the immediate effect of strengthening the U.S. dollar. Since countries around the world had to have dollars on hand in order to buy oil (and other key commodities such as gold, also priced in dollars), the greenback became the world's reserve currency, a status formerly enjoyed by the British pound, French franc, and Dutch guilder.

All things must come to an end, however. We may be witnessing the end of the petrodollar as more and more countries, including China and Russia, are agreeing to make settlements in currencies other than the U.S. dollar. This could have wide-ranging implications on not just a macro scale but also investment portfolios.

"The main reason Biden shuttered the oil pipeline with Canada and oil drilling here in the U.S. is to continue to force purchases of oil in the dollar with Saudi Arabia for this is what little power remains for the existence of the Petro Dollar, that Saudi continues with the U.S. to some degree in oil trade for propping up what will soon be a currency tossed to the dustbin of history."

Dawn For The Petro-yuan? Putin couldn't have been more explicit. During Xi's state visit, he named the Chinese yuan as his favored currency to conduct trade in. Ever since Western sanctions were levied on the Eastern European country for its invasion of Ukraine early last year, Russia has increasingly depended on its southern neighbor to buy the oil other countries won't touch.

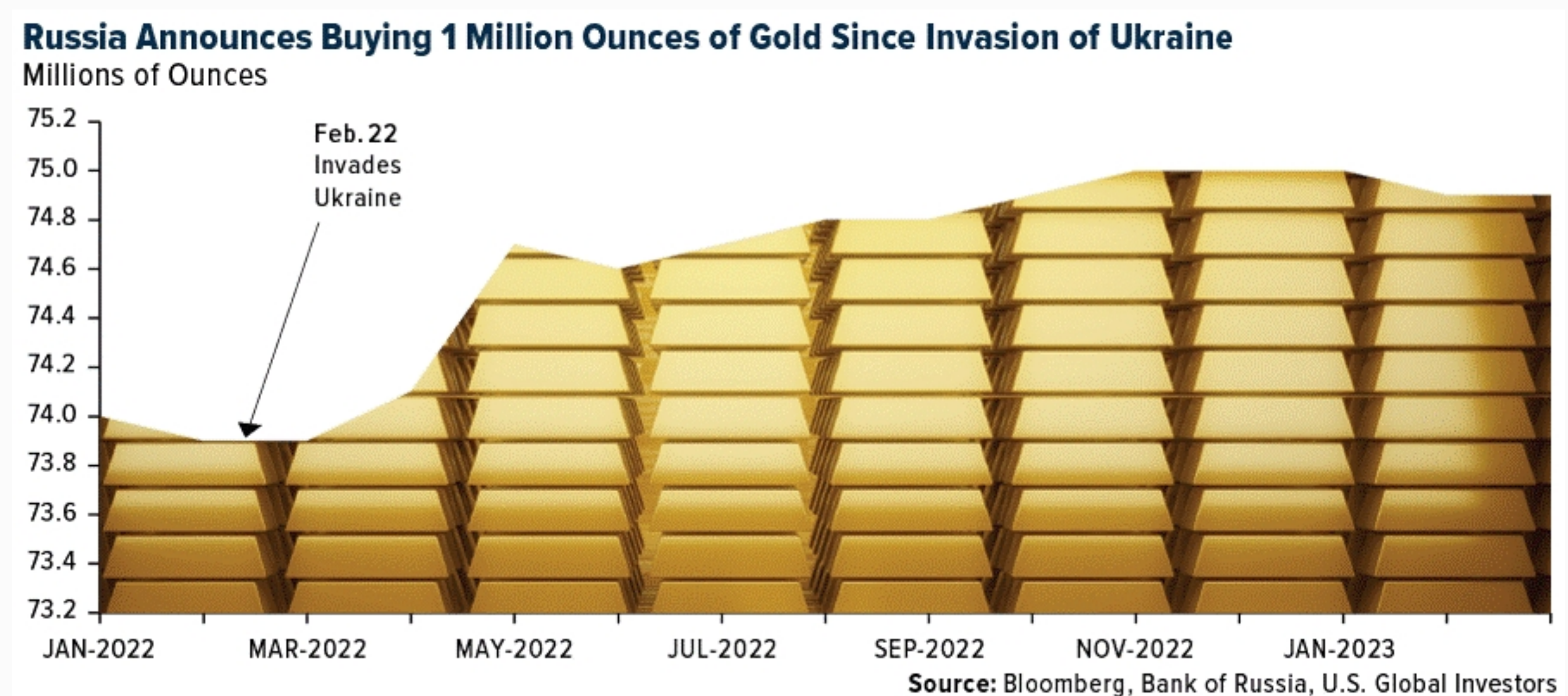
Except that now, the yuan is presumably being used to make these settlements. As Zoltar Pozsar, a New York-based economist and investment research director at Credit Suisse, put it recently: "That's dusk for the petrodollar... and dawn for the petroyuan."

U.S. Dollar Dominance Is Slipping Before you dismiss Pozsar's comment as an exaggeration, consider that other major OPEC nations and BRICS members (Brazil, Russia, India, China, and South Africa) are either accepting yuan already or strongly considering it. Russia, Iran, and Venezuela account for about 40% of the world's proven oilfields, and the three sell their oil in exchange for yuan. Turkey, Argentina, Indonesia, and heavyweight oil producer Saudi Arabia have all applied for admittance into BRICS, while Egypt became a new member this week.

What this suggests is that the yuan's role as a reserve currency will continue to strengthen, signifying a broader shift in the global power balance and potentially giving China a bigger hand with which to shape economic policies that affect us all.

Russia Diversifying Away From The Dollar By Loading Up On Gold It's not all about the yuan, of course. Gold has also increased as a foreign reserve, especially among emerging economies that seek to diversify away from the dollar.

This week, Russia announced that its bullion holdings jumped by approximately 1 million ounces over the past 12 months as its central bank loaded up on gold in the face of Western sanctions. The bank reported having nearly 75 million ounces at the end of February 2023, up from about 74 million a year earlier.



Is Saudi Arabia dropping the petrodollar?

The petrodollar being replaced?

It isn't so much that the petrodollar is being replaced; it's becoming unused, which is what ends its power. The key country that has given us this power is Saudi Arabia; they would not sell oil to anyone unless they were paid in dollars. They no longer require this; hence, the die is cast for the death of what gives our currency supreme strength and, after the obscene debts created within our currency, this loss of position is the dollar's eventual death.

After 40 years of a comfortable monopoly, the US is being challenged by China. The uprising of China, another country our political system unleashed for corporate greed, is now a behemoth set to take over worldly political, manufacturing, and financial dominance from the United States.

Most notably, on March 29, Saudi Arabia announced that they have agreed to become a “dialogue partner” with the Shanghai Cooperation Organisation, the world’s largest regional political and defense organization in terms of geographic scope and population. Furthermore, in January at the World Economic Forum in Davos, the Finance Minister of Saudi Arabia, Mohammed Al-Jadaan, told reporters that with Saudi Arabia “there are no issues discussing how we settle our trade arrangements, whether it’s in the US dollar, the euro, or the Saudi riyal.”

Considering the historical bond that the US and Saudi Arabia have had, these claims might seem small on the surface, but speak of a huge shift that could happen in the future.

Preparing for the Collapse of the Petrodollar System, Part 1

by Jerry Robinson

This brief article details the actions, incentives, and related consequences that the United States has created through its attempts to maintain global hegemony through something known as the petrodollar system.

The Coming Collapse of the Petrodollar System

“Bretton Woods”

In July of 1944, the United Nations Monetary and Financial Conference was held at the Mount Washington hotel in Bretton Woods, New Hampshire. The historic gathering included 730 delegates from 44 Allied nations, aiming to regulate the war-torn international economic system.

During the three-week conference, two new international bodies were established:

- The International Bank of Reconstruction and Development (IBRD, later known as the World Bank)
- The International Monetary Fund

At this point, an appropriate question to ask is: “Why would all nations be willing to allow the value of their currencies to be dependent upon the U.S. Dollar?”

The answer is quite simple.

Bretton Woods also accomplished one other crucial thing. The agreement instantly created a strong global demand for U.S. dollars as the preferred medium of exchange.

And along with this growing demand for U.S. dollars came the need for a larger supply of dollars.

Now, before we continue this discussion, stop for a moment and ask yourself this question: Are there any obvious benefits from creating more dollars? And if so, who benefits?

First, the creation of more dollars allows for the inflation of asset prices. In other words, more dollars in existence allows for a rise in overall prices. For example, imagine for a moment if the U.S. economy had a total money supply of only \$1 million. What if, in this imaginary economy, I attempted to sell you my home for \$2 million? While you may like my home and may even want to buy it, it would be physically impossible for you to do so. And it would be completely absurd for me to ask for \$2 million because, in our imaginary economy, there is only \$1 million in existence. So an increase in the overall money supply allows asset prices to rise. But that's not all.



The United States government benefits from a global demand for U.S. dollars.

How?

It's because a global demand for dollars gives the Federal government a "permission slip" to print more. After all, we can't let our global friends down, can we? If they "need" dollars, then let's print some more dollars for them.

Is it a coincidence that printing dollars is the U.S. government's preferred method of dealing with our nation's economic problems? Remember, Washington only has four basic ways to solve its economic problems:

1. Increase income by raising taxes on the citizens
2. Cut spending by reducing benefits
3. Borrow money through the issuance of government bonds
4. Print money

Have you ever asked yourself why the U.S. Dollar is called a Federal Reserve Note? Once again, the answer is simple. The U.S. Dollar is issued and loaned to the United States government by the Federal Reserve.

Because our dollars are loaned to our government by the Federal Reserve, which is a private central banking cartel, the dollars must be paid back. And not only must the dollars be paid back to the Federal Reserve. They must be paid back with interest! And who sets the interest rate targets on the loaned dollars? It's the Federal Reserve, of course.



To put it simply, the Federal Reserve has a clear vested interest in maintaining a stable and growing global demand for U.S. Dollars because they create them and then earn a profit from them with interest rates they set themselves. What a great system the Federal Reserve has for itself. No wonder it hates oversight and intervention. No wonder the private banking cartel that runs the Federal Reserve despises all attempts to actually audit its books.

In summary, the American consumer, the Federal government, and the Federal Reserve all benefit to varying degrees from a global demand for U.S. Dollars. There is an old saying that goes, "He who holds the gold makes the rules." This statement has never been truer than in the case of America in the post-World War II era. By the end of the war, nearly 80 percent of the world's gold was sitting in U.S. vaults, and the U.S. Dollar had officially become the world's undisputed reserve currency. As a result of the Bretton Woods arrangement, the dollar was considered to be "as safe as gold."

Preparing for the Collapse of the Petrodollar System, Part 2

The artificial dollar demand created by the petrodollar system has "permitted" Washington to go on multiple spending sprees to further create their "welfare and warfare" state.

And with so many dollars floating around the globe, America's asset prices (including houses, stocks, etc.) naturally rose. After all, as we have already demonstrated, prices are directly related to the available money supply.

With this in mind, it is easy to see why maintaining a global demand for dollars is vital to our national "illusion of prosperity" and our "national security." (The lengths at which America has already gone to protect the petrodollar system will be explained in our third article of this series.)



You didn't build
this, WE built this!

When, not if, the petrodollar system collapses, America will lose its "permission slip" to print excessive numbers of U.S. dollars. When this occurs, the number of dollars in existence will far exceed the actual demand. This is the classical definition of hyperinflation.

Since 2006, I have been teaching that America's bout with hyperinflation will be tied in some way with a breakdown of the petrodollar system and the artificial dollar demand that it has created.



When hyperinflation strikes America, it will be very difficult to stop without drastic measures. One possible measure will be a quick and massive reduction in the overall supply of U.S. dollars. However, with a reduction in the supply of dollars will come a massive reduction in the value of assets currently denominated in U.S. dollars.

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So what do you do?

**...If you thought of things like this:
There are 4 locations for your savings**

**CASH IN A
SAFE AT HOME**

REAL ESTATE

**FINANCIAL
SYSTEM**

THE VAULT



Security and Growth.

The damage done to cash, real estate values, and the financial system, as well as our currency itself, historically pushes gold and silver prices extremely high.

Total Ownership.

Not only is there great growth historically in the value of your savings, but the assets are also entirely your property.

Liquid.

Gold and silver can be easily converted back to money with a phone call. Whatever currency the U.S. moves to or wherever you might move to, be it Canada or Mexico, precious metals can be turned into any currency you wish.

Portable.

This is practically the only investment that you can carry with you or ship to wherever you want.

Nothing else works like gold and silver do.





A lifetime of work deserves to be protected.
Let my trusted friends at Colonial Gold help you do
exactly that - Secure your future.

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Customer Support
800-465-6009



9440 Santa Monica Boulevard
Suite 301 Beverly Hills, CA 90210



info@colonialgoldsilver.com
colonialgoldsilver.com

