

# The Green New Deal and the demise of the petrodollar

<https://www.taxresearch.org.uk/Blog/2019/01/05/the-green-new-deal-and-the-demise-of-the-petrodollar>

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Marco Fante [wrote this on the blog overnight](#). I thought it worth sharing in full. It shows just how radical the Green New Deal really is:

Here's some Green New Deal data and it concerns the uptake of electric cars:

<https://about.bnef.com/electric-vehicle-outlook/>  
<https://www.caraadvice.com.au/648088/volkswagen-orders-64-billion-li-ion-batteries/>

*That may not seem immediately relevant to some people. I would suggest that it is because the projected uptake appears to be rapid and, that fact notwithstanding, it may even be underestimated. So those cars are going to need supporting infrastructure for refuelling and for additional clean power generation. Some of that will be down to private business but a lot of it will be government and the private business component will need govt. regulation and support.*

*The part that most people don't think about will be the dismantling and retirement of obsolete fossil fuel infrastructure which will be huge. Transition planning for affected workers and towns is just the tip of the iceberg. On that note there is something else that will be huge that no one discusses and that is the broader (global) economic disruption that comes with the retirement of the fossil fuel economy. I know that particular disruption is a necessary thing and will ultimately be a very good thing as well — but it cannot be underestimated.*

*To begin with a demonstrative example, consider the case of 'Petrodollars'. In 1973 (or thereabouts) when the Nixon administration abandoned the Gold Standard the Bretton Woods accord fell to bits and the world shifted to fiat currency, a new world economic order emerged — the one that is still with us. But the Americans in 1973 were left in a bind. The sudden absence of gold-backed US dollars left a vacuum.*

*To retain the supremacy of the US dollar (as a reserve currency in world trade) the US did a deal with the Saudi Kingdom whereby the US would provide them with military protection and the Saudis would demand that all of the oil they exported was paid for in*

*US dollars. As number one oil exporter and OPEC leader, the Saudis had the power to do that and the remaining OPEC members followed suit. That's a simplified explanation but it explains a diplomatic deal, the Petrodollar deal, that has underpinned global economic relations, the power and value of America's fiat currency, the myriad of fiat currencies that are pegged to it (Asian mostly), as well as the currencies of all those that trade with the US and that trade with the pegging countries, all up — everyone.*

*My point is that the global oil trade has, to very large extent, underpinned the relative values and the relationship between the world's fiat currencies. It has also underpinned the economic power of the US in various ways including the fact that many nations buy US govt bonds to hold as reserves. So, what happens to that system when virtually nobody is buying or refining crude oil anymore and everybody is driving electric vehicles?*

*Furthermore, what happens to all those countries that rely on oil exports, and the all the strategic and military relationships that existed in order to 'secure' oil supply chains, and for that matter the whole Middle East proxy war balance of power?*

*Have you ever wondered what was really driving that army of climate denial idiots and their science-hating nonsense? Now you know (if you didn't already).*

*And there's more besides — as net oil-importing nations (most of us) gradually cease importing, almost entirely, the balance of trade relationship between nations (net importers and exporters in particular) shifts significantly as do currency values and our attitude toward currency values. One of the things that defines current preferences for a stronger currency is the fact that it makes petrol cheaper (or should do). Absent of oil imports one major strategic and economic dependency, perhaps the main one, is gone. This shift has already started in the global thermal coal trade.*

*So, more broadly, a Green New Deal is about more than environment, technology and one part of the domestic economy. It also represents the birth of a new world order and the death of an old one. That's something that needs to be discussed — and managed.*

<http://dailyreckoning.com/u-s-saudi-relations-cracking-petrodollar/>

<https://www.bloomberg.com/news/features/2016-05-30/the-untold-story-behind-saudi-arabia-s-41-year-u-s-debt-secret>  
<https://www.theguardian.com/world/2007/sep/16/iraq.iraqtimeline>