

# Preparing for the Collapse of the Petrodollar System

BY JERRY ROBINSON

**O**ver the last several weeks, there have been many news headlines containing the words “Iran” and “nuclear capability.” If you listen closely, you can almost hear the drumbeats of a fresh war in the Middle East.

As an economist, I have been trained to view the world through the lens of incentives. (I am a “bottom line” kind of guy.) And just as every action is motivated by an underlying incentive, every decision has a related consequence.

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.

This article will begin with a look back at the important events of the 1944 Bretton Woods Conference which firmly established the U.S. Dollar as the global reserve currency. Then we will examine the events that led up to the 1971 Nixon Shock when the United States abandoned the international gold standard. We will then consider what may be the most brilliant economic and geo-political strategy devised in recent memory, the petrodollar system. Finally, we conclude by examining the latest challenges facing U.S. economic policy around the globe and how the petrodollar system influences our foreign policy efforts in oil-rich nations. The collapse of the petrodollar system, which I believe will occur sometime within this decade, will make the 1971 Nixon Shock look like a dress rehearsal. If you have never heard of the petrodollar system, it would not surprise me. It is certainly not a topic that makes its way out of Washington circles too often. The mainstream media rarely, if ever, discusses the inner workings of the petrodollar system and how it has motivated, and even guided, America’s foreign policy in the Middle East for the last several decades.

**Personal Note:** *What I am going to explain in this article is something that I believe is vitally important for every American to understand. Since 2006, I have written dozens of articles on the petrodollar system. I have appeared on many major news media outlets talking about the petrodollar system. I even wrote a best-selling book entitled Bankruptcy of our Nation that spent an entire chapter exposing the petrodollar system. I have spoken about this topic all over the world. Suffice it to say, I believe that understanding the petrodollar system is very important to your financial well being. I encourage you to print this article out and read it carefully. When you are finished with it, I encourage you to share it with your friends and neighbors. Share it on Facebook and Twitter. Help us get the word out so that the American public can stir from its slumber and begin preparing for what lies ahead.*

# Brief Overview



Bretton Woods Conference

In the final days of World War II, 44 leaders from all of the Allied nations met in Bretton Woods, New Hampshire in an effort to create a new global economic order. With much of the global economy decimated by the war, the United States emerged as the world's new economic leader. The relatively young and economically nimble U.S. served as a refreshing replacement to the globe's former hegemon: a debt-ridden and war-torn Great Britain.

In addition to introducing a number of global financial agencies, the historic meeting also created an international gold-backed monetary standard which relied heavily upon the U.S. Dollar.

Initially, this dollar system worked well. However, by the 1960's, the weight of the system upon the United States became unbearable. On August 15, 1971, President Richard M. Nixon shocked the global economy when he officially ended the international convertibility from U.S. dollars into gold, thereby bringing an official end to the Bretton Woods arrangement.

Two years later, in an effort to maintain global demand for U.S. dollars, another system was created called the petrodollar system. In 1973, a deal was struck between Saudi Arabia and the United States in which every barrel of oil purchased from the Saudis would be denominated in U.S. dollars. Under this new arrangement, any country that sought to purchase oil from Saudi Arabia would be required to first exchange their own national currency for U.S. dollars. In exchange for Saudi Arabia's willingness to denominate their oil sales exclusively in U.S. dollars, the United States offered weapons and protection of their oil fields from neighboring nations, including Israel.

By 1975, all of the OPEC nations had agreed to price their own oil supplies exclusively in U.S. dollars in exchange for weapons and military protection.

This petrodollar system, or more simply known as an "oil for dollars" system, created an immediate artificial demand for U.S. dollars around the globe. And of course, as global oil demand increased, so did the demand for U.S. dollars. As the U.S. dollar continued to lose purchasing power, several oil-producing countries began to question the wisdom of accepting increasingly worthless



## WHAT IS A "PETRODOLLAR?"

The money that oil exporting nations receive from selling their oil which is then deposited into Western banks.

paper currency for their oil supplies. Today, several countries have attempted to move away, or already have moved away, from the petrodollar system. Examples include Iran, Syria, Venezuela, and North Korea... or the “axis of evil,” if you prefer. (What is happening in our world today makes a whole lot of sense if you simply read between the lines and ignore the “official” reasons that are given in the mainstream media.) Additionally, other nations are choosing to use their own currencies for oil like China, Russia, India, among others.

As more countries continue to move away from the petrodollar system which uses the U.S. dollar as payment for oil, we expect massive inflationary pressures to strike the U.S. economy. In this article, we will explain how this could be possible.



*“I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil.”*

*— Alan Greenspan*

## The Coming Collapse of the Petrodollar System

When historians write about the year 1944, it is often dominated with references to the tragedies and triumphs of World War II. And while 1944 was truly a pivotal year in one of history’s most devastating conflicts of all time, it was also a significant year for the international economic system. In July of that same year, the United Nations Monetary and Financial Conference (more commonly known as the Bretton Woods conference) was held in the Mount Washington hotel in Bretton Woods, New Hampshire. The historic gathering included 730 delegates from 44 Allied nations. The aim of the meeting was to regulate the war-torn international economic system.

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

These included:

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

In addition, the delegates introduced the **General Agreement on Tariffs and Trade** (GATT, later known the World Trade Organization, or WTO.) More importantly, for our purposes here, another development that emerged from the conference was a new fixed exchange rate regime with the U.S. Dollar playing a central role. In essence, all global currencies were pegged to the U.S. Dollar.



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

The answer is quite simple. The U.S. Dollar would be pegged at a fixed rate to gold.

This made the U.S. dollar completely convertible into gold at a fixed rate of \$35 per ounce within the global economic community. This international convertibility into gold allayed concerns about the fixed rate regime and created a sense of financial security among nations in pegging their currency's value to the dollar. After all, the Bretton Woods arrangement provided an escape hatch: if a particular nation no longer felt comfortable with the dollar, they could easily convert their dollars holdings into gold. This arrangement helped restore a much needed stability in the financial system. But it also accomplished one other very important thing. The Bretton Woods 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 dollars. What if, in this imaginary economy, I attempted to sell you my home for \$2 million dollars? 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? 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?

In an economy with a total of \$1 million dollars in circulation, a house could never possibly be worth \$2 million dollars.



More Dollars, Higher Prices

But, in an economy with a total of \$1 trillion dollars in circulation, you could have thousands of homes worth \$2 million dollars.



Remember, governments can only finance their spending in four basic ways:

1. Increase income by **raising taxes**
2. **Cut spending** by reducing benefits
3. **Borrow money**
4. **Print money** (Federal Reserve)

Raising taxes and making meaningful spending cuts can be political suicide. Borrowing money is a politically convenient option but you can only borrow so much. That leaves the final option of printing money. Printing money requires no immediate sacrifice and no spending cuts. It's a perfect solution for a growing country that wants to avoid making any sacrifices. However, printing more money than is needed can lead to inflation. Therefore, if a country can somehow generate a global demand for its currency, it has a "permission slip" to print more money. Understanding this "permission slip" concept will be important as we continue.

Finally, the primary beneficiary of an increased global demand for the U.S. Dollar is America's central bank, the Federal Reserve. (If this does not make immediate sense, then pull out a dollar bill from your wallet or purse and notice whose name is plastered right on the top of it.)



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? The Federal Reserve, of course.

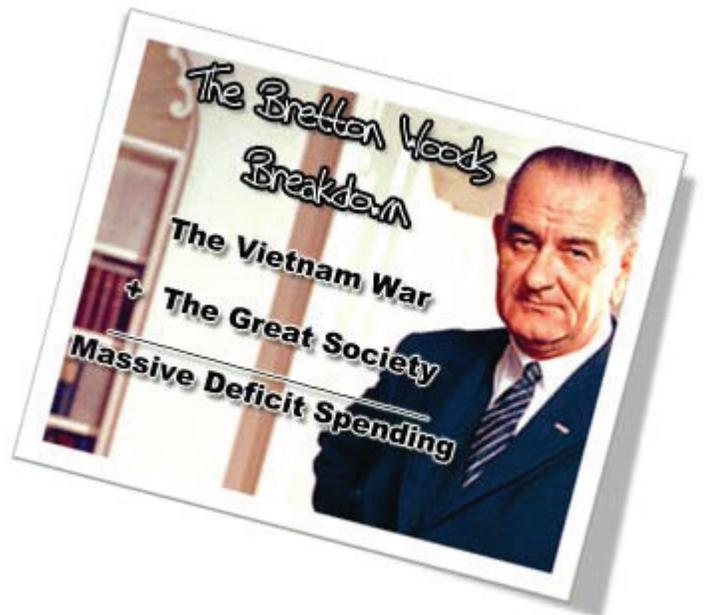
To put it simply, the Federal Reserve has a clear vested interest in maintaining a stable and growing global demand for U.S. Dollars because they create them and then earn profit from them with interest rates which they set themselves. What a great system the Federal Reserve has for itself. No wonder 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 Federal Reserve all benefit to varying degrees from a global demand for U.S. Dollars.

## The Bretton Woods Breakdown: Vietnam, The Great Society, and Deficit Spending

There is an old saying that goes, “He who holds the gold makes the rules.” This statement has never been more true 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 “safer than gold.”

A study of the United States economy in the post World War II era demonstrates that this was a time of dramatic economic growth and expansion. This era gave rise to the [baby boom generation](#). By the late 1960’s, however, the American economy was under major pressure. Deficit spending in Washington was uncontrollable as President Lyndon B. Johnson began to realize his dream of a “Great Society.”



With the creation of Medicare and Medicaid, American citizens could now, for the first time, earn a living from their government Meanwhile, an expensive and unpopular war in Vietnam funded by record deficit spending led some nations to question the economic underpinnings of America. After all, the entire global economic order had become dependent upon a sound U.S. economy. Countries like Japan, Germany, and

France, while fully on the mend from the devastation of World War II, were still largely dependent upon a financially stable American economy to maintain their economic growth.

By 1971, as America's trade deficits increased and its domestic spending soared, the perceived economic stability of Washington was being publicly challenged by many nations around the globe. Foreign nations could sense the severe economic difficulties mounting in Washington as the United States was under financial pressure at home and abroad. According to most estimates, the Vietnam War had a price tag in excess of \$200 billion. This mounting debt, plus other debts incurred through a series of poor fiscal and monetary policies, was highly problematic given America's global monetary role.

But it was not America's financial issues that most concerned the international economic community. Instead, it was the growing imbalance of U.S. gold reserves to debt levels that was most alarming.

Basically, the United States had accumulated large amounts of new debts but did not have the money to pay for them. Making matters worse, U.S. gold reserves were at all-time lows as nation upon nation began requesting gold in exchange for their dollar holdings. It was almost as if foreign nations could see the writing on the wall for the end of the Bretton Woods arrangement.

As 1971 progressed, so did foreign demand for U.S. gold. Foreign central banks began cashing in their excess dollars in exchange for the safety of gold. As nations lined up to convert their dollar holdings for Washington's gold, the United States realized that the game was over. Clearly, America had never intended to be the globe's gold warehouse. Instead, the convertibility of the dollar into gold was meant to generate a global trust in U.S. paper money. Simply knowing that the U.S. dollar could be converted into gold if necessary was good enough for some — but not for everyone. The nations who began to doubt America's ability to manage their own finances decided to opt for the recognized safety of gold. (Historically, gold has been, and will likely remain, the beneficiary of poor fiscal and monetary policies, and 1971 was no different.)

One would have expected that the large and growing demand by foreign nations for gold instead of dollars would have been a strong indicator to the United States to get its fiscal house in order. Instead, America did exactly the opposite. As Washington continued racking up enormous debts to fund its imperial pursuits and its over-consumption, foreign nations sped up their demand for more U.S. gold and fewer U.S. dollars. Washington was caught in its own trap and was required to supply real money (gold) in return for the inflows of their fake paper money (U.S. dollar).

They had been hamstrung by their own imperialistic policies.

Soon the United States was bleeding gold. Washington knew that the system was no longer viable, and certainly not sustainable. But what could they do to stem the crisis? There were really only two options.

The first option would require that Washington immediately reduce its massive spending and dramatically reduce its existing debts. This option could possibly restore confidence in the long-term viability of the U.S. economy. The second option would be to increase the dollar price of gold to accurately reflect the new economic realities. There was an inherent flaw in both of these options that made them unacceptable to the United States at the time — they both required fiscal restraint and economic responsibility. Then, as now, there was very little appetite for reducing consumption in the beleaguered name of “sacrifice” or “responsibility.”

## Goodbye Yellow Brick Road

The Bretton Woods system created an international gold standard with the U.S. dollar as the ultimate beneficiary. But in an ironic twist of fate, the system that was designed to bring stability to a war-torn global economy was threatening to plunge the world back into financial chaos. The gold standard created by Bretton Woods simply could not bear the financial excesses, coupled with the imperialistic pursuits, of the American economic empire.

On August 15, 1971, under the leadership of President Richard M. Nixon, Washington chose to maintain its reckless consumption and debt patterns by detaching the U.S. Dollar from its convertibility into gold. By “closing the gold window,” Nixon destroyed the final vestiges of the international gold standard. Nixon’s decision effectively ended the practice of exchanging dollars for gold, as directed under the Bretton Woods agreement. It was in this year, 1971, that the U.S. dollar officially abandoned the gold standard and was declared a purely “fiat” currency. (A “fiat” currency is one that derives its value from its sponsoring government. It is a currency issued and accepted by decree.)

As all other fiat empires before it, Washington had come to view gold as a constraint to their colossal spending urges. A gold standard, as provided by the Bretton Woods system, meant that America had to attempt to publicly demonstrate fiscal restraint by maintaining holistic economic balance.

By “closing the gold window,” Washington had affected not only American economic policy — it also affected global economic policy. Under the international gold standard of Bretton Woods, all currencies derived their value from the value of the dollar. And the dollar derived its value from the fixed price of its gold reserves. But when the dollar’s value was detached from gold, it became what economists call a “floating” currency. (By “floating,” it is meant that a currency is not attached, nor does it derive its value, from anything externally.) Put simply, a “floating” currency is a currency that is not fixed in value.

Like any commodity, the dollar could be affected by the market forces of supply and demand. **When the dollar became a “floating” currency, the rest of the world’s currencies, which had been previously**

fixed to the dollar, suddenly became “floating” currencies as well. (Note: It did not take long for this new system of floating currencies with floating exchange rates to attract manipulation by speculators and hedge funds. Currency speculation is, and remains, a threat to floating currencies. Proponents of a single global currency use the current manipulation of currency speculators to promote their agenda.)

In this new era of floating currencies, the U.S. [Federal Reserve](#), America’s central bank, had finally freed itself from the constraint of a gold standard. Now, the U.S. dollar could be printed at will — without the fear of having enough gold reserves to back up new currency production. And while this new-found monetary freedom would alleviate pressure on America’s gold reserves, there were other concerns.

One major concern that Washington had was regarding the potential shift in global demand for the U.S. dollar. With the dollar no longer convertible into gold, would demand for the dollar by foreign nations remain the same, or would it fall?

The second concern had to do with America’s extravagant spending habits. Under the international gold standard of Bretton Woods, foreign nations gladly held U.S. debt securities, as they were denominated in gold-backed U.S. dollars.

Would foreign nations still be eager to hold America’s debts despite the fact that these debts were denominated in a fiat debt-based currency that was backed by nothing?

## The Same Game with a New Name: “Dollars for Oil” Replaces “Dollars for Gold”

In the early 1970s, the final vestiges of the international gold-backed dollar standard, known as the Bretton Woods arrangement, had collapsed. Many foreign nations, who had previously agreed to a gold-backed dollar as the global reserve currency, were now having serious mixed feelings toward the arrangement. Nations like Britain, France, and Germany determined that a cash-strapped and debt-crazed United States was in no financial shape to be leading the global economy. They were just a few of the many nations who began demanding gold in exchange for their dollars.

Despite pressure from foreign nations to protect the dollar’s value by reining in excessive government spending, Washington displayed little fiscal constraint and continued to live far beyond its means. It had become obvious to all that America lacked the basic fiscal discipline which could prevent a destruction of its own currency.

Like previous governments before it, America had figured out how to “game” the global reserve currency system for its own benefit, leaving foreign nations in an economically vulnerable position. After America, and its citizens, had tasted the sweet fruit of excessive living at the expense of other nations, the party was over. It is unfair, however, to say that the Washington elites were blind to the deep economic issues confronting it in the late 1960’s and early 1970’s. Washington knew that the “dollars for gold” had become completely unsustainable. But instead of seeking solutions to the global economic imbalances that had been created by America’s excessive deficits, Washington’s primary concern was how to gain an even greater stranglehold on the global economy.

After America, and its citizens, had tasted the sweet fruit of excessive living at the expense of other nations, there was no turning back.

In order to ensure their economic hegemony, and thereby preserve an increasing demand for the dollar, the Washington elites needed a plan. In order for this plan to succeed, it would require that the artificial dollar demand that had been lost in the wake of the Bretton Woods collapse be replaced through some other mechanism.

According to [John Perkins](#), author of [Confessions of an Economic Hit Man: The Shocking Story of How America Really Took Over the World](#), that plan came in the form of the petrodollar system.

### **But what exactly is the petrodollar system?**

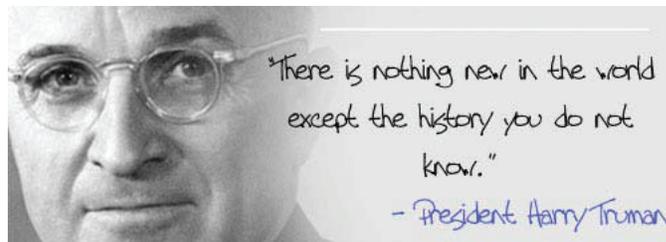
First, let’s define what a petrodollar is.

A **petrodollar** is a U.S. dollar that is received by an oil producer in exchange for selling oil and that is then deposited into Western banks.

Despite the seeming simplicity of this arrangement of “dollars for oil,” the petrodollar system is actually highly complex and one with many moving parts. **It is this complexity that prevents the petrodollar system from being properly understood by the American public.**

Allow me to provide a very basic overview regarding the history and the mechanics of the petrodollar system.

**It is my belief that once you understand this “dollars for oil” arrangement, you will gain a more accurate understanding of what motivates America’s economic (and especially foreign) policy.**



So, let's take a closer look...

## The Rise of the Petrodollar System

The petrodollar system originated in the early 1970s in the wake of the Bretton Woods collapse.

*Kissinger working his magic  
in Saudi Arabia*



President Richard M. Nixon and his globalist sidekick, Secretary of State, Henry Kissinger, knew that their destruction of the international gold standard under the Bretton Woods arrangement would cause a decline in the artificial global demand of the U.S. dollar. In a series of meetings, the United States — represented by then U.S. Secretary of State Henry Kissinger — and the Saudi . Maintaining this “artificial dollar demand” was vital if the United States were to continue expanding its “welfare and warfare” spending. In a series of meetings, the United States — represented by then U.S. Secretary of State Henry Kissinger — and the Saudi royal family made a powerful agreement. (Several authors have worked to compile data on the origins of the petrodollar

system, some exhaustively, including: Richard Duncan, William R. Clark, David E. Spiro, Charles Goyette and F. William Engdahl).

According to the agreement, the United States would offer military protection for Saudi Arabia's oil fields. The U.S. also agreed to provide the Saudis with weapons, and perhaps most importantly, guaranteed protection from Israel.

The Saudi royal family knew a good deal when they saw one. They were more than happy to accept American weapons and a U.S. guarantee to restrain attacks from neighboring Israel.

**Naturally, the Saudis wondered how much was all of this U.S. military muscle was going to cost...**

**What exactly did the United States want in exchange for their weapons and military protection?**

The Americans laid out their terms. They were simple, and two-fold.

1) The Saudis must agree to price all of their oil sales in **U.S. dollars only**. (In other words, the Saudis were to refuse all other currencies, except the U.S. dollar, as payment for their oil exports.)

2) The Saudis would be open to investing their surplus oil proceeds in **U.S. debt securities**.



*Oil producing nations get:*

- Weapons
- Military protection (often from Israel)

*The United States gets:*

- Oil priced in dollars (creates artificial dollar demand)
- Artificial demand for U.S. Treasuries

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*The Petrodollar System 101*

You can almost hear one of the Saudi officials in a meeting saying: “Really? That’s all? You don’t want any of our money or our oil? You just want to tell us how to price our oil and then you will give us weapons, military support, and guaranteed protection from our enemy, Israel? You’ve got a deal!”

However, the U.S. had done its economic homework. If they could get the Saudis to buy into this deal, it would be enough to launch them into the economic stratosphere in the coming decades.

Fast forward to 1974 and the petrodollar system was fully operational in Saudi Arabia. And just as the United States had cleverly calculated, it did not take long before other oil-producing nations wanted in.

By 1975, all of the oil-producing nations of OPEC had agreed to price their oil in dollars and to hold their surplus oil proceeds in U.S. government debt securities in exchange for the generous offers by the U.S.

Just dangle weapons, military aid, and guaranteed protection from Israel in front of third world, oil-rich, Middle East nations... and let the bidding begin.

Nixon and Kissinger had successfully bridged the gap between the failed Bretton Woods arrangement and the new Petrodollar system. The global artificial demand for U.S. dollars would not only remain intact, it would soar due to the increasing demand for oil around the world.

And from the perspective of empire, this new “dollars for oil” system was much more preferred over the former “dollars for gold” system as its economic requirements were much less stringent. Without the constraints imposed by a rigid gold standard, the U.S. monetary base could be grown at exponential rates.

It should come as no surprise that the United States maintains a major military presence in much of the Persian Gulf region, including the following countries: Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Egypt, Israel, Jordan, and Yemen. The truth is easy to find when you follow the money...



“I hereby find that the defense of Saudi Arabia is vital to the defense of the United States.”

— President Franklin D. Roosevelt

# The Petrodollar System Encourages Cheap Exports to the United States

While the U.S./Saudi agreement may have smelled of desperation at a time of decreasing global dollar demand, it can now be considered one of the most brilliant geopolitical and economic strategies in recent political memory.

Today, virtually all global oil transactions are settled in U.S. dollars. (There are a few exceptions and they will be highlighted in our next article appropriately titled, The Petrodollar Wars.) When a country does not have a surplus of U.S. dollars, it must create a strategy to obtain them in order to buy oil.

The easiest way to obtain U.S. dollars is through the foreign exchange markets. This is not, however, a viable long-term solution as it is cost-prohibitive. Therefore, many countries have opted instead to develop an



export-led strategy with the United States in order to exchange their goods and services for the U.S. dollars that they need to purchase oil in the global markets. (This should help explain much of East Asia's export-led strategy since the 1980's.) Japan, for example, is an island nation with very few natural resources. It must import large amounts of commodities, including oil, which requires U.S. dollars. So Japan manufactures a Honda and ships it to the United States and immediately receives payment in U.S. dollars.

Problem solved... and export-led strategy explained.

## The Primary Benefits of the Petrodollar System

The petrodollar system has proven tremendously beneficial to the U.S. economy. In addition to creating a marketplace for affordable imported goods from countries who need U.S. dollars, there are more specific benefits.

**In essence, America receives a double loan out of every global oil transaction.**

First, oil consumers are required to purchase oil in U.S. dollars. Second, the excess profits of the oil-producing nations are then placed into U.S. government debt securities held in Western banks.

The petrodollar system provides at least **three immediate benefits** to the United States.

- It increases global demand for U.S. dollars
- It gives the United States global demand for U.S. debt securities
- It gives the United States the ability to buy oil with a currency it can print at will

Let's briefly examine each one of these benefits.

### 1. The petrodollar system increases global dollar demand.

Why is consistent global demand for the dollar a benefit? In many ways, currencies are just like any other commodity: the more demand that exists for the currency, the better it is for the producer.

## HAMBURGERS, PERMISSION SLIPS, AND THE PETRODOLLAR

To help illustrate this point, let's imagine that you decided to open a hamburger stand in a small town with a population of 50,000.

Of course, not everyone likes hamburgers, so only a certain percentage of your town's population will actually ever be a potential customer. And since you are obviously not the only hamburger stand in town, your competitors will all be attempting to reach the same portion of your town's population as you are.

Now, as an owner of a hamburger stand in a very small town, **would you prefer to have demand for hamburgers from your own town only... or would you like to have hamburger demand from other nearby towns and communities too?** *(My guess is that you would like to have more customers, as that potentially means more money in your pocket.)*



## HAMBURGERS, PERMISSION SLIPS, AND THE PETRODOLLAR

Now, let's take it a step further with another questions...

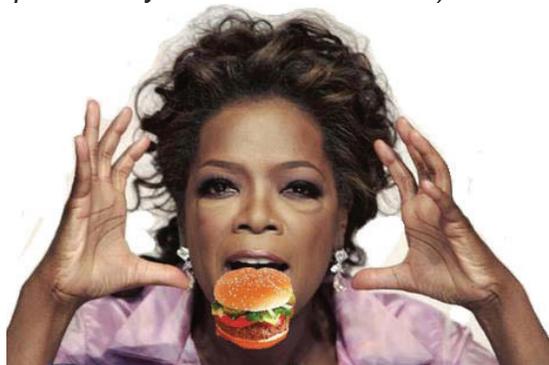
**Would you rather have demand for your burgers from your own town and nearby communities only... or would you prefer to have all of the hamburger demand in your entire state?**

Once again, the answer should be obvious. Every good business understands that increasing consumer demand is a good thing for their company's bottom line.

To put it another way, if consumers all over your state are demanding your burgers, you have just been given a **permission slip** to hire more burger flippers so that you can produce more burgers. (*This concept of a demand-based permission slip is important so keep it under your hat for a moment.*)

**Okay, now allow me to go even one ridiculous step further...**

Imagine that **Oprah Winfrey** is driving through your state and just so happens to stop in at your growing hamburger stand. (I know... this is getting ridiculous... just bare with me. I really do have a point here.) After Oprah tries your hamburger, she expresses utter amazement at your culinary skills. Oprah is now a raving fan of your burger joint and invites you onto her show to tell the whole world about your hamburgers.



It doesn't take an economist to figure out what is going to happen to the demand for your burgers... it is going to skyrocket.

Your hamburger demand is now global. *Congratulations!*

As the demand for your hamburgers is increases dramatically, so too the supply must increase. Your newfound global hamburger demand has given you a **"permission slip"** to buy even more frozen patties and hire new fry cooks.

**The important concept here is that a growing demand "permits" the producer to increase his supply.**

## HAMBURGERS, PERMISSION SLIPS, AND THE PETRODOLLAR

Now, let's conclude our hamburger illustration by imagining that an up and coming rival hamburger company becomes a major competitor with your hamburger restaurant chain. As many of your customers begin visiting your new competitor, the demand for your hamburgers begins to wane. As the demand for your burgers drops, you no longer have a "permission slip" to buy as many frozen patties as you had before. As demand for your burgers continues to fall, it makes little sense to hire more workers. Instead, to remain competitive, you must lay off workers and buy fewer frozen patties just to keep your company afloat. Furthermore, you may even need to sell your existing burgers at a discount before they spoil.

If you decided to ignore the warning signs and continue hiring new employees and buying more patties than were actually demanded by your customers, you would soon find your company nearing bankruptcy.

----- At some point, logic would dictate that you must decrease your supply. -----

How it all applies to the U.S. Dollar: Now, let's apply the same economic logic that we used to explain the increasing and decreasing demand for your hamburgers to the global demand for U.S. dollars.

If it is only Americans who "demand" U.S. dollars, then the supply of dollars that Washington and the Federal Reserve can "supply", or create, is limited to our own country's demand.

**However, if Washington can somehow create a growing global demand for its paper dollars, then it has given itself a "permission slip" to continually increase the supply of dollars.**

This is exactly the type of scenario that the petrodollar system created in the early 1970's. By creating incentives for all oil-exporting nations to denominate their oil sales in U.S. dollars, the Washington elites effectively assured an increasing global demand for their currency. As the world became increasingly dependent on oil, this system paid handsome dividends to the U.S. by creating a consistent global demand for U.S. dollars.

And, of course, the Federal Reserve's printing presses stood ready to meet this growing dollar demand with freshly printed U.S. dollars. *After all, what kind of central bank would the Federal Reserve be if they were not ready to keep our dollar supply at a level consistent with the growing global demand?*



**FACT:** The artificial dollar demand created by the petrodollar system returned to Washington the "permission slip" to supply the global economy with freshly printed dollars that it lost after the demise of the Bretton Woods agreement.



**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.)*

When, not if, the petrodollar system collapses, America will lose its “permission slip” to print excessive amounts of U.S. dollars.



When this occurs, the amount 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 of the supply of dollars will come a massive reduction in the value of assets currently denominated in U.S. dollars.

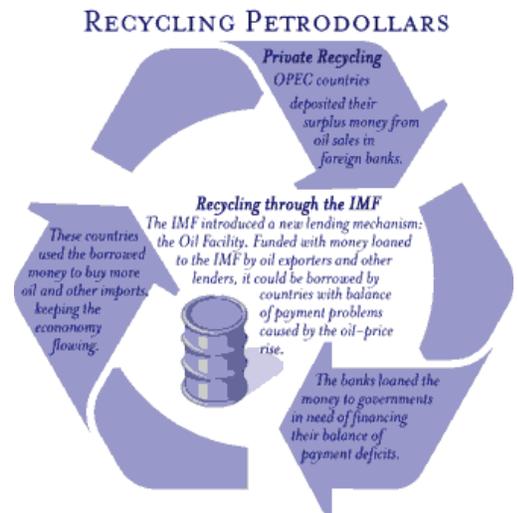
*(I will explain more about potential scenarios of the petrodollar collapse along with personal strategies that you can take in the fourth and final article in this series.)*

## 2. The petrodollar system increases demand for U.S. debt securities.

One of the most brilliant aspects of the petrodollar system was requesting that oil producing nations take their excess oil profits and place them into U.S. debt securities in Western banks. This system would later become known as “**petrodollar recycling**” as coined by Henry Kissinger. Through their exclusive use of dollars for oil transactions, and then depositing their excess profits into American debt securities, the petrodollar system is a “dream come true” for a spendthrift government like the United States.

Despite its obvious benefits, the petrodollar recycling process is both unusual and unsustainable. It has served to distort the true demand for government debt which has “permitted” the U.S. government to maintain artificially low interest rates. Washington has become dependent upon these artificially low interest rates and, therefore, have a vested interest in maintaining them through any means necessary. The massive economic distortions and imbalances generated by the petrodollar system will eventually self-correct when the artificial dollar and U.S. debt demand is removed.

That day is coming.



## 3. The petrodollar system allows the U.S. to buy oil with a currency it can print at will.

A third major benefit of the petrodollar system for the U.S. has to do with the actual purchase of oil itself. Like all modern developed economies, the United States has built most of its infrastructure around the use of petroleum-based energy supplies. And like many nations, the U.S. consumes more oil each year than it is able to produce on its own. Therefore, it has become dependent upon foreign nations to fill the supply gap. What makes America different, however, is that it can pay for 100% of its oil imports with its own currency. Again, it does not take much economic knowledge to figure out that this is a great deal. Let's use another quick example.

Imagine that you and I both live in a unusual city where the only method of payment for gasoline for our automobiles is carrots. Now, imagine that I own the exclusive rights in our town to grow carrots and I have the only existing carrot farm in our town. For you, this means that in order to buy any gasoline, you must first deal with me. You can come and attempt to barter with me, or you can buy carrots from me. But regardless, it is an inconvenient fact of life for you.



However, it is exactly the opposite for me. Since I can create carrots out of the ground, I just plant a seed, water the seed, and then exchange the carrot for gasoline. America has managed to create a similar place for itself in an oil-dependent global economy. With oil priced in U.S. dollars, America can literally print money to buy oil... and then have the oil producers hold the debt that was created by printing the money in the first place.

What other nation, besides America, can print money to buy oil and then have the oil producers hold the debt for the printed money? Obviously, the creation of the petrodollar system was a brilliant political and economic move. Washington was acutely aware in the early 1970's that the demand curve for oil would increase dramatically with time. Therefore, they positioned the dollar as the primary medium of exchange for all global oil transactions through the petrodollar system. This single political move created a growing international demand for both the U.S. dollar and U.S. debt — all at the expense of oil-producing nations.

## How the Petrodollar System Has Affected U.S. Relations With Israel

Before we conclude, there is one politically sensitive topic that needs to be addressed that will help further clarify the true effects of the petrodollar system. Namely, how the petrodollar system has affected America's relationship with Israel.

If you were to ask most Americans today if the United States has been a close friend and ally of Israel, most would answer with a resounding “yes.” This is especially true of Evangelical Christians who believe that America's foreign policy in the Middle East should be driven, and even dictated, by Israel. Evangelicals often side with Republican candidates who promise to “look out for” Israel and to “stand up for” Israel.

**But, is there any solid evidence that America's foreign policy measures and actions in the Middle East have been guided by anything but upholding and protecting the petrodollar system?** I would strongly suggest that the answer is no.

Why is this important? Because I believe that the American population, and Evangelicals in particular, have been hoodwinked with the “pro-Israel” chatter that pours out of most our political leader's mouths.

Instead of being a true friend and ally to Israel, I believe that America has cleverly used its “relationship” with the Jewish state as a cover for its military adventurism in the Middle East.



Still, many Americans, including most Evangelicals, buy the hype being pumped out of Washington's political spin rooms. If you turn off the corporate-controlled mainstream media for a day, however, and speak to the real inhabitants of the Middle East, a very different story emerges.

*Would a true friend belittle your autonomy and self-determination by denying your right to defend yourself, all because they have made backroom deals with your enemies for financial gain?*

*Would a true friend seek to make you dependent upon financial aid and then give eight times more financial aid to your sworn enemies?*

Yet, this is exactly what America has done to Israel in the name of "friendship." **When Israel seeks to defend her territory, America always rushes to prevent it.**

Have you ever found yourself asking why America, and other Western interests who benefit from continued good relations with oil-producing nations, urge Israel to restrain herself? After all, who are we to intervene in a sovereign nation's foreign policy decisions?

*Again, the truth is found when you follow the money...*

As you may recall, part of the petrodollar agreement requires that the United States guarantee protection for Middle Eastern oil-producing nations from the threats specifically imposed by the Jewish state.

**When dispensing foreign aid into the Middle East, does America give money exclusively to Israel and her allies?** No. Instead, Israel's sworn enemies receive eight times more in foreign aid than Israel does. How can you give free money and weapons to the enemies of your so-called "best friend" and keep a straight face? .

While the masses clamor at the feet of those leaders who profess "support for Israel," I would suggest that they have rarely stopped to ask what that American "support" really looks like?

**The Jewish identity, as expressed in Zionism, is one that is deeply rooted in autonomy and self-determination.**

It is my belief that America's so-called "support" for Israel has served as a crafty cover for maintaining a military presence in the region... all to protect our national interests. America has attempted to play both sides of this Middle East game for far too long. And it has used the corporate-controlled media to control the American public for decades. They have kept us ignorant of the truth. Keeping the Middle East inflamed and destabilized has been a stated goal of Western interests for decades. This is the name of the game when

your goal is empire. And empires do not have friends... they have subjects.

It is time that Americans wake up and realize that we need to stop listening to the flapping jaws of the politicians and to the derelict corporate-controlled media, and instead, we should follow the money.

**Maintaining the petrodollar system is the American empire's primary goal. Everything else is secondary.**

## The Petrodollar Wars: The Iraq-Petrodollar Connection

The world currently consumes nearly 90 million barrels of oil per day. According to some projections, global oil demand will reach well over 100 million barrels per day by 2015. And thanks to the petrodollar system, growing global demand for oil leads to an increase in



U.S. dollar demand. This artificial demand for U.S. dollars has provided remarkable benefits for the U.S. economy. It has also required the Federal Reserve to keep the dollar in plentiful supply.

By perpetually expanding the U.S. money supply, America's standard of living increases as well. (If this logic does not make sense, be sure to go back and read part one of this series.) The only problem with this situation is that the only way that it can be sustained is if the demand for the dollar and for U.S. debt securities remains consistently strong.

Grasping this last point is extremely important. For if the artificial global dollar demand, made possible by the petrodollar system, were ever to crumble, foreign nations who had formerly found it beneficial to hold U.S. dollars would suddenly find that they no longer needed the massive amounts that they were holding. This massive amount of dollars, which would no longer be useful to foreign nations, would come rushing back to their place of origin... America.

The Washington elites are intimately aware of how serious the economic situation could become if the petrodollar system collapsed. After all, they were the architects and masterminds of the entire system. And if one considers Washington's policies since the mid-1970's, it is evident that they have no intention of allowing the petrodollar system to fail.

Obviously, an influx of dollars into the American economy would lead to massive inflationary pressures within our economic system.

It is difficult to overstate the importance of this concept as the entire American monetary system literally hinges on this “dollars for oil” system. Without it, Washington would lose its permission slip to print excessive amounts of dollars. Therefore, it should come as no surprise that America has a vested interest in maintaining the petrodollar system. And, if you are an American citizen, so do you.

### **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 upon the United States of America.

- 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 Federal Reserve would lose their ability to print more dollars to solve America’s economic problems.
- 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 temporarily while 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.
- 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 would be suffering 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. But 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.

## America – The Primary Guardian of the Petrodollar System

Since the dawn of the petroleum age, the geopolitical strategies concocted by developed nations have increasingly been centered on maintaining easy access to the world’s oil supplies. Only the truly naive could deny the obvious powerful economic and political incentives that are derived from access to cheap oil supplies. And while most nations have a clear motivation to maintain easy access to the world’s cheapest

oil supplies out of sheer economic necessity, as well as the political goodwill it engenders among the masses, this is certainly not the sole concern for the United States. As you have discovered, the United States has an additional unique incentive regarding the world’s oil. Namely, ensuring that all oil around the globe, both current supplies and future discoveries, remain priced in U.S. dollars.

A simple examination of America’s foreign policy efforts in the wake of the ‘oil shock’ of 1973, and in the ensuing foundation of the petrodollar system in the mid 1970’s, makes it painstakingly clear to any casual political observer that a central goal of Washington has been to control global oil supplies, specifically in West Asia.

In 1973, in the wake of U.S. military involvement in the Vietnam War, Washington began turning its attention to another region of the globe: the Persian Gulf. The Yom Kippur War gripped the oil-rich area. After the ensuing ‘oil shock’ of 1973, President



Richard Nixon warned U.S. citizens “that American military intervention to protect vital oil supplies” in the region was a strong possibility. This speech marked the first official and formal commitment to deploy U.S. troops to the Middle East for the explicit reason of protecting America’s oil interests.

On March 1, 1980, the U.S. announced the creation of the Rapid Deployment Joint Task Force (RDJTF). The stated mission of the Rapid Deployment Force was as a deterrent (primarily against the Soviets) and to thus “help maintain regional stability and the Gulf oil-flow westward.”

On January 1, 1983, Carter’s Rapid Deployment Force morphed into a separate force known as the United States Central Command (USCENTCOM). USCENTCOM would be responsible for the Middle East and Central Asian regions.

Understanding the petrodollar system will help you make sense of the hundreds of U.S. military bases stationed in over 130 countries. After all, maintaining an empire dependent upon a “dollars for oil” system is no cheap task and requires careful monitoring and oversight of the world’s oil supplies. Chief among the potential concerns for the petrodollar guardians are: threats of restrictions on oil supplies, new oil discoveries in potentially “anti-Western” oil fields, the nationalizing of a country’s oil supplies, and perhaps most importantly, devising “permanent solutions” to the problems presented by nations who dare challenge the current “dollars for oil” system.

As the primary guardian of the petrodollar, the U.S. often finds its militaristic adventurism at odds with the goals of foreign nations who do not share the same enthusiasm for confronting sovereign nations over a system in which they share no real direct incentives.

Given these facts, let’s now explore how the petrodollar system has affected America’s foreign policy actions in the oil-rich region of Western Asia. We will begin with a look back at the events of America’s darkest hour.

### **Beating the Iraq War Drums - Before 9/11**

On September 11, 2001, America’s relations with the Middle East would be altered forever. The tragic events of that day still live on in the memory of every American. The dreadful carnage in New York City, Washington D.C., and Shanksville, Pennsylvania was heart-rending to the billions around the world who watched the terror unfold before their eyes on live television.

Interestingly, just five hours after American Airlines Flight 77 crashed into the Pentagon, Secretary of Defense Donald Rumsfeld began ordering his staff to develop plans for a strike on Iraq — despite the fact that there was absolutely no evidence linking the country, or its leader Saddam Hussein, to the 9/11 attacks.

When reports later came in that three of the hijackers involved in the 9/11 attacks were connected to Al Qaeda, Rumsfeld reportedly became so determined to find a rationale for an attack on Iraq that “on 10 separate occasions he asked the CIA to find evidence linking Iraq to the terror attacks of Sept. 11.” The CIA repeatedly came back empty-handed.

On September 12, 2001, despite zero evidence against Iraq, Defense Secretary Rumsfeld proposed to President George W. Bush that Iraq should be “a principal target of the first round in the war against terrorism.” Bush, along with his other advisors, including Deputy Secretary of Defense Paul Wolfowitz, strongly supported the idea that Iraq should be included in their attack plans. Colin Powell, then Secretary of State urged constraint however, stating that “public opinion has to be prepared before a move against Iraq is possible.”

In fairness, however, Washington had already been preparing for a new invasion of Iraq. The Los Angeles Times reported that one year prior to the attacks of 9/11, the U.S. began constructing Al Adid, a billion dollar military base in Qatar with a 15,000-foot runway, in April 2000. What was Washington’s stated justification for the new Al Adid base, and other similar ones in the Gulf region? Preparedness for renewed action against Iraq.

Here’s a Pentagon document dated March 5, 2001, entitled Foreign Suitors for Iraqi Oil Field Contracts. It details how Iraq’s oil fields would be carved up and outsourced to Western oil companies two full years before the war. It would later be revealed that an invasion of Iraq was at the top of the Bush administration’s agenda only 10 days after his inauguration, which was a full eight months before 9/11.

In an explosive book entitled Against All Enemies by Bush’s former counterterrorism director, Richard A. Clarke, the author recounts life inside the Bush Administration in the days immediately following the 9/11 attacks:

*“The president in a very intimidating way left us, me and my staff, with the clear indication that he wanted us to come back with the word there was an Iraqi hand behind 9/11 because they had been planning to do something about Iraq from before the time they came into office. I think they had a plan from day one they wanted to do something about Iraq. While the World Trade Center was still smoldering, while they were still digging bodies out, people in the White House were thinking: ‘Ah! This gives us the opportunity we have been looking for to go after Iraq.”*

On September 17, six short days after the 9/11 attacks, President George W. Bush named Osama Bin Laden as the “prime suspect” in the biggest terrorist act on American soil in history. Washington’s response was swift.

On September 20, 2001, President Bush met with Britain's Prime Minister, Tony Blair to coordinate war plans. In the meeting, Bush purportedly states his intention to attack Iraq immediately. Blair advises Bush to remain focused on Al Qaeda and to work on gaining international support for an invasion of Iraq. Bush reportedly agrees to 'leave Iraq for another day.'

On October 7, 2001, Operation Enduring Freedom was launched. Thousands of U.S. troops were sent into the mountainous regions of **Afghanistan**. Washington's stated goal in this mission was clear: To capture Bin Laden, and to wipe out two groups intimately connected to him: Al Qaeda and the Taliban.

But the Bush Administration had no plans of allowing a good crisis go to waste. While they had succeeded in their initial invasion plans of Afghanistan, Iraq was still at the forefront of the Administration's collective mind. Within a few short weeks after the Afghanistan war had begun, Washington began using the corporate-controlled mainstream media to build their case for a full-scale invasion of **Iraq**.

In the build-up to a separate war, U.S. officials began publicly claiming that Iraq, and its maniacal dictator Saddam Hussein, presented an entirely separate set of national security threats, despite the fact that no legitimate evidence linked Bin Laden to the country of Iraq. Despite this astounding lack of evidence, the Bush Administration continued to whip the American public into a war-crazed frenzy with unfounded claims of Iraq's alleged development, and possession, of weapons of mass destruction. In addition, Iraq's intimate ties to international terrorist groups were highlighted, and hypnotically repeated, through the mainstream media outlets.

A deeply wounded post 9/11 America desperately sought answers and justice. In the moment of their deepest grief and fear, the Washington elites manipulated the masses to promote their desired foreign policy measures.

All of the stops were pulled out. Conservative radio and television talk show hosts began reading the Bush talking points verbatim over the air, warning the already fearful American public of the tremendous threats that Iraq posed to our national security.

Evangelicals, who openly claim to worship the "Prince of Peace," opted for bloodshed. Many Christians sought to justify the Iraq war by butchering their own "Just War" theory, and sought vengeance through a pre-emptive military strike on Iraq.

It did not take long for America to become sharply divided on Washington's hasty insistence on launching another war in the volatile region of the Middle East. And while a majority of the American public supported a full scale invasion of Iraq, others urged a more diplomatic approach.

But in the wake of the devastation of 9/11, few were in the mood for diplomacy.

As the war drums over Iraq beat ever so loudly, legitimate questions concerning the merits of the war required Washington to provide specific answers to a confused and terror-weary public. Some of those pressing questions included:

**Was there proof that Iraq had plans to harm the American people or to invade the borders of our nation?**

**Was there solid evidence that Iraq had weapons of mass destruction?**

**And, was there any evidence linking Iraqi president Saddam Hussein to the vicious terror plot of 9/11?**

The Bush Administration and the corporate-controlled mainstream media wasted no time in answering those difficult questions. with a resounding and overly confident “yes.”

Sadly, as we all know now, Saddam Hussein had no link to Osama Bin Laden, or the tragic events of 9/11. When asked by a White House correspondent directly about the connection between Iraq and the events of 9/11, President George W. Bush denied that any link ever existed. Conveniently, this change of tone came from the Administration after the war had already begun.

### **The Iraq-Petrodollar Connection**

So why Iraq? Why the rush to war with a country who so obviously had no connection with the events of 9/11?

As I write this in the early part of 2012, it is a safe assumption that most Americans carry a suspicion, however slight, toward the reasons that they were told the U.S. needed to invade Iraq back in 2003. It is simply not possible to explain the depths of the corruption that exist at the highest levels of government today. Those who have bought into the mainstream media’s portrayal of the American government as an institution who seeks the common good, they do well to recall the words of America’s own first national leader:

**“Government is not reason; it is not eloquent; it is force. Like fire, it is a dangerous servant and a fearful master.” (President George Washington)**

With that quote as a backdrop, let us dig deeper into our original question: Why did the U.S. appear so eager to launch an unprovoked war against Iraq? And why did the U.S. begin hatching these war plans many months prior to the events of September 11?

After all, many other nations around the world have confirmed stockpiles of dangerous weapons. So why did the United States specifically target Iraq so soon after the Afghanistan invasion of 2001?

### **Did the U.S. have had some other motivation for seeking international support to invade Iraq?**

William R. Clark was among those who questioned the status quo answers and Washington's stated motives regarding the invasion of Iraq. In his book, *Petrodollar Warfare*, Clark claims that the 2003 U.S.-led invasion of Iraq was not based upon "violence or terrorism, but something very different, yet not altogether surprising – declining economic power and depleting hydrocarbons."

Clark's work was heavily influenced by another author named F. William Engdahl and his book, *The Century of War: Anglo-American Oil Politics and the New World Order*.

According to research conducted by both Clark and Engdahl, the U.S.-led invasion of Iraq was not exclusively motivated by Iraq's connection to the terrorist groups who masterminded the 9/11 attacks. Nor was it out of a concern for the safety of the American public or out of sympathy for the Iraqi people and their lack of freedom or democracy.

Instead, Clark and Engdahl both claimed that the U.S.-led invasion was inspired predominantly by Iraq's public defiance of the petrodollar system.

According to page 28 of Clark's book:

**"On September 24, 2000, Saddam Hussein allegedly "emerged from a meeting of his government and proclaimed that Iraq would soon transition its oil export transactions to the euro currency."**

Not long after this meeting, Saddam Hussein began preparing to make the switch from pricing his country's oil exports in greenbacks to euros. As renegade and newsworthy this action was on the part of Iraq, it was sparsely reported in the corporate-controlled media.

Clark comments on the limited media coverage on page 31 of his book:

**"CNN ran a very short article on its website on October 30, 2000, but after this one-day news cycle, the issue of Iraq's switch to a petroeuro essentially disappeared from all five of the corporate-owned media outlets."**

By 2002, Saddam had fully converted to a petroeuro – in essence, dumping the dollar.

On March 19, 2003, George W. Bush announced the commencement of a full scale invasion of Iraq.

According to Clark and Engdahl, Saddam's bold threat to the petrodollar system had invited the full force and fury of the U.S. military onto his front lawn.

Was the Iraq war really about weapons of mass destruction, al-Qaeda, fighting terrorism, and promoting democracy?

**Or was America's stated purposes to "liberate" the Iraqi people from a brutal regime actually a clever guise for making an example of a nation who dared threaten the existing petrodollar system?**

I am not a Washington elite. And I do not claim to know the minds of men. However, the more that you consider all the facts, you will find that the invasion of Iraq was likely one of the first in a series of "petrodollar wars" designed to protect America's economic interests.

It should be noted that Iraq's proven oil supplies are considered to be among the largest in the world. However, some experts believe that Iraq's oilfields, many of which have yet to be exploited, will catapult Iraq above Saudi Arabia in total proven oil reserves in the coming years.

### **What's "Our" Oil Doing Under "Their" Sand?**

Washington, of course, adamantly denied any and all accusations that the Iraq war was motivated by anything other than disarming Iraq and liberating its beleaguered people. According to the Washington elites, the Iraq war was not, nor was it ever, about Iraq's oil supplies. Consider a small sampling of quotes from U.S. officials:

**"The idea that the United States covets Iraqi oil fields is a wrong impression. I have a deep desire for peace. That's what I have a desire for. And freedom for the Iraqi people. See, I don't like a system where people are repressed through torture and murder in order to keep a dictator in place. It troubles me deeply. And so the Iraqi people must hear this loud and clear, that this country never has any intention to conquer anybody."**

(U.S. President George W. Bush)

**"This is not about oil; this is about a tyrant, a dictator, who is developing weapons of mass destruction to use against the Arab populations."**

(U.S. Secretary of State Colin Powell)

**"It's not about oil and it's not about religion."**

(U.S. Secretary of Defense Donald Rumsfeld)

**“I have heard that allegation (of oil motives) and I simply reject it.”**

(Coalition Provisional Authority Paul Bremer)

**“It’s not about oil.”**

(General John Abizaid, Combatant Commander, Central Command)

**“It was not about oil.”**

(Energy Secretary Spencer Abraham)

**“It’s not about the oil.”**

(the Financial Times reported Richard Perle shouting at a parking attendant in frustration.)

**“This is not about oil.”**

(Australian Treasurer Peter Costello)

**“The only thing I can tell you is this war is not about oil.”**

(Former Secretary of State Lawrence Eagleburger)

**“This is not about oil. This is about international peace and security.”**

(Jack Straw, British Foreign Secretary)

**“This is not about oil. That was very clear. This is about America, and America’s position in the world, as the upholder of liberty for the oppressed.”**

(Utah Republican Senator Bob Bennett)

**“There’s just nothing to it.”**

(White House spokesperson Ari Fleischer on the U.S. desire to access Iraqi oil fields.)

Condoleeza Rice, in response to the proposition, “if Saddam’s primary export or natural resource was olive oil rather than oil, we would not be going through this situation,” said:

**“This cannot be further from the truth. He is a threat to his neighbors. He’s a threat to American security interest. That is what the president has in mind.”** She continued: **“This is not about oil.”**

The government line was loud and clear: The Iraq war was **not** Or... Is it About the Oil? about oil.

**Or... Is it About the Oil?**

Despite the adamant denial by the Washington elites that their intentions were anything but pure, it did

not take long for dissenters to emerge. Anti-war demonstrations filled the public squares of nearly every American town.

Interestingly, as the war with Iraq raged on, even those within Washington began to make revealing comments on the U.S.-Iraq-Oil connection.

**In January 2003, British Foreign Secretary Jack Straw** admitted that oil was a key priority to the West's involvement in Iraq, even more so than the supposed "weapons of mass destruction."

In June 2003, **Deputy Defense Secretary Paul Wolfowitz** made the following comments after being asked why Iraq was being treated differently than North Korea on the question of a nuclear threat, while speaking to an Asian security summit in Singapore:

**"Let's look at it simply. The most important difference between North Korea and Iraq is that economically, we just had no choice in Iraq. The country swims on a sea of oil."**

In an August 2008 interview with BusinessWeek magazine, Republican Vice-Presidential candidate **Sarah Palin** stated:

**"We are a nation at war and in many [ways] the reasons for war are fights over energy sources which is nonsensical when you consider that domestically we have the supplies ready to go."**

During a 2008 Townhall campaign meeting, former Presidential candidate and Senator, **John McCain**, made the following statement:

**"My friends, I will have an energy policy which will eliminate our dependence on oil from the Middle East that will then prevent us from having ever to send our young men and women into conflict again in the Middle East."**

Former Chairman of the Federal Reserve, **Alan Greenspan**, stated the following on page 463 of his book, "The Age of Turbulence: **I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil.**"

In an interview with Bob Woodward of the Washington Post, Greenspan elaborated on the comment in his book by saying that removing Saddam from power was "essential" to keep the "existing system" in place.

Apparently everyone in Greenspan's circle "knew" that Iraq was about oil. However, the average American was told exactly the opposite by the Bush Administration and the corrupt and derelict corporate-controlled mainstream media.

In a televised interview with Frontline, former Secretary of State **James A. Baker III** made the following statement regarding U.S. national security policy:

**“I have been a member of four (Presidential) administrations. And in every one of those administrations we had written as a national security policy that we would go to war to protect the national energy reserves of the Persian Gulf, if necessary.”**

**General John Abizaid**, who was formerly the Commander of the USCENTCOM during the Iraq war, stated during an October 2007 round table discussion entitled: *“Courting Disaster: The Fight for Oil, Water and a Healthy Planet”* at Stanford University:

**“Of course (the Iraq war) is about oil, we can’t deny that.”**

Former U.S. Ambassador, and war hawk, John Bolton publicly admitted in an interview on FoxNews dated Oct 22, 2011, that the multiple wars that America has fought in the Middle East have been about securing oil supplies. Speaking of the U.S.-Middle East conflicts, Bolton stated:

**“The critical oil and natural gas producing region that we fought so many wars to try and protect our economy from the adverse impact of losing that supply or having it available only at very high prices.”**

Based upon the quotes above, we have no need to wonder if Iraq’s oil supplies played a role in the 2003 U.S.-led invasion of that nation. After all, the global elites have told us in no uncertain terms that the Iraq war was clearly about oil and maintaining the American empire’s grip on the oil-rich region. In 2011, this was further confirmed when a torrent of damning government documents were leaked.

Finally, consider the following words from one of the chief architects behind the Iraq war, Vice President Dick Cheney. In an interview with C-Span recorded in 1994 -- nine years prior to the 2003 invasion of Iraq -- Cheney was asked about his opinion of the previous 1991 Gulf War. His answer is revealing.

**Q: Do you think the U.S., or U.N. forces, should have moved into Baghdad?**

**A: No.**

**Q: Why not?**

**A: Because if we’d gone to Baghdad we would have been all alone. There wouldn’t have been anybody else with us. There would have been a U.S. occupation of Iraq. None of the Arab forces that**

were willing to fight with us in Kuwait were willing to invade Iraq. Once you got to Iraq and took it over, took down Saddam Hussein's government, then what are you going to put in its place? That's a very volatile part of the world, and if you take down the central government of Iraq, you could very easily end up seeing pieces of Iraq fly off: part of it, the Syrians would like to have to the west, part of it — eastern Iraq — the Iranians would like to claim, they fought over it for eight years. In the north you've got the Kurds, and if the Kurds spin loose and join with the Kurds in Turkey, then you threaten the territorial integrity of Turkey. It's a quagmire if you go that far and try to take over Iraq. The other thing was casualties. Everyone was impressed with the fact we were able to do our job with as few casualties as we had. But for the 146 Americans killed in action, and for their families — it wasn't a cheap war. And the question for the president, in terms of whether or not we went on to Baghdad, took additional casualties in an effort to get Saddam Hussein, was how many additional dead Americans is Saddam worth? Our judgment was, not very many, and I think we got it right.”

Apparently, Saddam's move to switch Iraq's oil sales from dollars to euros may have been enough to change Cheney's mind about sacrificing American lives. Based upon the quotes above, and upon the mountain of evidence that we have today, it is obvious that oil had played some role in the U.S.-led Iraq invasion.

Sadly, innocent civilians in Iraq are the ones who paid the ultimate price for the U.S. invasion. To date, over 105,000 Iraqi civilians have been killed since the war commenced in March 2003. And many of these casualties were children.

Let's take a look at what has transpired in the aftermath of the U.S.-led invasion of Iraq to see if the words and the actions line up.

### **The Rush for Post-War Iraqi Oil**

In late 2002 and early 2003, the preparations for the Iraq war were well under way. As the United States sought international support for the war, several nations expressed opposition to the invasion. China, Russia, and France were among these nations.

Many in the corporate-controlled American media portrayed these nations as “sympathizers” and “supporters” of terrorism due to their hesitancy to invade Iraq on groundless charges.

***However, what the corrupt media outlets failed to mention was that these nations had existing oil contracts in with Iraq that would be endangered in the event that the West gained control of Iraq.***

In October 2002 interview with the Observer UK, a Russian official at the United Nations stated:

**“The concern of my government is that the concessions agreed between Baghdad and numerous enterprises will be renegeged upon, and that U.S. companies will enter to take the greatest share of those existing contracts. . . . Yes, if you could say it that way — an oil grab by Washington**

With just a little bit of in-depth investigation, the clueless American elite media would have discovered that there was more to this than “sympathizing” with terrorists and that prior to the war, Russia was owed billions of dollars by Iraq. Russia had even billions more wrapped up in future contracts.

**Together with France and China, Russia stood to gain billions in future oil contracts when, and if, sanctions were lifted against Iraq.**

In a separate 2002 news article entitled, Oil After Saddam: All Bets Are In, Samer Shehata, a Middle East expert at the Center for Contemporary Arab Studies in Washington, was interviewed regarding the situation.

**“Russia, China, France have the highest stakes in the Iraqi oil industry. Once Saddam is out, everything becomes null and void and there is no legal authority to enforce those claims.”**

Is it any wonder why much of the world hates America? Of course, we are told that nations hate us because we have “blue jeans” and “fast cars.” We are told that foreign nations hate Americans because of our liberties. The same corrupt outlets that cram this garbage down the public’s throats are the same ones who lied to the American public about the real reasons for the war in Iraq. The truth is that very few foreign nations “hate” American citizens. Instead, they despise the actions of the American empire with its militaristic adventurism and its excessive intervention into foreign affairs.

### **The Most Damning Evidence of a Petrodollar Motive in the Iraq War**

On June 5, 2003, the corrupt U.S. media missed one of the most important and revealing stories about the Iraq war. However, Carol Hoyas and Kevin Morrison from the London-based Financial Times reported on the story in a piece entitled: Iraq returns to international oil market. Here’s an excerpt of the story:

**“Iraq on Thursday stepped back into the international oil market for the first time since the war, offering 10m barrels of oil from its storage tanks for sale to the highest bidder. For some international companies it will be the first time in more than a year that they will do business directly with Iraq... The tender, for which bids are due by June 10, switches the transaction back to dollars - the international currency of oil sales - despite the greenback’s recent fall in value. Saddam Hussein in 2000 insisted Iraq’s oil be sold for euros, a political move, but one that improved Iraq’s recent earnings thanks to the rise in the value of the euro against the dollar.”**

Is it not rather interesting to note that within weeks of the invasion of Iraq, all Iraqi oil sales were switched from the euro — back to the U.S. dollar?

Was this war, as Clark and Engdahl suggest, the first “petrodollar” war? I think the evidence is clear that it was.

*Think about this. If Iraq was not ultimately about oil, then how ridiculous is it that a nearly bankrupt nation like America could spend hundreds of billions of dollars on “spreading democracy” to foreign nations, like Iraq, when our own nation is in a steep economic decline?*

*How are the American people able to afford such an altruistic foreign policy when they can’t even afford to take care of their own citizens?*

*And finally, since when has America become so interested in giving American lives and dollars for the benefit of foreign nations with nothing in return?*

And speaking of return, what could Iraq possibly offer in return to America? Perhaps Vice President Cheney answered that question best when he said in a 1999 speech at the Institute of Petroleum:

**“The Middle East, with two-thirds of the world’s oil and the lowest cost, is still where the prize ultimately lies; even though companies are anxious for greater access there, progress continues to be slow.”**

Finally, consider Republican Senator Charles Hagel’s rather blunt statement given in a 2007 speech at the Catholic University of America regarding the true purposes behind the Iraq War:

**“People say we’re not fighting for oil. Of course we are. They talk about America’s national interest. What the hell do you think they’re talking about? We’re not there for figs.”**

Since 1980, America has devolved from being the world’s greatest creditor nation to the world’s greatest debtor nation. But thanks to the massive artificial demand for U.S. dollars and government debt made possible by the petrodollar system, America is able to continue its spending binges, imperial pursuits, reckless wars, and record deficits. In America today, we are living proof that having the world’s most important currency translates into a higher standard of living than most nations.

At one point in America’s history, our largest export was a variety of manufactured goods, made right here in the U.S.

Today, America's largest export is the U.S. dollar.

And the dollar costs us practically nothing to create. How long will it be before the nations of the world figure out the dollar fiasco is a fraud? Instead of viewing U.S. dollars as worthless paper backed by nothing (as they should), foreign oil producers and consumers were convinced — and required — to hold U.S. dollars in order to purchase oil back in the 1970's.

However, this demand for dollars is not genuine. It is purely artificial.

Dr. Bulent Gukay of Keele University puts it this way:

**“This system of the U.S. dollar acting as global reserve currency in oil trade keeps the demand for the dollar ‘artificially’ high. This enables the U.S. to carry out printing dollars at the price of next to nothing to fund increased military spending and consumer spending on imports. There is no theoretical limit to the amount of dollars that can be printed. As long as the U.S. has no serious challengers, and the other states have confidence in the U.S. dollar, the system functions.”**

Pay particular attention to Dr. Gukay's comment regarding “serious challengers” to the United States. And as the global economy continues to evolve, a whole host of competing currencies will rise to challenge the current dollar hegemony. In fact, that movement is already afoot.

What does that mean for you? In essence, expect more perpetual wars against faceless and nameless enemies, like the War on Terror. Expect the theater for these conflict to conveniently be staged in Western Asia -- where the majority of the world's oil supplies lay waiting for their Western “liberators.”

When you “follow the money”, everything begins to make much more sense.

## “THE WAR IN AFGHANISTAN AND THE NEW GREAT GAME”

*As we have learned from the previous articles in this series, the petrodollar system that was cleverly crafted in the 1970's has served America well. What began as a way to drive more demand for the U.S. dollar, in the wake of a move away from the international gold standard in 1971, has provided benefits that few could ever imagine. America's 'dollars for oil' system has greatly enriched our nation at the expense of other nations and their potential prosperity. It has also helped solidify the U.S. dollar as the global currency of choice, following a temporary loss of credibility after President Nixon's decision to close the gold window.*

*In this fourth installment of our series, I will explain how the petrodollar system has led the U.S. into a perpetual state of war in the Middle East and Central Asia. In particular, this article will focus on the rise of Al Qaeda and the Taliban, along with what I believe may be the real reasons for the War in Afghanistan. I have entitled this piece, **The Petrodollar Wars: The War in Afghanistan and the New Great Game***

While our last article provided a sobering analysis of the motives for the U.S. invasion of Iraq through its obvious connection to the petrodollar system, there are still lingering questions regarding the “other” war in Afghanistan that remain unanswered. In this article, I will attempt to shed light on three primary questions. Namely, why did the United States invade Afghanistan? Why is the U.S. military still in Afghanistan? And finally, what strategic purpose, if any, does Afghanistan have in helping America maintain the global reserve currency through the petrodollar system?

## Why is the United States in Afghanistan?

On October 7, 2001, the Bush Administration launched the U.S. war machine into the rugged mountains of Afghanistan under the banner of **Operation Enduring Freedom**. The official aim of the military aggression was to “liberate” Afghanistan from the terrorist network, Al Qaeda, find Osama Bin Laden, and dismantle the reigning Taliban regime. Within weeks of the invasion, the U.S. military had driven most of the top Taliban officials into the neighboring country of Pakistan.

Three years later, the newly formed Afghan government held democratic style elections and voted in their current president, **Hamid Karzai**. While there have been ebbs and flows in the violence, Taliban insurgents operating from their base in neighboring Pakistan have sought to regain control of Afghanistan.

As we witnessed in the 2012 Presidential debates and election, asking questions of this nature is futile. The media never once asked either candidate how we plan to fund our ongoing military conquests. Nor was the phrase “Federal Reserve” ever mentioned once during the debates. Considering that the Fed serves as a

vital funding source of the Federal government, this should have been appalling to the American public. Instead, most Americans blindly fell for the right-left paradigm, refusing to see the truth that both political parties operate in a state of denial about America's real problems.

Most Americans have grown weary of, and apathetic to, the occupation of Afghanistan by the U.S. war machine. A recent public opinion poll in the U.S. showed that 69% of Americans believe that the United States should not be at war in Afghanistan, and even the U.S. military has recently appeared to abandon hopes of reaching a peace deal with the Taliban, its stated objective for the last several years.



The Obama administration has announced plans to formally end combat operations in Afghanistan at the end of 2014. But according to a November 2012 report released by the Wall Street Journal, 10,000 U.S. troops will remain in Afghanistan after 2014 to provide “counterterrorism and training support.”

At this point, we should ask ourselves a few important questions:

- 1) **Why did the U.S. invade Afghanistan in the first place?**
- 2) **How much safer is America after its 11 year struggle in Afghanistan?**
- 3) **Why exactly is a bankrupt U.S. maintaining troops in Afghanistan even beyond 2014?**

It has been my observation that few Americans know why America is still in Afghanistan or why we invaded the country in the first place. Some think that the Afghanistan war was important in order to get the “terrorists who plotted 9/11.” But the official story that the government-media complex fed to the American public in the wake of the **tragic events of 9/11** actually provoke more questions than answers.

Within two weeks of the 9/11 attacks, the FBI claimed that a shadowy terrorist organization known as Al Qaeda was responsible. However, Osama Bin Laden, the professed leader of Al Qaeda, was never even formally charged for the 9/11 attacks. Even **Bin Laden's Most Wanted Poster** issued by the FBI never mentioned his involvement in 9/11. Why? Because, as the head of the FBI's public affairs unit **Rex Tomb** admitted, “**The reason why 9/11 is not mentioned on Osama bin Laden's Most Wanted page is because the FBI has no hard evidence connecting bin Laden to 9/11.**”

In fact, to this day, no hard evidence exists linking Osama Bin Laden to the events of 9/11. How can that be? And if there was no hard evidence linking Bin Laden to 9/11, then what was the justification for invading the sovereign country of Afghanistan in an effort to find him and “smoke him out of his cave?”

All of this disinformation may sound eerily familiar as it seems to be the same faulty logic employed by the Bush administration regarding another post 9/11 invasion... in Iraq. Before we explore what I believe are the ultimate reasons for the Afghanistan war, let's re-familiarize ourselves with some of that faulty logic.

## The Bush Years: Bold Lies About Iraq and 9/11

Within days of September 11, 2001, the Bush administration began publicizing its war plans. While many Americans were desperate for answers and were eager for justice, some were deeply perplexed by the decision to invade Afghanistan, and later Iraq. After all, 15 of the 19 alleged 9/11 hijackers were **citizens of Saudi Arabia**, not Afghanistan or Iraq. However, the Bush administration explained to an extremely vulnerable public that the 9/11 masterminds (Al Qaeda) were hiding out in the mountains of Afghanistan. Those who questioned the logic of an Afghan invasion were quickly hushed by the war-hungry myriads, and their reasoning was silenced by the mainstream media's relentless beating of the war drums.

In the build up to the Iraq war, the Bush administration swore up and down that Iraq had weapons of mass destruction and that Saddam Hussein was **intimately connected** to the attacks of 9/11 and to Al Qaeda itself. In a **letter dated March 21, 2003**, written from the President to the Speaker of the House of Representatives and President Pro Tempore of the Senate, Bush says:

**"I have also determined that the use of armed force against Iraq is consistent with the United States and other countries continuing to take the necessary actions against international terrorists and terrorist organizations, including those nations, organizations, or persons who planned, authorized, committed, or aided the terrorist attacks that occurred on September 11, 2001."**

Vice-President Dick Cheney went as far as to call the so-called link between Al Qaeda and Iraq **"overwhelming."** In its zeal to gain evidence of an Iraq connection to the events of 9/11, the Bush administration reportedly tortured numerous detainees, attempting to extract a damning confession. But the torture techniques resulted in no confessions.

In reality, **Iraq had no WMDs** and, despite massive intelligence efforts, no connection could be found between Iraq and Osama Bin Laden. It was later revealed that the Bush administration had detailed knowledge that Iraq did not have WMDs **prior to the invasion**. Bush would later be forced to **admit** that Saddam Hussein had no connection to the events of 9/11 after **his attempts to lie** to the American people failed. Of course, he refused to admit that he had indicated, or even suggested a link between Iraq and Bin Laden. The CIA would later admit that they knew one year before the Iraq war that Iraq and Al Qaeda had **no connection** and that Osama Bin Laden was "in fact a longtime enemy of Iraq."

Interesting side note: While the growing public mistrust of the Washington elites has reached a fever pitch in our modern era, its origins are somewhat surprising. It was not the blatant lies told to the American people during the Bush years, along with the gross mishandling of the events on 9/11, that would eventually cause the “sheeple” to stir from their slumber. Instead, it was the 2008-09 economic crisis that forced the citizenry to look upon their elected officials with suspicion.

## Al Qaeda: Just Another CIA Creation

While Iraq was obviously a war designed to protect America’s **petrodollar system**, the war in Afghanistan at least appeared to be slightly more justifiable. Why? Because it was a known fact that Afghanistan harbored and supported members of Islamic terrorist groups. Yet relatively few Americans are aware that **the U.S. spent billions of dollars funding the Afghan mujahideen** through **the 1980’s** and into the 1990’s. This funding of Afghan radicals and Islamic militants occurred under a covert CIA program, known as Operation Cyclone. If you are not familiar with **Operation Cyclone**, I urge you to spend some time researching this interesting piece of U.S. history. This extremely expensive covert CIA operation, which was coordinated with the financial assistance of Saudi Arabia, was initiated under President Jimmy Carter and **greatly expanded** under President Ronald Reagan. The financing and arming of these Islamic radicals by the CIA and the Saudis was later justified as an attempt to demoralize and degrade the Soviet army during the Cold War era. The fact that the U.S. armed Islamic militants to the teeth and provided them with tens of billions of dollars in the form of “foreign aid” is obviously an embarrassing fact in U.S. history. It makes you wonder how many U.S. troops have been killed or maimed by our own weapons in this most recent war.



Perhaps even more damning is that Operation Cyclone may have provided necessary financing for the rise of a man by the name of Osama Bin Laden. In the wake of the tragic London bombing on 7/7/2005, former British Foreign Secretary, Robin Cook **penned a piece** in the London Guardian publicly admitting that the CIA and the Saudis had **created, armed, and funded** Osama Bin Laden and Al Qaeda.

“Bin Laden was, though, a product of a monumental miscalculation by western security agencies. Throughout the 80’s he was armed by the CIA and funded by the Saudis to wage jihad against the Russian occupation

of Afghanistan. Al-Qaida, literally “the database”, was originally the computer file of the thousands of mujahideen who were recruited and trained with help from the CIA to defeat the Russians. Inexplicably, and with disastrous consequences, it never appears to have occurred to Washington that once Russia was out of the way, Bin Laden’s organization would turn its attention to the west.”

What made this revealing commentary so explosive was the fact that Cook was a **respected former high-ranking British government official**. Within one month of the publication of the article, the healthy and fit Cook **died of a “heart attack”** while on vacation with his wife. The **mystery** surrounding his death still raises more questions than answers.

Later, U.S. Secretary of State, Hillary Clinton, would publicly admit that the CIA created the very enemies that the United States is now fighting in Afghanistan.

While many Americans are distrustful of their government, most of them are so woefully ignorant of their own history that they are unable to demand positive change from their leaders. Instead, they are spoon-fed current events by the government-corporate-media complex, which not only carefully selects the news that is reported, but also tells them what to think about it. If the American people truly understood history they would reject the corporate-controlled media.

**The FOXNEWS-MSNBC-CNN-ABC-NBC-CBS news outlets should be viewed merely as entertainment... and at best, info-tainment. Their refusal to dig deeper into their stories, however, is determined by the attention span of the average American.** So perhaps the media that we have today is the media that we deserve.

## The Afghanistan War: Follow the Money

When you consider that the bankrupt American empire has been spending approximately **\$2 billion per week since 2001** on the war in Afghanistan, it should be apparent that our government officials are motivated by some incentive other than “fighting terror” and “spreading democracy.” In fact, if our government officials are foolish enough to spend \$2 billion per week in order to “spread democracy” to foreign lands as the American economy crumbles, then they should all be immediately checked into the Beltway’s nearest asylum. But we know better. As rational human beings, we know that everything that occurs in this life does so at the behest of incentives. In other words, America would not be spending \$2 billion per week for 11 years in Afghanistan unless it perceived that the expense was somehow justified.

The thesis of this article then, pertains to the reasons behind the war in Afghanistan. The U.S.-led invasion and agonizingly drawn-out occupation of the region by our military has little to do with eradicating the CIA-

created “Al Qaeda”, fighting “terrorism”, or altruistically “spreading democracy” to foreign lands. Instead, a basic understanding of history and economics demonstrates that these wars have much more to do with the U.S. securing access to the region’s natural resources.

Like the Iraq war, I believe that the war in Afghanistan has been motivated by an effort to protect the U.S. dollar (i.e. the petrodollar system.) Protecting the current “dollars for oil” arrangement requires the U.S. to control and regulate the flow of natural resources in the region. After all, modern empires like the U.S. need not occupy an entire land in order to regulate and dominate commerce and trade. Instead, selecting and controlling those in power is all that is required for the empire to maintain its dominion over a particular region. This explains many of the Western puppet regimes that exist in the Middle East, which actively do the bidding of Western interests. Of course, the leaders of these puppet regimes are attractively compensated in exchange for their willingness to eliminate the sovereignty of their nation and their people.

Consider the chart below which shows the excessive amounts of money that the U.S. spends on foreign aid in the Middle East propping up its puppets.

Iraq, for example, offers a clear picture of Western interests as it sits atop some of the largest oil reserves in the world. And most of Iraq’s oil fields are still largely untapped and lie waiting for oil companies to exploit them.

But what about Afghanistan? Isn’t Afghanistan just a mountainous wasteland with an uneducated population? What possible incentive could the United States have for wanting to invade and control this nation? If you have ever wondered this, it is time to introduce you to the “New Great Game.”

**5. Top 10 Recipients of U.S. Foreign Aid in FY2012 and the FY2013 Request**  
(in millions of current U.S. \$)

FY2012		FY2013 Request	
Country	Estimated Allocation	Country	Requested Allocation
Israel	\$3,075	Israel	\$3,100
Afghanistan	\$2,327	Afghanistan	\$2,505
Pakistan	\$2,102	Pakistan	\$2,228
Iraq	\$1,683	Iraq	\$2,045
Egypt	\$1,557	Egypt	\$1,563
Jordan	\$676	Jordan	\$671
Kenya	\$652	Nigeria	\$599
Nigeria	\$625	Tanzania	\$571
Ethiopia	\$580	South Africa	\$489
Tanzania	\$531	Kenya	\$460

**Notice that the U.S. gives more foreign aid** to Israel’s sworn enemies than it does to Israel itself. This schizophrenic behavior of “standing with Israel” while providing excessive financial support to Israel’s enemies in the region is dubious. However, it makes perfect sense when viewed through the lens of resource war and the petrodollar system.

# The Real Reasons Behind the Afghanistan War

Afghanistan is strategically located in the resource-rich region of Central Asia. Amid the rise of many emerging nations in search of new oil supplies, Central Asia has become ground zero in what is a new scramble for natural resources.

It has been estimated that the entire Caspian

Sea is **full of oil** and **natural gas**, starting from Azerbaijan and continuing to the opposite shore in the territory of Kazakhstan and Turkmenistan. These energy deposits take on enormous importance given their close proximity to the rising energy hungry powers of China and India. In addition, because of the expected depletion of the oil deposits in Alaska and the North Sea around the year 2015, the West is aggressively seeking access to new sources of energy supplies.

For decades, Central Asia has held immense strategic geopolitical significance. During World War II, for example, Adolf Hitler enacted **Operation Blue** in an attempt to capture the Caucasian oil fields from the Russians. His hope was that this victory would help him secure his plot for global domination. His failure left the oil-rich region of Central Asia under Russia's control.

But throughout history, countries that have attempted to invade and exploit Central Asia's abundant natural resources have been forced to contend with one major obstruction: the region is isolated and landlocked. This was the predominant theme of the 19th century (1813-1907) when the British Empire **struggled to gain access** to the region when it was largely under the thumb of Tsarist Russia. This 19th century race to exploit the immense energy supplies of Central Asia between the Russian empire and the British Empire is known as the "Great Game."

To those familiar with the phrase, and the history it implies, the reasons of the growing "war on terror" begin to come into sharp focus.

Today, Western powers are once again racing to build an empire in Central Asia. But, unlike the last century, this **New Great Game** is not about controlling the lands of Central Asia. Instead, as Karl Meyer and Shareen Brysac put it in their book, **Tournament of Shadows: The Great Game and the Race for Empire in Central Asia**, "*pipelines, tanker routes, petroleum consortiums, and contracts are the prizes of the new Great Game*".



In 2010, the Guardian newspaper published a **leaked document** written by Washington's ambassador to Kyrgyzstan, Tatiana Gfoeller, after she had attended a meeting with British and Canadian businessmen in the Kyrgyz capital, Bishkek. In the leaked document, Ms. Gfoeller reports that during the meeting, Prince Andrew of York told her that Western Europe, the United States and the United Kingdom were now "back in the thick of playing the Great Game and this time we aim to win."

**Whoever can gain control over this region can control the pipelines that will be constructed, which will transfer the natural resources to global markets.**

## A Working Timeline of the New Great Game

While selecting a point of origin for this New Great Game is arguable, for the sake of brevity, I will begin our timeline in April 1995. In that month, the U.S. State Department, the Central Intelligence Agency, and the National Security Council formed a working group to study U.S. oil and gas interests in the Caspian Sea region. In that same month, Turkmenistan officials traveled to Texas to discuss the feasibility of constructing a gas pipeline that would stretch from Turkmenistan through Afghanistan to Pakistan and on to the Arabian Sea. By October of that same year, Turkmenistan's president, Saparmurad Niyazov, **signed an agreement** with Unocal and the Saudi Arabian Delta Oil Company, giving the two companies exclusive rights to develop the Trans-Afghanistan pipeline in his country.

With Turkmenistan in agreement, the next step would be to gain approval from Pakistan. That job fell on U.S. Ambassador Tom Simmons who, in March of 1996, **began urging** Pakistani Prime Minister, Zulfikar Ali Bhutto, to give exclusive rights for the Trans-Afghan pipeline to Unocal.

By September 1996, the Taliban had fully captured the city of Kabul, Afghanistan. At this time, the U.S. viewed the Taliban as **anti-Iranian and pro-Western**. President Clinton, who was impressed by the Taliban's apparent willingness to discuss the Trans-Afghanistan pipeline, opted to support their claim to power in the region. Soon, the State Department and Pakistan's ISI were funneling weapons and money to the Taliban to aid their confrontation with the Northern Alliance. In his provocative book, **Taliban**, Ahmed Rashid explains that U.S. taxpayers **paid for the salaries** of virtually every Taliban official up until 1999.

In 1997, the **BBC reported** that a senior delegation from the Taliban in Afghanistan was invited by the international energy company, Unocal, to the United States for talks on constructing a gas pipeline that would stretch from Turkmenistan through Afghanistan to Pakistan. (*Unocal later merged with Chevron in 2005.*) The Taliban delegation spent several days at the company's headquarters in

Sugarland, Texas. Unocal, eager to begin development of the vast energy resources of the Caspian Sea region, **commissioned the University of Nebraska** to teach Afghan men the technical skills needed for pipeline construction.

According to **sources**, Taliban officials were told they could accept a “carpet of gold” or a “carpet of bombs.” Pakistani officials claimed the Bush administration informed them **five weeks before 9/11** that they would begin military operations in Afghanistan against the Taliban in October of that same year. This claim is backed up by the fact that the detailed military invasion orders against Afghanistan, referred to in **National Security Presidential Directive 9** (NSPD 9), were placed in the Oval Office on President Bush’s desk waiting to be signed —on September 4, 2001. Did Bush know that the events of 9/11 were about to unfold?

## The Trillion Dollar Graveyard... of Empires

Interestingly, in 2010, it was reported that a small team of Pentagon officials and American geologists had discovered **vast amounts of untapped mineral deposits** in Afghanistan **worth nearly \$3 trillion**. One U.S. government official explained, “This will become the backbone of the Afghan economy.” A related Pentagon memo claimed that Afghanistan was positioned to become the **”Saudi Arabia of lithium.”**

The story, however, was not new. Instead, it was likely manufactured to drive support for the war from an apathetic American public.

The fact that Afghanistan’s mineral wealth was known by the U.S. in advance of the war was **revealed in an interview** with a retired senior U.S. official based in Afghanistan. In the interview, conducted by Politico, the U.S. official noted that the reports of a ‘discovery’ of vast amounts of resources and minerals was old news.

*“When I was living in Kabul in the early 1970’s the [U.S. government], the Russians, the World Bank, the UN and others were all **highly focused on the wide range of Afghan mineral deposits**. Cheap ways of moving the ore to ocean ports has always been the limiting factor.”*

In fact, the Afghans themselves knew about the vast mineral riches that lay under their feet as far back as 1985. A **report published by the chief engineer** of the Afghan Geological Survey Department details the discovery of massive amounts of mineral wealth along with extraction plans with the aid of the former Soviet Union. Obviously, that deal fell through after Russia made another important discovery: that Afghanistan was the **graveyard of empires**. In 1989, after attempting to exploit the region’s resources on numerous occasions, Russia pulled out of Central Asia amid deep turmoil in the mother country.

Additionally, the news of Afghanistan's tremendous mineral wealth, and the vast oil and natural gas reserves of nearby countries, was published for all to read in a 1997 book by globalist Zbigniew Brzezinski entitled **The Grand Chessboard: American Primacy and Its Geostrategic Imperatives**.

Brzezinski, who is a former Presidential advisor and a member of both the Bilderbergers and the Council on Foreign Relations, states in his book what was commonly known among the global elites in the mid-1990's about the importance of the Central Asian region:

*"...the Eurasian Balkans are infinitely more important as a **potential economic prize**: an enormous concentration of natural gas and oil reserves is located in the region, in addition to important minerals, including gold" (page 124)*

Brzezinski continues:

*"**America's global primacy is directly dependent on how long and how effectively its preponderance on the Eurasian continent is sustained...** A power that dominates Eurasia would control two of the world's three most advanced and economically productive regions...**most of the world's physical wealth is there as well, both in its enterprises and underneath its soil.**" (page 30-31)*

In addition to the vast mineral wealth, which the **United States Geological Survey** reported as early as 2007 — three years before it released its "bogus finding" to the mainstream press as a legitimate news story — Central Asia is also extremely rich in oil and natural gas.

According to the **BP Statistical Review 2011**, Kazakhstan had the ninth largest proven oil reserves in the world with well over 30 billion barrels. This is larger than Nigeria (37.2 billion barrels), Canada (32.1 billion) and the United States (30.9 billion).

Country	Proven Oil Reserves 2011 (bbl)	Worldwide Rank
Kazakhstan	30,000,000,000	11
Turkmenistan	600,000,000	44
Uzbekistan	594,000,000	47
Kyrgyzstan	40,000,000	81
Tajikistan	12,000,000	88

Source: CIA World Factbook

What Russia and Britain both failed to do in previous decades during the Great Game, America appears willing and able to do.

However, America will face formidable opposition and competition for these same resources from the Russians and especially the Chinese. Again, Brzezinski points out the obvious when he writes:

**“China’s growing economic presence in the region and its political stake in the area’s independence are also congruent with America’s interests.” (page 148)** In order to successfully conquer the region of Central Asia, Brzezinski writes that the West must seek to:

**“prevent collusion and maintain security dependence among the vassals, to keep tributaries pliant and protected, and to keep the barbarians from coming together.” (page 40)**

I cannot think of a better description of what the U.S.-led wars in the region have created than this last sentence.

How do you “prevent collusion and maintain security dependence?” By keeping the region in a perpetual state of war and upheaval. **This is the classic “divide and conquer” strategy that Western nations have employed in the resource-rich regions for centuries.** But the American empire deserves credit for cleverly disguising its true intentions in its conquests by appealing to a bogus “war on terror” along with its relationship with Israel. By creating an enemy figure in the form of “global terrorism” along with whipping up national “support” for Israel, the U.S. has made it easy for the public to turn a blind eye towards the nation’s aggressive foreign policy in most parts of the world. In fact, it appears that some Americans actually believe that the bankrupt U.S. empire has pure intentions in conquests. However, this fantasy of America being guided by its better angels in all things related to foreign policy entraps only the weakest of minds.

## Pipeline Politics

As stated previously, the difficulty in exploiting the natural resources within Central Asia is one of transport not exploration. The exploration and extraction process is relatively simple compared to transporting Central Asia’s vast oil and gas reserves out of difficult terrain, out to a warm water port, and then on to global markets. To do so would require the construction of a large number of pipelines traversing multiple nations. Geographically, there are several potential pathways for these pipelines. Two of these include:

### **1) A pipeline running south from the Caspian Sea, crossing through Iran, and out into the Black Sea**

While this is the most direct and inexpensive route, the U.S. is firmly against this option. Tensions are rising as Iran has thumbed its nose at the U.S. dollar and refuses to allow the American empire to treat it as a puppet regime.

### **2) A pipeline from the Caspian that traverses Afghanistan and Pakistan, and then out to the Arabian Sea**

This has been the route preferred by the United States for well over a decade. However, one thing has long stood in the way of this becoming reality: Radical Islamic militants in the region.

More on this in a moment...

The other potential routes for transporting Central Asia's resources to global markets have been shunned by the U.S. as they traverse areas that the U.S. believes would be too tempting to the region's two behemoths: China and Russia. In years past, Russia has dominated oil and gas fields in the Western portion of Central Asia. However, in 2009, the first gas pipeline in this region to be built without Russian involvement came into operation. The pipeline directly linked the resource-rich areas of Turkmenistan, Kazakhstan and Uzbekistan to the growing energy demand of another emerging nation: China.

And while China's oil demand is noteworthy, it is certainly not the only emerging nation vying for Central Asia's abundant resources. India and Pakistan are both struggling to meet demand amid rising domestic natural gas usage.

In December 2010, Afghanistan, Pakistan and India **signed an agreement** with Turkmenistan to begin work on the **TAPI gas pipeline**. This agreement, funded by the Asian Development Bank, will lead to the construction of a gas pipeline at an estimated cost of \$9 billion. When completed in 2013-2014, this 1,087 mile long pipeline will allow Turkmenistan to export 1.2 trillion cubic feet of natural gas to Afghanistan, Pakistan, and India. While the surrounding nations stand to greatly benefit from this access to the region's vast natural resources, Western oil firms have gained the upper hand in the region. American firms dominate the area, controlling 75% of all new oil fields. In total, America has invested \$30 billion into energy projects, which represents around 40% of all foreign investment in Kazakhstan and Azerbaijan.

## Enter the Iran-Pakistan Pipeline

In an effort to increase demand for its own gas supplies, Iran has been constructing a separate pipeline that will deliver natural gas to Pakistan. The idea for the Iran-Pakistan pipeline was first proposed by a Pakistani civil engineer named Malik Aftab Ahmed Khan. Khan wrote a piece in the Military College of Risalpur entitled the "Persian Pipeline" back in the 1950s. While Iran and Pakistan both favored the idea, formal discussions did not begin until 1994. As time went on, the plan became even more ambitious as Iran sought to extend the pipeline through Pakistan and into India. India and Iran agreed on the details and **signed an agreement** in 1999. Additionally, Iran made overtures to **China** and **Bangladesh** to join the arrangement.

Predictably, the U.S. disapproved, viewing the Iran-Pakistan pipeline as a direct threat to its own TAPI project. In an attempt to dismantle the Iranian pipeline project, the U.S. began putting pressure on India and Pakistan. India suddenly backed out of the arrangement in 2009 after signing a civilian nuclear deal with the United States.

U.S. Secretary of State Hillary Clinton has threatened Pakistan with sanctions if the country continues with plans to build a natural gas pipeline to Iran. After the U.S. threats against Pakistan failed to stop the agreement with Iran, the U.S. softened its tone. In 2010, the U.S. promised Pakistan that if they would cease their relationship with Iran, they would receive an assortment of **promised financial goodies** including cheap energy sources that would be routed to them through Afghanistan. Pakistan flatly turned down the offer by the Americans, opting instead to press on with the Iranian pipeline deal. In March 2010, Pakistan and Iran **signed an agreement** that revived the pipeline project. Under the agreement, both Iran and Pakistan agreed to take responsibility for constructing their own pipelines with a completion date set for the end of 2014. And while Iran quickly completed its section of the pipeline, Pakistan's construction efforts were delayed by a general lack of funding. Desperate for money, Pakistan sought the assistance of the Russians who **agreed to finance** the Pakistani portion of the pipeline.

Determined to stop the Iran-Pakistan pipeline, the Saudis (no doubt prompted by similar economic interests to the U.S.) made a generous assistance offer to Pakistan. If they would cancel their arrangement with Iran, the Saudis would provide a financial bailout for the country and provide them with sufficient oil supplies. Within weeks, a defiant Pakistan swore that its pipeline arrangement with Iran would not be thwarted by Western interests. In September 2012, it was announced that the Iran-Pakistan pipeline project was progressing normally and was expected to begin operations in December 2014 as scheduled.

The ongoing attempts to destabilize Iran are motivated primarily by Western interests and not the interests of the region. The anti-Western government of Iran has failed to go along with the West's defined goals for the region of Central Asia.

The U.S. has turned on its propaganda machine, accusing Iran of wanting a nuclear weapon. The U.S. is leading the world to pressure Iran into submission. Despite the fact that Iran has no known nuclear devices, despite the fact that Iran has not invaded its neighbors in decades, and despite the fact that Iran denies wanting a nuclear bomb, the U.S. has imposed devastating sanctions upon the country.

Those who believe that Iran poses a "nuclear threat" should remember under what pretense the Bush administration invaded Iraq. Iran's belligerent attitude towards the U.S. dollar and the petrodollar system has backed the country into a corner. They refuse to price their oil in dollars and resent American interference in the region. Too bad for them. The American military machine lays waste to those who stand in the way of its meddling.

But Iran is no stranger to U.S. interference. In 1953, the Central Intelligence Agency engineered a coup in Iran, known as **Operation Ajax**, against the democratically elected government of Mohammed Mossadegh. Why? The overthrow of the Iranian government came after Mossadegh attempted to nationalize the Western

oil companies in his country. The West was quick to impose economic sanctions. These sanctions were followed by the overthrow of Mossadegh and the installation of a U.S. friendly dictator (Shah of Iran.)

*(Note: Another foreign leader that despises the U.S. government and its petrodollar system is Hugo Chavez. In 2002, a CIA-backed coup failed against the Venezuelan leader. What was the reason for the coup? Chavez sought state control over his country's own oil supplies.)*

## Conclusion

In summary, evidence suggests that the U.S. planned to invade Afghanistan even before the tragic events of 9/11. While the reasons are somewhat speculative, the weight of the evidence points to the Taliban's obstruction in allowing Western oil companies to build a Trans-Afghanistan pipeline. Eleven years later, the U.S. military remains in Afghanistan while the Trans-Afghanistan pipeline is being constructed with completion plans set for 2017. Iran's competing pipeline project will be completed by the end of 2014 and is catching the attention of China, Russia, India, and others. The U.S. cannot allow renegade regimes, like Iran, to dictate the flow of natural resources in this important region. Therefore, the U.S. government has inflicted punitive economic and political measures upon Iran in an effort to bring it into submission.

The Iraq and Afghanistan wars were both "resource wars" sold to the American public under false pretenses. America's empire of 700+ military bases in 130+ nations serves as a global oil protection service, not a national military seeking to protect American citizens. Instead of protecting our nation's borders, the U.S. military is used by the Washington elites to protect the petrodollar system. The foundations of the American empire are now crumbling as emerging nations are no longer willing to spend their lives and their new found wealth propping up the U.S. consumer. Nor do they have any desire to tolerate the belligerence of the U.S. war machine.

Like all failing empires, America will fall under its own weight as more nimble economies arise in its wake. America's attempts at regional dominance of Central Asia will lead to further friction with Russia and/or China. This friction will provide the spark for yet another war.

## About the Author

Jerry Robinson is a leading authority on the petrodollar system and global economic issues. He has spoken on the petrodollar system and global economics around the United States, in Europe, and in the Middle East.

He is an Austrian economist, published author of the book *Bankruptcy of our Nation*, columnist, international conference speaker, and the editor of the financial website, FTMDaily.com. In addition, Robinson hosts a weekly radio program entitled *Follow the Money Weekly*, an hour long radio show dedicated to deciphering the week's economic news.





