

"If the Euro Replaces the US Dollar"

by Frank Schmiedchen

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In his book, "*Petrodollar Warfare. Oil, Iraq and the Future of the Dollar*," William R. Clark presents a concise theory.

In the USA there is an ultra-conservative and partially proto-fascist political and economic elite. With its current majority rule in the administration and congress they have bound themselves together ideologically with the Project for the New American Century. With the attempt to initiate in the 21st century a USA worldwide ruling imperium, these elite had to fail, where they haven't already.

From primus inter pares to Imperialists

To maintain and build up its supremacy, the USA, according to Clark, acted the role of a rather quiet primus-inter-pares appearance with regard to the other OCED countries; this made possible an imperial behaviour with regard to with the developing countries.

For the recent US elites were this partially loaned out power related with too many concessions bound to a diffuse, continually stronger differentiating multilateralism. From this awareness they have led since the 1990s an increasingly unilateral, aggressive-imperialistic mien on the basis of Machiavelli and Leo Strauss ethics. Along with that, all potential rivals should be kept at bay as soon as possible, over possible demands for power were only to be thought about.

With this imperial strategy the access to oil played a determining role, but the question, in which currency oil has to be paid is at least just as important. The ruling oil currency is the US dollar is only the world's leading currency because it is the ruling currency for the purchase of the most important industrial resources: Oil. To reduce currency risks and transaction costs, the oil exporting countries invest their profits in US dollar. And the industrial countries hoard huge US dollar stores to avoid exchange risks and costs. This has brought "Seignorage Winnings" to the US economy since the late 1970's in billions of dollars: The US Reserve bank, way beyond the ability of the US economy – has printed US dollars, which however are still accepted without loss of value. That way the US is able to go into debt with dollars without inhibitions in public and private. They can determine the capital costs with means of the inflation rate. This dollar circulation which steps over the fundamental security many times, has brought the USA to a complete dependency to the Central Banks, which bought the debts: Lead by Japan and China (in May 2005 China controlled 800 million US dollars in reserves.)

Clark shows why the composition from the Central bank reserves and the decision about the oil currency has become a Damocles- sword for the USA.

The challenging Euro

Expectations of the future development of prices determines essentially the financial trade places. Over all, the expectation that nothing and no one can challenge the US dollar has been the reason why this self fulfilling prophecy, contrary to all financial reason, was very firm from 1980 to 2000. Hundreds of billions of US dollars were invested from foreign countries in US retirement funds and stocks and so financed the debt economy of the USA.

The Euro massively challenges the dollar. As central currency of 450 million people in the EU, whose economical strength extends way beyond that of the US, the Euro is a virulent threat for the USA. Economically and finance-politically - with its household and trade balance deficit, the over-indebtedness of private households as well as the bubble in real estates, the US is ruined to a large extent; the US dollar cannot with its own energy surrender the challenge of the Euro as second world currency.

Western Europe, bolstered by the USA during the decades of the Cold War, is rising without check in form of the broadened EU to a world power. This means, according to Clark, a danger of its own dominance for the ruling US elite, which has already tried to stop it in the beginnings.

From the US politic resulting from this ideological view point is however in the intermediate term a deadly threat for all of the current and potential power centers of the earth (EU, Japan, China, Russia, India, Brazil) as well as the oil and gas producing states. Thus the current US imperialism will have exactly the opposite effect of what is being worked for. According to Clark, the other power centers of the world will not support a unilateralist USA either on the short, middle, or long term on the size of a "Major power with military super power" which must accept the rules of multilateralism. The sooner the US elite recognizes this and returns to the old primus-inter-pares principle, the more power they will be able to hold onto.

The last part of the book dedicates itself to suggestions for the US elite and the population, how they can return to the status ante, how to meet the current energy politic challenge successfully and be effective in a tri-polar world (USA, EU, China). These sections are correct factually, but appear naive from a European view. So the limitations of a tri-polar world are grasped too short in regards to the meaning of India and the Latin America (esp. Brazil), as well as middle independent powers of the Islamic world (Egypt, Iran, Pakistan, Indonesia) and other anchor countries (South Africa, Nigeria, Japan).

"Petrodollar Warfare. Oil, Iraq and the Future of the Dollar" is an important book. Even when most of the theses contained in the book had already been published by 2003 by others, this book is the most comprehensive attempt to explain important facts and interrelationships of the current US foreign politic and the war for the hegemony as the world's leading currency - to make a wide public discussion possible.