

It's Usually About Money

by [Charley Reese](#)

 [SAVE THIS](#)  [EMAIL THIS](#)  [PRINT THIS](#)  [MOST POPULAR](#)

Conflicts are often about money. One factor that might account for the Bush administration's hostility toward Iran is Iran's plan to open a bourse – an oil exchange – in March in which Iranian oil will be sold for euros, not dollars.

Now, a short, oversimplified history of money is in order. At the end of World War II, the Bretton Woods Agreement stipulated that the U.S. dollar would be redeemable in gold – for foreigners. In other words, any foreign government or business that got antsy about the value of the dollar and held a bunch of them could redeem them for gold at a predetermined rate.

Thanks to the spendthrift ways of our federal government, by the Nixon administration Europeans had such large claims against American gold that President Nixon unilaterally abrogated the agreement. No, he said, you can't redeem your dollars in gold, and the value of the dollar will simply float on the open market.

Shortly thereafter, another agreement was made with the oil-producing countries in the Persian Gulf that in exchange for protection, they would always sell their oil for dollars. Thus was born the petrodollar. This allowed the U.S. to continue its spendthrift ways and, in effect, pass on its inflation to the rest of the world. The dollar was and remains the world's reserve currency.

Now, if the Iranian market in euros is successful, then more and more people might decide that they don't need to hang on to their dollars and might start dumping them for euros or some other currency or commodity. That could, in effect, toss inflation back to the U.S. – and

not just creep-along inflation, but sudden and painful inflation.

Unlike foreigners, Americans are captive of legal-tender laws. These laws say you have to accept the Federal Reserve note as payment for all debts and goods and services, no matter how worthless it becomes. Remember, a fiat currency like ours, backed up by nothing, has no inherent value. Its value is determined only by its purchasing power. If the U.S. currency is greatly devalued, Americans might find themselves in the same position as the German people in the old Weimar Republic.

If you get a Social Security check for \$400 and all of a sudden it will only buy you \$50 worth of goods and services, the U.S. government can say to you, "Tough beans, peasant." Remember, the more devalued a currency becomes, the higher the prices people will demand. The poor Germans in the 1920s got to the point where they needed a wheelbarrow to carry enough inflated currency to the market to buy a loaf of bread.

Now, a respected Arab journalist does not believe that America's hostility to Iran has anything to do with the bourse, scheduled to open in March. Her reason for that statement is that she is sure Bush has no understanding whatsoever of world financial affairs. I tend to agree with her. I think our hostility toward Iran is made in the same place our hostility toward Iraq was made – in Israel.

Nevertheless, we as Americans should be more concerned about the fate of the dollar than the fate of Iran or Israel. The present monetary system, based on a fiat dollar and a privately owned central bank misnamed the Federal Reserve System, is a handy way to rob the American people of the fruit of their labor.



Even creeping inflation that we have suffered since World War II in effect steals money from our paychecks, our pension checks, our savings accounts and our insurance policies. Many years ago, when I bought a \$10,000 life-insurance policy, \$10,000 was a good sum of money. Today it will buy about \$2,000 worth of goods and services. The federal process of deficit spending and monetizing the debt has stolen the remaining \$8,000.

The federal deficit and the huge trade deficits do mean something. They mean we are heading for big trouble that we won't be able to bomb our way out of.

February 27, 2006

Charley Reese [[send him mail](#)] has been a journalist for 49 years.

© 2006 by King Features Syndicate, Inc.

[Charley Reese Archives](#)

[Back to LewRockwell.com Home Page](#)