# The US dollar’s shift from trusted currency to geopolitical weapon



In a recent analytical piece, Peter McGahan explores the evolving role of the US dollar in global finance, highlighting its transformation from a trusted international currency into a geopolitical tool subject to political compliance and sanctions. Published by The Irish News (Belfast), McGahan traces the consequences of this shift for governments, wealthy individuals, and global financial institutions.

Since 2014, several nations including Russia have been preemptively developing financial systems parallel to those dominated by the dollar, along with accumulating gold reserves and actively reducing dollar exposure. McGahan explains this response as a reaction to the dollar becoming a “geopolitical leash,” wielded to enforce political aims rather than merely economic transactions.

This weaponisation of the dollar has historical precedents, with cases such as Iran from 1979 onwards, Venezuela, Saddam Hussein’s intention of selling oil in euros, and Gaddafi’s plans for a gold-backed pan-African dinar—all of which were followed by military or political interventions. The United States has traditionally benefited from what economists term “exorbitant privilege,” including the ability to issue the world’s reserve currency and finance deficits without the risk of collapse, largely based on global trust in the dollar’s neutrality and reliability.

However, this trust suffered a major blow in 2022 following the Russian invasion of Ukraine. The US and its allies froze over $300 billion of Russian central bank reserves held in Western financial institutions, an unprecedented move not seen since the Cold War. This action demonstrated a shift where political decisions could override legal and financial norms. McGahan notes that, “This was a message to the world: your money is only yours if we say so.”

The sanctions extended beyond sovereign assets to private property belonging to Russian oligarchs such as Roman Abramovich, who found their legally held wealth frozen without due process. This development alarmed global elites—especially wealthy individuals from the Gulf, Africa, and Southeast Asia—who saw their financial security in Western banks suddenly vulnerable to political decisions.

Further eroding trust, in 2019 the Bank of England refused to return nearly $2 billion of Venezuelan gold, siding with opposition leader Juan Guaidó over President Nicolás Maduro. According to McGahan, “this wasn’t a financial dispute, it was a political one.” Such decisions have led many from the Global South to perceive sovereign wealth as susceptible to political whims, undermining long-standing financial protections.

The consequences of these events have been significant. The dollar, increasingly viewed not as a neutral global currency but as an instrument enforcing US policy, has triggered a move by various countries and wealthy individuals to shield their assets by diversifying away from dollar dependency. McGahan describes the process of “dedollarisation” not just as an economic strategy but as “monetary self-defence.”

While the dollar is not in immediate collapse, its dominance is shifting. McGahan uses the metaphor of a river changing course: “The old banks still exist, but the water is finding new paths, and there will be less fish and vegetation.” Many nations are quietly constructing financial systems designed to operate independently of Washington’s influence.

This analysis is part one of a sub-series focused on the weaponisation of the dollar and the global response. McGahan indicates that the next segment, to follow soon, will delve into the specific measures countries and individuals are taking to protect themselves from this new financial reality.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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