

# The Rise of the Petrodollar: How Oil Became the Anchor of American Power

From the **Gold Standard** to Global Dollar Dominance (1971–2026)



AUGUST 15, 1971

# Nixon Ends the Gold Standard

## Key Points

- President Nixon unilaterally ended dollar convertibility to gold
- Known as the "Nixon Shock" – sent global financial markets into panic
- Bretton Woods system (1944–1971) collapsed overnight
- The dollar became a fiat currency backed by "faith and credit" alone

## Supporting Detail

Since 1944, foreign governments could exchange \$35 for one ounce of gold. By 1971, US gold reserves were depleting rapidly due to Vietnam War spending and Great Society programs.

📄 **Source:** "The Nixon Shock and the Birth of the Petrodollar" ([In Gold We Trust](#))



1974 RIYADH AGREEMENT

# Kissinger's Mission: Replace Gold With Oil

## Key Points

- July 1974: Henry Kissinger and William Simon (Treasury Secretary) fly to Saudi Arabia
- Negotiations held in total secrecy
- Agreement documents classified for **42 years** (released 2016)
- Created what would become known as the "**Petrodollar System**"

## What Was Agreed

- Saudi Arabia prices all oil sales exclusively in US dollars
- Saudi Arabia invests oil profits into US Treasury bonds
- US provides military protection and advanced weapons to Saudi Kingdom
- Secret addendum: US helps Saudis build financial infrastructure

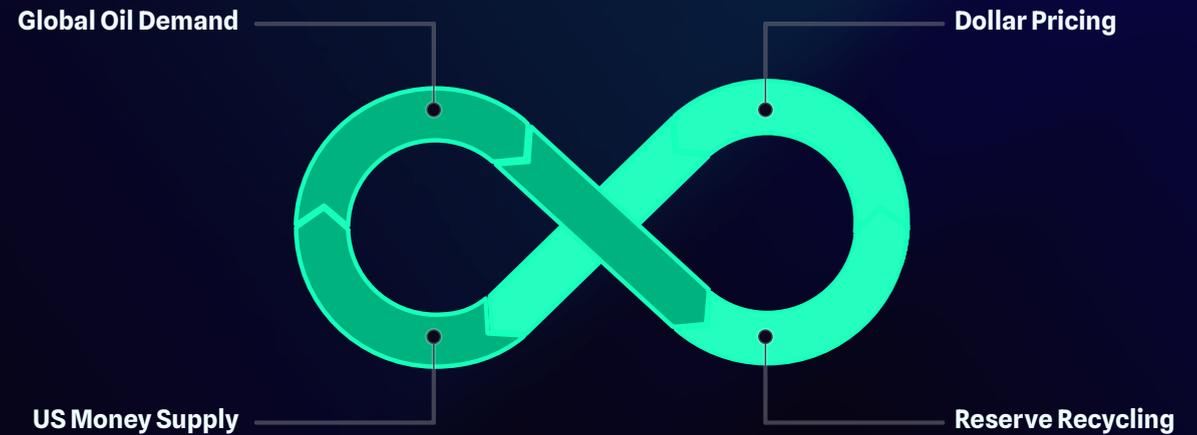
📄 **Source:** "The Petrodollar – The US-Saudi Deal That Ruined the World" ([CounterPunch](#))





# The System That Conquered The World

## The Cycle



**The Result:** America can print money, fund massive military budgets, and run trillion-dollar deficits because global oil trade creates automatic dollar demand.

📄 **Source:** "The Petrodollar System" ([Investopedia](#))

# Saudi Arabia Wasn't The Only One

## OPEC Falls In Line

- 1975: Other OPEC nations follow Saudi lead and adopt dollar pricing
- UAE, Kuwait, Iraq, Iran (under the Shah), Venezuela all comply
- By 1976, approximately **80% of global oil transactions in USD**
- Non-compliance = exclusion from US financial system + potential military consequences

### Case Study: Iraq 2000

Saddam Hussein announces Iraq will accept Euros for oil → **2003: US invades Iraq** → Iraq's oil sales immediately switched back to dollars

### Case Study: Libya 2011

Gaddafi proposes gold-backed "African Dinar" for oil sales → **2011: NATO intervention, Gaddafi killed** → Libya's oil back to dollar pricing

📄 **Source:** Unpacking the Petrodollar War Theory" ([Independent Institute](#), Feb 26th 2026)



# How The US Enforces The Petrodollar

## Military Dimension

- Largest military budget in world history (**\$877B in 2026**). More than **next 7 countries** combined.
- Permanent military bases in Gulf states (Qatar, Bahrain, Kuwait, UAE)
- Direct military protection for Saudi oil fields

## Financial Dimension

- SWIFT system controlled by US-aligned institutions
- Sanctions power – cut off from dollar system = economic death
- IMF/World Bank enforce dollar-based lending
- Treasury market provides "safe haven" for oil profits

**The Implicit Threat:** Countries that attempt to leave the petrodollar system face isolation, regime change, or military intervention.





# What The Petrodollar Bought



## Economic Power

- Ability to run sustained trade deficits without currency collapse
- Borrowing costs kept artificially low (foreign demand for Treasuries)
- Inflation exported to other countries holding dollar reserves
- "*Exorbitant privilege*" – termed by French Finance Minister Valéry Giscard d'Estaing



## Military Power

- Fund massive defense budgets without tax increases
- Project power globally without fiscal constraints
- Maintain 750+ military bases in 80+ countries



## Geopolitical Power

- Sanctions become a weapon (Iran, Russia, Venezuela, North Korea)
- Control global financial architecture
- Influence over IMF, World Bank, and development lending

**The Bottom Line:** The Petrodollar didn't just support American power. **It was American power.**

# The System Under Stress

## 2010–2015: China's Rise

China becomes world's largest oil importer (2014). Begins negotiating yuan-denominated oil contracts.

## 2023–2024: Saudi Pivot

Saudi Arabia accepts yuan for Chinese oil sales. Joins BRICS+ discussions. 50-year exclusive dollar deal quietly expires – no renewal announced.

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## 2022: Russia Sanctions Backfire

Russia cut from SWIFT over Ukraine. Putin demands rubles for oil/gas. India, China begin paying in non-dollar currencies.

## 2025–2026: Iran War

Iran blockades Strait of Hormuz (20% of global oil supply). Oil prices spike, dollar system faces crisis. China/Russia provide Iran with support.





# This War Is About The Dollar, Not Nukes

## Strategic Reality

- Iran controls Strait of Hormuz (20% of global oil, 30% of LNG)
- Iran has been accepting yuan, rubles, gold for oil since 2012
- Blockading Hormuz directly attacks dollar demand
- Success undermines entire petrodollar architecture

## The Real Stakes

If Iran successfully closes Hormuz and forces oil trade into alternative currencies: Dollar demand collapses → Treasury yields spike → US unable to fund current military/social spending → Reserve currency status ends

## What's Actually Happening (March 2026)

- 400 million barrels released from strategic reserves (largest in history)
- Oil prices approaching \$200/barrel
- Countries scrambling for non-Hormuz supply routes
- China offering yuan-based financing for Iranian oil to allied nations

**This is not a war about nuclear weapons.**

**It is a war to preserve dollar hegemony.**

# The Transition Is Already Underway

## BRICS Currency Initiative

Brazil, Russia, India, China, South Africa + 9 new members (2024).

Discussions of gold-backed trade currency.

Combined GDP now exceeds G7.

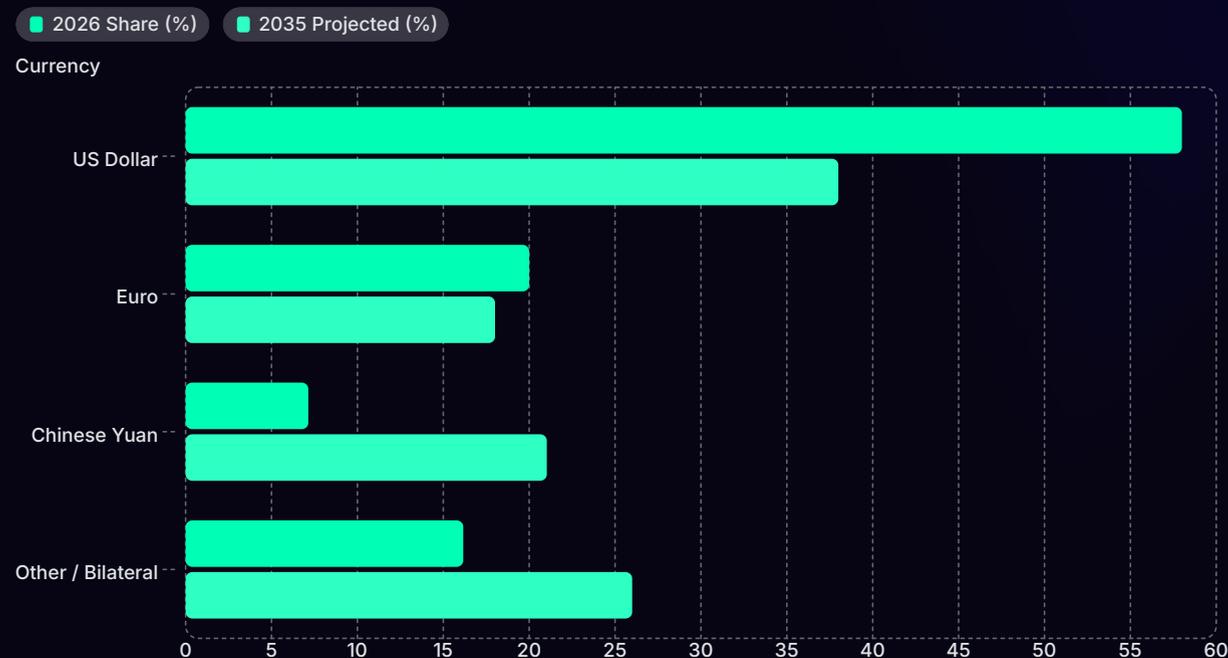
## Digital Yuan (e-CNY)

China's central bank digital currency operational since 2023. Already used in cross-border settlements with 28 countries.

Bypasses SWIFT entirely.

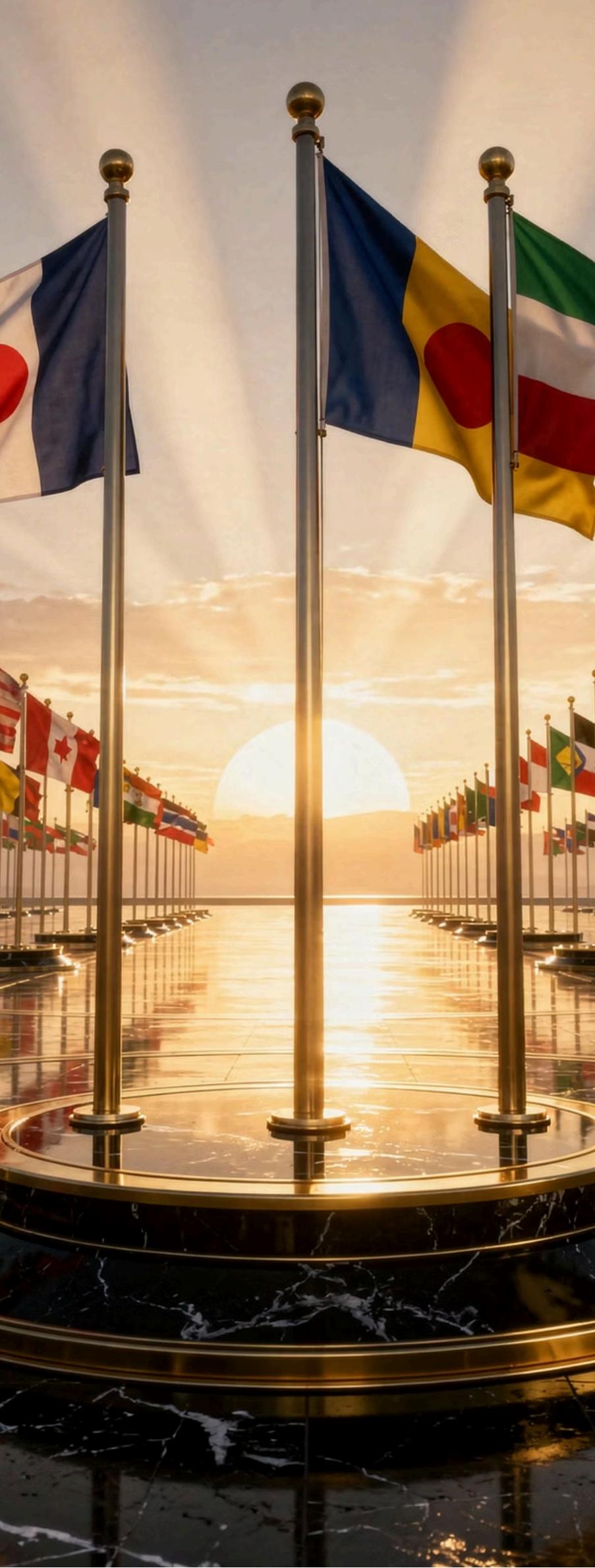
## Bilateral Agreements

India-Russia rupee-ruble oil trade. China-Saudi yuan oil contracts. UAE accepting rupees, yuan, dirhams for oil.



We're not moving toward a single replacement reserve currency. We're moving toward a **multipolar currency system** where dollar dominance is one option among many.





# The End Of Dollar Hegemony Is The Beginning Of A Fairer System

## Why The Petrodollar *MUST* End

### 1. Perpetual War

Easy money enabled endless military interventions. 20+ years of war in Middle East. Civilian casualties in Iraq, Libya, Syria, Afghanistan, Yemen, now Iran.

### 2. Global Inequality

Developing nations forced to hold dollars (lose purchasing power to inflation). Debt traps enforced by dollar-denominated IMF loans. Resource extraction favoring dollar-holding elites.

### 3. Energy Transition Blocked

Oil monopoly prevents free energy technologies. Fossil fuel dependence artificially maintained. Climate crisis accelerated.

## The Positive Transition

- Multipolar currency system = no single nation can weaponize money
- Countries regain monetary sovereignty
- Energy innovation unleashed (no oil cartel to protect)
- Painful in the short term. Fairer in the long term.

*"The collapse of the Petrodollar is not the end of American prosperity. It is the end of American empire. And for the rest of the world, that is long overdue."*