

'De-dollarization' isn't a real threat to U.S. dollar

written by Dave Ramsey |

Dear Dave,

I'm hearing more and more about "de-dollarization" and how several countries are moving away from the U.S. dollar as their basis of international trade. Will this affect the strength of the dollar, and should I be concerned about how I'm saving and investing because of this?

Zack

Dear Zack,

First and foremost, I care enough about you to say you may be spending way too much time on the internet, buddy. You're drifting into the realm of conspiracy theories here, so let's slow down and take a look at some facts.

China, Brazil and Russia are the three main players in all this. They already don't use the U.S. dollar as their basis of international trade — all three have their own currency, and there's a conversion rate between all those currencies and the U.S. dollar. Those three countries, along with some of the oil-producing countries from the Middle East that are trying to get on board with the idea, are talking about developing one currency they all use. In international trade, that currency would be converted back and forth to dollars—much like what Europe did with the euro. Which, by the way, really hasn't worked out so well.

Are those countries going to be able to devalue the dollar by doing that? No. Why? Because while those countries take up a lot of land mass, they don't take up a lot of the gross domestic product (GDP) of the world. The United States still represents the vast majority of the world's GDP. Sure, China's big in that regard. But Russia doesn't bring much to the table, and Brazil is barely scraping by in a failed economy. Plus, they're tiny as far as economics are concerned. I mean, Texas probably has a larger GDP than Brazil.

In other words, they just don't have the muscle to take down the dollar mathematically speaking. Now, if they do manage to put this idea together, it still won't end in "de-dollarization." The dollar will not be done away with. Even if they create their own currency, they're still going to have to trade with the 800-pound gorilla, which is America. And they're going to have to trade with us in dollars.

Am I worried about this, Zack? Not one bit. And you shouldn't be either.

— **Dave**

Dave Ramsey is a national bestselling author, personal finance expert and host of "The Ramsey Show."