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#### Dollar heg is alive but shaky

**JP Morgan 2023** [JP Morgan – the bank. “De-dollarization: Is the US dollar losing its dominance?” August 31, 2023. <https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization>] TDI

The U.S. dollar is the world’s primary reserve currency, and it is also the most widely used currency for trade and other international transactions. However, its hegemony is in question, especially in light of the ongoing Russia-Ukraine crisis. “The risk of de-dollarization, which is a periodically recurrent theme throughout post-war history, has returned into focus due to geopolitical and geostrategic shifts,” said Alexander Wise, who covers Strategic Research at J.P. Morgan. In particular, the U.S. sanctions on Russia have made some countries wary about being too dependent on the greenback. In addition, against a backdrop of rising interest rates, a strong U.S. dollar is becoming more expensive for emerging nations, leading some to trade in other currencies. In July 2023, Bolivia became the latest South American country — after Brazil and Argentina — to pay for imports and exports using the Chinese renminbi. What are the potential implications of de-dollarization, and what could this mean for global markets and trade? In short, de-dollarization entails a significant reduction in the use of dollars in world trade and financial transactions, decreasing national, institutional and corporate demand for the greenback. This would diminish the dominance of the dollar-denominated global capital market, in which borrowers and lenders around the world transact in dollars. There are two scenarios that could erode the dollar’s status. The first includes adverse events that undermine the perceived safety and stability of the greenback — and the U.S.’s overall standing as the world’s leading economic, political and military power. For instance, increased polarization in the U.S. could jeopardize the perceived stability of its governance, which underpins its role as a global safe haven. The second factor involves positive developments outside the U.S. that boost the credibility of alternative currencies — economic and political reforms in China, for example. “A candidate reserve currency must be perceived as safe and stable, and must provide a source of liquidity that is sufficient to meet growing global demand,” Wise noted. What would be the impact of de-dollarization? Fundamentally, de-dollarization would shift the balance of power among countries, and this could in turn reshape the global economy and markets. The impact would be most acutely felt in the U.S., where de-dollarization would likely lead to a broad depreciation and underperformance of U.S. financial assets versus the rest of the world. “For U.S. equities, outright and relative returns would be negatively impacted by divestment or reallocation away from U.S. markets and a severe loss in confidence. There would also likely be upward pressure on real yields due to the partial divestment of U.S. fixed income by investors, or the diversification or reduction of international reserve allocations,” Wise said. However, the effect of de-dollarization on U.S. growth is uncertain. While a structurally depressed dollar could raise U.S. competitiveness, it could also directly lower foreign investment in the U.S. economy. In addition, a weakening dollar could in principle create inflationary pressure in the U.S. by raising the cost of imported goods and services, though benchmark estimates suggest these effects may be relatively small. De-dollarization in currency markets De-dollarization could reduce institutional, investor and corporate demand for the dollar over time, and in size could cause its value to fall. If there is a specific catalyst for the move, de-dollarization could also result in heightened exchange rate volatility, especially as over 60 currencies are pegged to the greenback. However, while some signs of de-dollarization are emerging in currency markets, the dollar is thus far still maintaining its dominance. “Overall dollar usage has declined, but it remains within long-run ranges and its share remains elevated compared to other currencies,” said Meera Chandan, Co-Head of the Global FX Strategy research team at J.P. Morgan. Looking at FX volumes, the dollar’s share stands at 88%, near record highs, while its share of trade invoicing, cross-border liabilities and foreign currency debt issuance has held steady over the last two decades. “The dollar’s transactional dominance remains top-of-class despite secular declines in U.S. trade shares. On the other hand, de-dollarization is evident in FX reserves, where the dollar’s share has declined to a record low of 58%,” Chandan noted. Which currencies could dethrone the greenback? “In terms of competitors, China has been attempting to internationalize the renminbi. However, the renminbi’s global footprint is still small despite growing every year, and this will be a long process requiring reform,” Chandan said. For instance, the renminbi makes up just 2.3% of SWIFT payments, versus the dollar’s share of 43% and the euro’s share of 32%. “With China’s growing centrality in global commerce, one might naturally expect the renminbi to assume a greater role in the global economy over time, but this transition would likely occur over the course of decades,” Wise added. “Relaxing capital controls, opening markets, implementing measures to promote market liquidity, bolstering the rule of law, reducing appropriation and regulatory risk, and promoting Chinese government bonds as an alternative safe asset — these could all cement China and the renminbi as a credible alternative to the U.S. and the dollar.” De-dollarization in oil markets Some signs of de-dollarization are also playing out in oil markets. “The U.S. dollar, one of the key drivers of global oil prices, appears to be losing its once powerful influence,” said Natasha Kaneva, Head of Global Commodities Strategy at J.P. Morgan. Traditionally, the dollar is negatively correlated to oil prices. When the dollar appreciates, the imported price of oil rises and demand falls as a result, especially in emerging market (EM) economies. However, more oil sales are now being transacted in non-dollar currencies such as the renminbi. “Crucially, Russian oil is now either sold in the local currencies of the buyers or in the currencies of countries that Russia perceives as friendly,” Kaneva said. For example, some Indian refiners have begun paying for Russian oil purchased via Dubai-based traders in dirhams, while others are considering doing so in yuan. Saudi Arabia is reportedly exploring the acceptance of payments in other currencies. In addition, major Russian commodity producers have started issuing bonds in yuan. In September 2022, state-owned oil company Rosneft made a public offering of 10 billion yuan in bonds, followed by a second tranche of 15 billion yuan in March 2023. Is the dollar’s dominance truly waning in oil markets? Data from J.P. Morgan Research shows that between 2005 and 2013, a 1% appreciation of the U.S. trade-weighted dollar (USNEER) reduced the price of Brent crude by about 3%. Between 2014 and 2022 however, this figure declined to a mere 0.2%, with OECD oil inventories now playing a much more dominant role in determining oil prices. “Overall, we find that the importance of the dollar has declined significantly from 2014 to 2022,” said Jahangir Aziz, Head of Emerging Market Economics Research at J.P. Morgan. “While it is possible that this shift is overly influenced by the rise in macroeconomic volatility caused by the spike in post-pandemic inflation and geopolitics, it is hard to ignore it altogether." Is de-dollarization imminent? Overall, while marginal de-dollarization is expected, rapid de-dollarization is not on the cards. “This is especially given the considerable advantages that accrue to a ubiquitous currency, and the fact that the U.S. has a long-standing global network of alliances and partnerships,” Wise said. Instead, partial de-dollarization — in which the renminbi assumes some of the current functions of the dollar among non-aligned countries and China’s trading partners — is more plausible, especially against a backdrop of strategic competition. This could over time give rise to regionalism, creating distinct economic and financial spheres of influence in which different currencies and markets assume central roles.

#### Sanctions are critical towards the system of dollar hegemony - it gives the U.S the power to punish and enforce in its system.

Katz ’23 Dan Katz, 5-10-2023, "Sanctions Don't Threaten the Dollar's Dominance. They Support It.", barrons, https://www.barrons.com/articles/global-sanctions-support-dollar-dominance-fc8dc32e TDI

The U.S. dollar’s status as the world’s reserve currency gives the United States a financial superpower—the ability to impose costs on adversaries through sanctions. But the use of that superpower in recent years has driven fears that other countries may move away from using the dollar to minimize their vulnerability to sanctions. Such a shift would endanger many benefits the U.S. receives from dollar hegemony, beyond just the ability to impose crippling economic sanctions. Yet dollar dominance is not a zero-sum game. In reality, U.S. sanctions are a fundamental part of the series of tradeoffs that create a stable equilibrium of dollar use in the global economy. Over the long term, U.S. sanctions are a key pillar of, not a threat to, dollar dominance. Foreign countries’ use of the dollar for reserve assets and as a transaction medium brings vulnerability to sanctions, but also a litany of benefits. Governments and private actors’ evaluation of the costs and benefits of the dollar system, including potential sanctions, shapes market usage of the dollar. Different economies have different incentives for dollar adoption. For example, developing countries like Colombia or Kenya that run current account deficits must import foreign capital; therefore, their growth depends on providing assurance to international investors that their investments will not be threatened by hostile action or subject to expropriation. In these cases, countries that accumulate dollar reserves tacitly signal to foreign investors that their investments are safe, because these governments would be vulnerable to U.S. sanctions in the event of bad behavior. As Michael Dooley, David Folkerts-Laudau, and Peter Garber have argued, reserves should be seen not as U.S. liabilities, but as a form of public collateral for Western investors. Many developing countries will eagerly expose themselves to the risk of sanctions in exchange for accelerating integration with the West. Sanctions strengthen the credibility of the commitment not to confiscate private investors’ assets, engendering more confidence, more global capital flows, and more secure reserve status for the dollar. As current account deficit countries move up the development curve, many, like China, have transformed into current account surplus countries. These countries’ excessive productive capacity and savings create a different set of considerations for dollar access and therefore, sanctions vulnerability. Surplus economies derive a wide range of benefits from dollar usage. For example, they require a large consumer market willing and able to absorb their excess productive capacity and savings. If they were forced to recycle savings domestically, their currencies would appreciate significantly, slowing their export-driven economies. Additionally, they also need to import Western technology and, critically, must sell to deficit countries, which are incentivized to use the dollar. Exposure to sanctions is a price they pay in exchange for accessing these direct benefits of participation in the dollar system. Dollar hegemony is an equilibrium that results from a complex balance of costs and benefits for all international participants—including the U.S. For Americans, the dollar’s international role brings real benefits like seigniorage—one time profits made by exchanging newly created dollars for real goods or services—but also harmful incentives for Americans to consume more than they produce and to offshore supply chains, diminishing resilience. It’s always been implicit in the bargain that the U.S. will accumulate economic leverage that it can use through sanctions. Economic data on the dollar’s international use support the conclusion that U.S. sanctions are a fundamental part of the equilibrium that has put the dollar at the center of the international economic system. U.S. sanctions have dramatically increased in frequency and severity over the last decade, but the dollar’s share of reserve assets has been relatively consistent at approximately 60% since 2008, with most changes due to fluctuations in valuation. Even more poignantly, the dollar’s share of international transactions was 88% in 2022, up from 85% in 2010. Despite loud complaints about U.S. sanctions, the evidence suggests that the dollar system remains attractive on net for all parties. As long as the U.S. remains the most dynamic large economy, with the deepest and most liquid financial markets, world leading innovation, rule of law, and unrivaled influence over the international security architecture, the dollar’s international role will likely persist. Indeed, if the U.S. did not stand prepared to use sanctions to advance its national interest, faith in its ability to continue to stand at the center of global affairs could be undermined, weakening dollar hegemony. Sanctions are increasingly the foreign policy tool of first resort, in part because [they are perceived](https://www.barrons.com/articles/the-west-needs-political-will-to-win-the-economic-war-with-russia-51646242756?mod=article_inline) to entail minimal domestic cost. This dynamic has its problems. It creates incentives both to reflexively reach for sanctions in an urge to appear to be taking action when restraint would prove more prudent, and also to rely on sanctions at the expense of other policy tools, including harder forms of power, that are critical to maintaining the dominant U.S. geostrategic position over time. If sanctions pose any threat to the dollar, it is from ineffective use that undermines America’s security standing, not from an active and considered approach.

#### The dollar as the hegemonic currency is the foundation of U.S power.

Palley ’22 Thomas Palley, 08-2022 “Theorizing dollar hegemony, Part 1 - The Political Economic Foundations of Exorbitant Privilege”,POST-KEYNESIAN ECONOMICS SOCIETY, https://www.postkeynesian.net/downloads/working-papers/PKWP2220\_v2.pdf, TDI \*\*charts omitted

The dollar constitutes the world’s hegemonic currency. That standing increases US power and yields significant economic benefits, which former French Finance Minister Valéry Giscard d’Estaing referred to in the 1960s as “exorbitant privilege”.1 This paper revisits the theory of dollar hegemony and examines the past and present of dollar hegemony. To the extent currency hegemony is even addressed in mainstream economics, the theoretical approach can be described as “functionalist” with the hegemonic currency being largely explained in terms of delivering better on the functions of money. The paper seeks to expand that frame by adding a “structuralist” dimension whereby currency hegemony is explained as the product of political economic structure. That approach joins economics with the political science sub-discipline of International Political Economy (IPE) which has long emphasized the significance of structural factors. The principal novel analytical contributions of the paper are fourfold. First, the paper provides a simple political economic framework showing how political and economic power interact to support dollar hegemony, and how dollar hegemony feeds back to support political and economic power. A political economic frame emphasizes the role of state power. It contrasts with economists’ thinking which looks to explain dollar hegemony as a market equilibrium outcome produced by agents’ competitive pursuit of their self-interest. The economist’s market equilibrium narrative suppresses politics and state power. It is both always right and always misleading. It is always right in that in the moment market forces determine private sector behaviors and asset demands. It is misleading because private sector behaviors and choices take place within an economic structure established by state power and states also have their own demands for FX reserves. The political is therefore intrinsic to understanding economic outcomes generated by the international monetary system (IMS), as emphasized by IPE. Second, the paper re-examines the history of dollar hegemony and shows how it has had 1Cited in Eichengreen (2011, p.4). 2 a changing operational basis. The phenomenon of dollar hegemony has endured for seventy-five years, but its operational basis has changed. Power (in its various forms) is always the foundation of currency hegemony, but the way that currency hegemony operates varies with economic structure. the economic functioning of dollar hegemony in 2022 is very different from the economic functioning of dollar hegemony in the 1952. Recognizing that role of structure surfaces new theoretical explanations of how dollar hegemony operates. Third, the paper emphasizes the relational role of hegemony. Hegemonic standing is a relational construct. The implication is dollar hegemony is not made by just the US. Other countries contribute to it by policy choices and policy failures. It is easy to overlook that contribution by focusing excessively on US power. Dollar hegemony prevails in part because of choices foisted on the global economy by the US which is the system hegemon, but it also prevails because of choices made by other participants. Fourth, the paper introduces a new characterization of currency hierarchy in terms of an inverted cone. The cone contrasts with the existing currency pyramid representation. It shows how currency hegemony is associated with size and quality of asset markets, which is captured by the cone’s three dimensionality. The structure of the balance of the paper is as follows. Section 2 provides some descriptive data on dollar hegemony. Section 3 introduces the concept of the currency cone and elaborates a political economic model of dollar hegemony. Section 4 discusses some analytical implications of the model. Section 5 explores the role of market forces in manifesting dollar hegemony. Section 6 applies the theoretical model to analyze the history of dollar hegemony. Section 7 further excavates why foreign interests have 3 embraced the dollar. Section 8 concludes the paper. 2. Some data on dollar hegemony By way of beginning, this section presents some data supportive of the notion of dollar hegemony. Table 1 provides a range of financial indicators for the period 2000 - 2020. Row 1 shows the US share of global GDP which provides a benchmark for assessing the relative extent of dollar hegemony. There is a declining trend through to 2010, but the share has been flat since then. Row 2 shows the dollar share of country foreign exchange reserves, which is the classic metric of dollar hegemony. There is a declining trend, which is suggestive of diminishing dollar hegemony. Row 3 shows the ratio of the dollar FX reserve share relative to the US share of world GDP. The ratio far exceeds one (by over a factor of two) which would be the measure if the US share was equal to its share of world GDP. Furthermore, the ratio is flat, so that dollar hegemony is unchanged according to that metric. Rows 4 – 7 show the extent of dollar dominance in cross-border banking. The dollar share of cross-border banking claims and liabilities has increased slightly, as has the ratio relative to GDP share. That points to increased dollar hegemony in cross-border banking activity. Lastly, rows 8 and 9 show dollar hegemony in foreign currency debt issuance. Row 8 shows a decline in the dollar share, but row 9 shows the debt issuance share has increased relative to the US share of global GDP. Table 2 shows the extent of dollar dominance in over-the-counter currency transactions. The dollar share of such transactions has remained stable, but it has increased relative to the US share of global GDP. Table 3 shows the share of US dollar banknotes held by foreigners which has increased steadily. This metric is indicative of the dollar’s merits as a classic medium of exchange and store of value. It is also positively impacted by the size of the black economy outside the US, and negatively impacted by the decline in use of cash within the US. Table 3 shows an increase in the foreign share of dollar bank note holdings, showing that dollar notes continue to have standing with foreigners as a medium of exchange and store of value. Lastly, Table 4 shows the average annual use of the dollar for export invoicing over the period 1999-2019 in four regions of the globe. No trend can be determined as this is an average annual statistic. However, the dollar is totally dominant in all regions except Europe. The dominance is also huge relative to the US share of global GDP which averaged approximately 26 percent over the period. Thus, in all regions except Europe, the dollar export invoicing was close to three times the US share of global GDP. In sum, the evidence shows dollar hegemony is alive and well, measured by multiple different metrics. The only metric showing meaningful decline is the dollar’s share of FX reserves, and even there the share has held up when measured relative to the US share of global GDP. 3. A political economic model of dollar hegemony The next step is a theoretical model for understanding dollar hegemony. The model is termed a political economic model because political considerations and interests are inextricably present. That contrasts with the standard economic perspective which neglects those factors and focuses exclusively on market forces. The model is presented in Figure 1 and consists of four blocks: dollar hegemony, US economic power, US military power, and US international political power. The blocks echo Strange’s (1989) seminal construction of power in terms of productive power, military power, knowledge power, and financial power which provided the foundation for her conception of the US as a transnational empire. 7 The four blocks are characterized by bi-directional interaction, with all affecting each other. Moreover, every interaction is characterized by positive feedback as represented by the plus signs, which generates a reinforcing feedback loop. An increase in the scale of the components of US power increases the extent of dollar hegemony and vice-versa.2 3.1 Dollar hegemony US international political power Dollar hegemony refers to the US being the world’s dominant financial force, and it produces the pattern of empirical outcomes shown in Section 2. The dollar dominates central bank holdings of foreign exchange reserves, dominates international banking and international debt markets, dominates international trade invoicing, and is widely held as cash by foreigners. In extreme cases it may even entirely displace other currencies in their own home country, an outcome referred to as “dollarization”. Dollar hegemony is essentially a relational phenomenon that can be represented in terms of a currency hierarchy. Cohen (1998, p.116 – 118) describes that hierarchy as a “currency pyramid” which he identifies as having seven layers. Working from top to bottom, the layers are top currency, patrician currency, elite currency, plebeian currency, permeated currency, quasicurrency, and pseudo-currency. Figure 2 presents a simpler more mundane pyramid consisting of hegemonic currency, major strong currency, minor strong currency, weak currency, and junk currency. The hegemonic currency is the equivalent of Cohen’s top currency; the major strong currency corresponds to the patrician and elite currencies; the minor strong currency corresponds to the plebeian currency; the weak currency corresponds to the permeated currency; and the junk currency corresponds to the quasi-currency and pseudo currency. From a functional perspective, major strong currencies play a role in the international economy and may be held as FX reserves by central banks. Examples are the Euro and Japanese Yen. Minor strong currencies perform all the standard functions of money (unit of account, medium of exchange, store of value) in the domestic economy but have no international role. An example is the Swedish krone. The Chinese Renminbi is a minor strong currency that is transitioning to major strong currency status. The Mexican peso is a minor strong currency that was a weak currency two decades ago, but it lives permanently in the threatening shadow of the dollar owing to Mexico’s proximity to and economic dependence on the US. Weak currencies have lost some of their ability to deliver on the functions of money, with the store of value function being the one that tends to go first. Thus, a currency may initially lose its ability to be a store of value, but it is still used on a daily-basis and serves as a medium of exchange. It may also cease to be used in certain types of asset-related transactions. The Argentine peso exemplifies a weak currency. High inflation undercuts its store of value function, and it is not used in real estate purchases which are conducted using dollars. Junk currencies are those in which the currency has substantially lost its capacity to deliver on the functions of money. They remain legal tender, but another currency (e.g., the dollar) circulates widely in parallel. Parallel prices are quoted in dollars and dollars are commonly used as the medium of exchange. Of course, the currency hierarchy is a continuum so there may be judgement calls at the borders regarding which category a currency fits in. Currencies may also change categories as economic conditions and beliefs (i.e., credibility) about the currency change. Thus, a 10 currency’s standing is endogenous. 3.1.2 A currency cone rather than a currency pyramid? Currency hierarchy ordering is influenced by the forces of currency competition. Cohen (1998, p.109-113) identifies those forces as currency internationalization (CI) and currency substitution (CS). The former promotes the use of a currency in the international economic sphere, while the latter has a foreign currency supplanting domestic currency. Those forces emphasize the relative ability of currencies to perform the classic functions of medium of exchange and store of value. The argument developed in this paper is that contemporary dollar hegemony represents a form of systemic financial domination. Economic agents look to hold assets denominated in dollars, and not just use and hold dollars as money. They are drawn to dollar denominated assets owing to the US having deep liquid financial markets that offer an extensive asset menu. Those markets are part of a larger economic system which is structured to favor financial interests, and that economic system is advantaged and privileged by the network of power described in Figure 1. A systems perspective suggests an alternative representation of currency hierarchy in terms of an inverted cone, as shown in Figure 3. The base end of the cone is at the top and the point is at the bottom. The categories remain the same: hegemonic currency, major strong currency, minor strong currency, weak currency, and junk currency. The area of each segment represents the depth, liquidity, and array of assets available in each currency denomination. Thus, at the top comes the dollar which dominates asset and liability denomination in global financial markets. At the bottom come junk currencies whose asset market representation is negligible, both in volume and quality The cone representation captures the economic logic of currency substitution and currency internationalization. The hegemonic currency is advantaged by the quality of its financial markets measured in terms of market size, market liquidity, and the asset menu. Networking effects lower transaction costs, there are economies scale from spreading fixed costs over larger volumes, and the portfolio possibility span is larger. The structural financial advantage of the hegemonic currency can be thought of in terms of the ratio of cone slice surface areas. Junk and weak currencies are relatively more structurally disadvantaged against the hegemonic currency than are major and minor strong currencies, which is symbolized by their smaller cone slices. The three-dimensionality of the cone is suggestive of the multi-dimensionality of dollar hegemony, directing attention to the systemic aspect. Anticipating the rest of the paper, it is essential to realize the US financial system is embedded in an economy that favors financial interests and the economy is advantaged by the underlying power of the US. Those deeper 12 structural features work to further advantage the US financial system and can be considered the true foundation of dollar hegemony. 3.2 Economic power Economic power rests on a vector of factors including the size of a country’s economy, the country’s productivity and state of technological advance, its engagement in international trade and foreign direct investment, its accumulated net wealth, and the standing of its financial markets. That standing rests on the size of financial markets, their liquidity, the array of available assets, and the quality of governance. Moreover, everything is relative to the economic factors characterizing rivals. That relativity is intrinsic to the issue of power, about which more below. It is the vector of factors that matters. Economic power is associated with size, but size alone does not make a hegemon, which is why the renminbi is not hegemonic despite China being the world’s largest economy. Likewise, economic productivity matters but high productivity alone does not make a hegemon, which is why the Swiss franc is not hegemonic. Nor are size and productivity sufficient. In the inter-way years (1919-1939) the US was the world’s largest and most productive economy and had a high level of productivity and technological advance, yet the dollar was not hegemonic. At that time, the US still lacked the appetite for hegemony and sufficient engagement with the international economy. The lack of appetite reflected US international political withdrawal owing to the triumph of Republican foreign policy isolationism following the experience of World War I. Lack of international economic engagement reflected the continental size of the US which meant its economy could prosper without foreign economic engagement. There were plenty of internal investment opportunities as capital 13 was still scarce, a plentiful supply of natural resources and primary products reduced need for supply from international sources, and the domestic market was sufficiently large to support the economies of scale required by modern industry. After World War II, all the pieces for dollar hegemony were in place. The US was the global economic hegemon, it was politically ready to step up for a hegemonic role, and an opening (almost a vacuum) had been created by the bankrupting of the UK and the disintegration of the British Empire caused by the two World Wars. 3.3 Military power The third block is military power which refers to the size and capability of a country’s armed forces. Here, one might distinguish between “defensive” and “offensive” military capability. Offensive capability would seem the critical characteristic, being needed to project military force outside the hegemon’s country in the service of the hegemon’s interests. In the pre-1914 era of sterling hegemony, Britannia “ruled the waves” and it was the era of gunboat diplomacy. Since 1945 the US has been the unchallenged Western military hegemon, and since the end of the Cold War in 1990 it has been the unchallenged global military hegemon. China’s military has only local defensive capability. A debated issue is whether China aspires to have global offensive military capability. 3.4 International political power The fourth block is international political power which can be identified with diplomatic and “soft” power. It too consists of a vector of factors that includes economic, political, and military alliances; cultural leadership which includes global standing of a country’s institutions of higher education; and multi-national business relationships that serve to link and ally countries. The US is the undisputed international political hegemon, having been the leader of the 14 liberal international order since its establishment after World War II. It has leadership in all the institutions of the liberal order. Those include the North Atlantic Treaty Organization (NATO) military alliance, the United Nations (UN) system; the multi-lateral financial institutions (MFIs) which include the International Monetary Fund (IMF), World Bank, and the Inter-American Development Bank; and the Organization for Economic Cooperation and Development (OECD). The US leads the global trading system, being the hegemonic voice in the World Trade Organization (WTO), and it was the hegemonic voice in the General Agreement on Tariffs and Trade (GATT) system before that. It is the lead country in the Bank for International Settlements (BIS), the leader of the Organization of American States (OAS), and it has other bilateral and multilateral defense and economic cooperation agreements with multiple countries that are too numerous to list. The US higher education system is regarded as the best in the world, drawing students from around the world. Most of those students return to their countries to exercise power and influence, inculcated with US thinking and points of view. Multinational corporations (MNCs) are also a powerful source of international political power, with MNCs having influence in foreign countries and employing millions of foreign workers and executives. Those corporations have linkages into both foreign governments and the US government, with government affairs departments and trade associations being connected to the US government at the highest level. Just as MNCs can access the US government, the US government can access them. That source of soft power is symbolized by President Fox of Mexico (2000-2006) who was President of Coca-Cola 15 Mexico at one stage in his career.3 3.5 Linkages between US economic power, military power, and international political power. The outer linkages in Figure 1 are well established and accepted, but for purposes of analytical completeness they are briefly recapitulated below. US economic power positively impacts US military power, with a large technologically advanced economy capable of supporting a large technologically sophisticated military. Economic power provides the US with the resources to ring the globe with military bases and deployments, and the US spends more on defense (as of 2021) than the combined defense budgets of the next nine biggest spending countries according to the Stockholm International Peace Research institute (Siddique, 2022). Data on US military deployments and spending are provided in Figures 4 and 5. <<CHARTS OMITTED>> Likewise, the US’s large and sophisticated military has positive impacts on the economy. Cypher (1987) argues the US military has played a role as a form of surrogate industrial policy, helping the private sector develop and commercialize new technologies. Mazzucato (2015) 17 details many of the technologies produced by that military-industrial policy.4 US economic power also positively impacts US international political power. First, it provides the resources to support US soft power initiatives. That includes directly financing foreign aid, educational and cultural initiatives, and diplomatic service-related initiatives. It also includes financing and justifying the dominant US presence in the IMF, World Bank, IDB, and other multilateral financial institutions. Second, the opportunities within the US economy provide an incentive for foreign countries to ally and do business with the US, with countries wanting trade and investment access to the US market. Conversely, US international political power is good for US economic power. Thus, domination of the institutions of global governance enables the US to work them to the benefit of the US economy. Schwartz (2019) argues that has been particularly so with the new rules of global trade established under the WTO regime which have expanded intellectual property right (IPR) protections to the benefit of corporate profitability, with the US benefitting the most as it is the global leader in IP production (Soskice, 2022). Similarly, soft power connections are a form of indirect investment in the US. US institutions of higher education attract foreign talent. Scientists and high-tech engineers often remain and add to US human capital. Meanwhile, economists and MBAs are inculcated with a US-friendly intellectual perspective and return home to become business and policy leaders. Business opportunities are significantly relational so that the relationships formed generate economically beneficial opportunities. Such relationships are also fostered by diplomatic service activity and by the MNC - US government - foreign government network. Lastly, there is a positive feedback loop between military power and international political power. Cypher (2016) examines how US military power enhances US diplomatic clout. Countries may seek protection under the US military umbrella, and the presence of US military bases may even send a subtle message of threat if countries do not conform. The line between occupying force and ally can be thin. Those influences show up in extensive alliances consisting of acquiescent allies. The size of the US military means it has preeminence within NATO, thereby creating a huge network of relationships between national militaries, defense contractors, and politicians. There is a revolving door between all three components of that network which further reinforces the network. The impacts of the network also ricochet back into the economy as the military - international political power network may then generate large orders for weaponry produced by the US aerospace and defense sector, which is a critical dynamic sector of the US economy. 3.6 Linkages between dollar hegemony and the components of US power The political economic approach to dollar hegemony has been developed in the political science sub-discipline of IPE. That IPE literature is crisply engaged in a symposium in International Studies Perspectives (Norrlof and Poast, Eds., 2020, p.109-153). The model described in Figure 1 can be used to frame and organize that literature. The inner linkages within Figure 1 are the core. They show how US power augments dollar hegemony and dollar hegemony augments US power. 3.6.1 Economic power and dollar hegemony The most obvious linkage is the impact of dollar hegemony on economic power. That impact is captured by Giscard d’Estaing’s comment in the 1960s about the US enjoying an “exorbitant 19 privilege” owing to dollar hegemony generating asymmetric operation of the financial system. The notion of exorbitant privilege captures the idea that the US gets to enjoy the benefits of the international economy without sacrificing domestic macroeconomic policy capability. The US is substantially freed of an external balance of payments constraint, unlike other countries whose macroeconomic policy possibilities collide with the external constraint. That exorbitant privilege has only grown with the suspension of the Bretton Woods system in 1971 (about which more below). There are multiple economic benefits from dollar hegemony. The most commented on is seignorage resulting from the fact dollars are near costless to issue but foreigners must give over real resources to acquire them. As of 2020, foreigners held approximately 950 billion in dollar notes, which is a very nice gift. However, even larger benefits come from other financial stocks. In 2020 the dollar constituted 58.9 percent of foreign country FX reserves, 33.8 percent of marketable US Treasury debt was held by foreigners, and 60.8 percent of international foreign currency banking claims and liabilities were dollar denominated.5 Those financial stocks have a magnitude in trillions. On some (e.g., Treasury debt) the US must pay interest, albeit at a favorable rate for reasons discussed below. However, US banks receive interest on banking claims that they generate, and the resource cost of such claims is essentially zero in a world of endogenous fiat money. That constitutes a significant perpetual “golden crumb” which the US enjoys by having the dollar be the money of the international economy. Those benefits are behind Desai and Hudson’s (2021) construct of the US as a “creditocracy”. On top of the direct seignorage benefit, the US receives major financial market and 5Source: Federal Reserve Board, The International Role of the U.S. dollar, Accessible Data, October 6, 2021. 20 economic policy benefits. Being the dominant currency and having the world’s dominant financial markets, increases the attractiveness of US financial assets. That attractiveness is enhanced by the dollar having “safe haven” status. First, since the US has more macroeconomic policy space owing to its exorbitant privilege, it is better able to stabilize the macroeconomy against shocks. Second, loans to the US are dollar denominated (i.e., the US borrows in its own currency) which means there is no risk of default as the Federal Reserve can issue dollars to repay those debts. Third, the lion’s share of international lending is dollar denominated as shown in Table 1. US banks have access to the financial back stop of the Federal Reserve which can support them in the event of a financial crisis, thereby inoculating the US against financial crisis risk. The same is not true for foreign banks that make dollar denominated loans, which means foreign financial systems are more at risk.6 Fourth, dollar hegemony confers a privileged standing on dollar denominated assets. That standing increases demand for US financial assets, which lowers interest rates and increases US asset prices and wealth. That is good for aggregate demand and growth. US MNCs also have access to cheaper credit and can use their higher valued equity capital to buy foreign assets, effectively on the cheap. Hausmann and Sturzeneger (2005) invoke the playful notion of “dark matter” to explain the superior US return on FDI compared to other countries, but it may just be a product of dollar hegemony and the cost of capital/rate of return profile it creates. US corporate purchases of foreign assets results in a change of ownership which dollarizes 6That risk effect was evident in the 2008 financial crisis when the Federal reserve initiated emergency currency swap arrangements with major currency central banks as a way of channeling dollar liquidity to those banks which they could then lend to their commercial banks. Those provisions continue in the form of now de facto permanent currency swap arrangements. 21 those assets, causing an upward revaluation. The reverse holds for foreign purchases of US assets, which results in dedollarization and a downward revaluation. Caballero (2006) argues the world is short of safe assets and the US produces safe assets, which he claims explains the US trade deficit that is the result of the rest of the world seeking to acquire safe assets. That too may simply reflect dollar hegemony. The US produces safe assets because US financial markets are under the umbrella of dollar hegemony, and not because the US financial system is intrinsically better.7 Fifth, US firms benefit from lower transactions costs as they transact in their own currency, and they also avoid the cost of hedging exchange rate risk. On the downside, dollar hegemony appreciates the exchange rate by increasing demand for dollars. That is bad for manufacturing, though it also lowers import costs which benefits consumers and helps tamp down inflation. In sum, dollar hegemony confers major economic benefits that enhance US economic power. Enhanced economic power then feeds back to enhance dollar hegemony through the mechanisms discussed earlier such as increased US economic size; deeper, more liquid, more stable financial markets; and engagement of foreign nationals in dollar denominated financial activity. 3.6.2 Military power, international political power, and dollar hegemony Dollar hegemony also positively impacts military and international political power, and those impacts are examined concurrently as they involve similar mechanisms. Dollar hegemony creates the “exorbitant privilege” of fiscal space and freedom from an external economic constraint, which helps provide the US with resources for its expansive international military and 22 soft power operations (Oatley, 2015). The other side of the loop has military and international political power supporting dollar hegemony. Perhaps the clearest example of military support is the 1974 petrodollar accord with Saudi Arabia (Gwertzman, New York Times, June 9, 1974). The House of Saud committed to price oil in dollars and recycle its petrodollar trade surplus via Wall Street in return for US military protection. The agreement ensured the global oil market would be priced in dollars, thereby cementing one of the pillars of dollar hegemony. The quid pro quo was security guarantees which the US could provide because of its military power. That episode and its antecedents are examined by Croteau and Poast (2020). The literature on the security (military and international political) foundations of dollar hegemony is assessed in Norrlof (2020). Zimmerman (2002) provides details of the Cold War era tacit agreement between Germany and the US, whereby Germany held dollars and helped manage the dollar exchange rate in return for the US stationing troops in Germany that protected against the Warsaw Pact threat. US international political power also positively impacts the willingness of countries to hold dollar reserves by fostering alliances and political affinities with them. Liao and McDowell (2016) show countries that are politically distant from the US and close to China tend to hold more renminbi reserves. The above political and economic benefits of dollar hegemony are not the musings of academics. They are clearly understood within the US government. Thus, Christopher Smart, former Special Assistant to the President at the National Economic Council and National Security Council and former Deputy Assistant Secretary of the 7Palley (2012, p.112-114) offers multiple other critiques of the safe asset shortage explanation of the US trade 23 Treasury, writes: “Currency dominance has also been a linchpin in America’s efforts to shape a global order around free markets and democracy while serving as a foundation for the sustained growth of a more integrated global economy…. Issuing the world’s reserve currency offers the prospect to literally print money everyone accepts to buy guns without giving up butter. The dollar’s dominance also allows the United States to delay or shift any costs of global adjustment to other countries (Smart, 2018).” 4. Reflections on the theoretical model The theoretical model in Figure 1 explaining the basis of dollar hegemony contains several insights and implications. 1. Power. The system is about power, and power is at the heart of dollar hegemony. There is simply no way of understanding dollar hegemony without reference to the role of power – economic power, military power, and international political power. A narrowly economic market forces approach to dollar hegemony misses those foundational elements. 2. Power is both an input and an output. The elements of the system are simultaneously both inputs and outputs. The system relies on power as an input, and it produces power as an output. Economic power and military power can be viewed as goals in themselves, enhancing national well-being and national pride. They are also inputs in the pursuit of those goals, which makes them both inputs and outputs. Dollar hegemony is an input that is useful in the pursuit of those goals, and it is produced by the triptych of power elements. However, it is not a goal in of itself (which is likely also true of international political power). 3. The state and currency hegemony. The system that produces dollar hegemony intrinsically involves the state. First, state power in its different forms is at the core of the system. Second, the dollar is a state money and its use and standing in the international financial system depend on deficit. 24 the actions and standing of the state. There is simply no understanding dollar hegemony without recognition of the role of the state. Attempts to theorize currency hegemony (i.e., the currency cone) by reference to market forces alone are inevitably flawed. 4. Power and relative power. Currency hegemony is about power, and power is intrinsically a relative concept because the increased power of one party is implicitly a diminution of the power of rivals. Figure 1 focused on dollar hegemony and US power, the flipside of which is the power of other countries. That flipside is illustrated in Figure 6 which shows how dollar hegemony impacts the power of the rest of the world (ROW). The structure of the figure is the same as Figure 1, and the outer linkages have the same positive feedback loops. However, the interior feedback loops are different and are negatively signed. Thus, an increase in dollar hegemony decreases the power of the ROW, and an increase in the power of ROW decreases dollar hegemony.

#### US hegemony prevents nuclear war and reduces tensions

Manville, 2018 [(Brook, lead professor at Babson College, the author of eleven books) “Why A Crumbling World Order Urgently Needs U.S. Leadership,” Forbes, https://www.forbes.com/sites/brookmanville/2018/10/14/why-a-crumbling-world-order-urgently-needs-u-s-leadership/, 10/14/2018] TDI

If U.S. global leadership slides, Kagan asserts, the invisible protective bubble we’ve enjoyed since 1945 won’t just deflate. It will explode. Good-bye rules-based trade, hello shortages of food and essential products. Dictators not just threatening but using nuclear weapons. More innocents repressed or killed in civilized countries. Cross-border migrations magnitudes beyond the crises of today’s detention centers and Mediterranean rescues. Dark Forces Re-emerging The botanical metaphor in Kagan’s book title began our recent conversation. “We’ve been living in a tranquil garden of largely peaceful practices and liberal expectations across much of the world, ignoring the dark forces of jungle multiplying under the rocks. If we don’t defend civilization’s cultivation—especially American’s guarantee of peace and economic integration across the world—the toxic creatures and weeds will roar back.” Thus China’s determined military rise, Russia’s continuing aggressions, fiery authoritarians on the march in so many once democratic countries. As Kagan continued, “Trump has been damaging the system—he too seems to have forgotten what good it has delivered—but actually America’s desire for maintaining the global order has been diminishing for years. After the dissolution of the Soviet empire in the 1990s, people talked about ‘the end of history”—that America didn’t have to worry anymore about war or aggression. History doesn’t end, it simply paused. The ugliest aspects of human nature are surging again.” Vanishing Leadership, Vanishing Peace Kagan’s apocalyptic message, repeated in other recent writings, is lucid and terrifying, all the more devastating for its relentless use of history. It’s a footnoted plea that “we’ve seen this movie before.” He reminds us that Americans have frequently turned away from defending world order, with regrettably familiar outcomes: to be dragged in later at greater cost (e.g. helping to stop Hitler earlier might have prevented World War II); or, simply hoping that “the problem would go away,” to watch it get ten times worse (e.g. Obama’s policy in Syria). Kagan acknowledges that America has sometimes misstepped (e.g. Viet Nam, Iraq), but he still argues that overall our foreign engagement has produced more peace and prosperity than not. “History shows,” he summarized, “that world order has never been achieved without some constructive force to keep the peace. The relative harmony and fair play we’ve created in the modern world will vanish if the U.S. forsakes international leadership.” Can Today’s Peaceful Garden Be Saved? I turned our discussion to leadership, probing about the skills and mindsets of the people who built the postwar liberal order. So what would take to rebuild it now? His replies led to several interesting insights beyond the book per se. Four have implications for all of us who should care about keeping the garden safe--as leaders in our own right, citizens of this country, and future voters in important elections forthcoming. 1. Today’s global liberal order was built piecemeal, evolving more through continuous improvement than “grand design.” Kagan quickly listed the post-WWII building blocks of the order, led by the U.S—“first undoing the military capability of Japan and Germany, and then fostering their financial success; economic integration for them and others based on open trade and fair competition with America; creating a democratic and liberal culture among allies, guaranteed by America’s power, and our willingness to punish those who threatened it.” Yet he resisted the idea of any detailed vision. “The system emerged step by step as different American statesmen took on this or that immediate problem. How to keep Germany and Japan from causing war again? OK, next how to make it worthwhile for them and other nations to invest in trade and business, not more armies? And then, later, how to push back on Russia and Communism when they started to threaten the order?” “It wasn’t a vision but a process. As broader benefits started to accrue, allies saw the value, and with that we built further on what had been achieved. When we made mistakes—like Viet Nam—we had the strength to learn and course-correct, as Reagan led us to do.” So perhaps, I reflect, thinking of our discussion, we need to stop worrying about big theoretical frameworks, and start tackling specific problems to protect the garden we have—and just keep learning from mistakes and building on progress. 2. Today’s order emerged from “generational leadership.” Though Kagan acknowledges contributions of well-known policy makers—Dean Acheson, George Kennan, Franklin D. Roosevelt, Harry Truman et al-- he de-emphasized any “great man theory." “The legacy was created by a whole generation, people born in the 1890s, who lived through the optimism of the early 20th C., and then watched it collapse in forty years of conflict. They had a shared experience, animated by fear and memory of war, so they worked together to prevent reemergence of the same horror. American Presidents have implicitly accepted that challenge and reliably invested in the order—until recently.” And as we all join political debates and go to the polls in coming weeks, we might thus ask: has the current generation of American leaders lost touch with the risk of abandoning our global role? 3. The best leaders refuse the “either/or” choice between domestic and foreign policy investment. Kagan railed about prioritizing domestic welfare over keeping the peace abroad. “Americans have periodically shied away from foreign affairs, claiming ‘we can’t afford to maintain military bases and also take care of our own people.’ Or that our own ‘social justice’ is more important than ‘freedom in the world.’ When we turn inwards we threaten our own prosperity and even survival. The greatest advances in racial justice in this country happened while we were building the liberal world order. Our guarantees of world commerce is what allows our own economy and people to flourish. Our military leadership is what protects us from the evil actors gunning for us today.”

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#### Dollar heg is alive but shaky

**JP Morgan 2023** [JP Morgan – the bank. “De-dollarization: Is the US dollar losing its dominance?” August 31, 2023. <https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization>] TDI

The U.S. dollar is the world’s primary reserve currency, and it is also the most widely used currency for trade and other international transactions. However, its hegemony is in question, especially in light of the ongoing Russia-Ukraine crisis. “The risk of de-dollarization, which is a periodically recurrent theme throughout post-war history, has returned into focus due to geopolitical and geostrategic shifts,” said Alexander Wise, who covers Strategic Research at J.P. Morgan. In particular, the U.S. sanctions on Russia have made some countries wary about being too dependent on the greenback. In addition, against a backdrop of rising interest rates, a strong U.S. dollar is becoming more expensive for emerging nations, leading some to trade in other currencies. In July 2023, Bolivia became the latest South American country — after Brazil and Argentina — to pay for imports and exports using the Chinese renminbi. What are the potential implications of de-dollarization, and what could this mean for global markets and trade? In short, de-dollarization entails a significant reduction in the use of dollars in world trade and financial transactions, decreasing national, institutional and corporate demand for the greenback. This would diminish the dominance of the dollar-denominated global capital market, in which borrowers and lenders around the world transact in dollars. There are two scenarios that could erode the dollar’s status. The first includes adverse events that undermine the perceived safety and stability of the greenback — and the U.S.’s overall standing as the world’s leading economic, political and military power. For instance, increased polarization in the U.S. could jeopardize the perceived stability of its governance, which underpins its role as a global safe haven. The second factor involves positive developments outside the U.S. that boost the credibility of alternative currencies — economic and political reforms in China, for example. “A candidate reserve currency must be perceived as safe and stable, and must provide a source of liquidity that is sufficient to meet growing global demand,” Wise noted. What would be the impact of de-dollarization? Fundamentally, de-dollarization would shift the balance of power among countries, and this could in turn reshape the global economy and markets. The impact would be most acutely felt in the U.S., where de-dollarization would likely lead to a broad depreciation and underperformance of U.S. financial assets versus the rest of the world. “For U.S. equities, outright and relative returns would be negatively impacted by divestment or reallocation away from U.S. markets and a severe loss in confidence. There would also likely be upward pressure on real yields due to the partial divestment of U.S. fixed income by investors, or the diversification or reduction of international reserve allocations,” Wise said. However, the effect of de-dollarization on U.S. growth is uncertain. While a structurally depressed dollar could raise U.S. competitiveness, it could also directly lower foreign investment in the U.S. economy. In addition, a weakening dollar could in principle create inflationary pressure in the U.S. by raising the cost of imported goods and services, though benchmark estimates suggest these effects may be relatively small. De-dollarization in currency markets De-dollarization could reduce institutional, investor and corporate demand for the dollar over time, and in size could cause its value to fall. If there is a specific catalyst for the move, de-dollarization could also result in heightened exchange rate volatility, especially as over 60 currencies are pegged to the greenback. However, while some signs of de-dollarization are emerging in currency markets, the dollar is thus far still maintaining its dominance. “Overall dollar usage has declined, but it remains within long-run ranges and its share remains elevated compared to other currencies,” said Meera Chandan, Co-Head of the Global FX Strategy research team at J.P. Morgan. Looking at FX volumes, the dollar’s share stands at 88%, near record highs, while its share of trade invoicing, cross-border liabilities and foreign currency debt issuance has held steady over the last two decades. “The dollar’s transactional dominance remains top-of-class despite secular declines in U.S. trade shares. On the other hand, de-dollarization is evident in FX reserves, where the dollar’s share has declined to a record low of 58%,” Chandan noted. Which currencies could dethrone the greenback? “In terms of competitors, China has been attempting to internationalize the renminbi. However, the renminbi’s global footprint is still small despite growing every year, and this will be a long process requiring reform,” Chandan said. For instance, the renminbi makes up just 2.3% of SWIFT payments, versus the dollar’s share of 43% and the euro’s share of 32%. “With China’s growing centrality in global commerce, one might naturally expect the renminbi to assume a greater role in the global economy over time, but this transition would likely occur over the course of decades,” Wise added. “Relaxing capital controls, opening markets, implementing measures to promote market liquidity, bolstering the rule of law, reducing appropriation and regulatory risk, and promoting Chinese government bonds as an alternative safe asset — these could all cement China and the renminbi as a credible alternative to the U.S. and the dollar.” De-dollarization in oil markets Some signs of de-dollarization are also playing out in oil markets. “The U.S. dollar, one of the key drivers of global oil prices, appears to be losing its once powerful influence,” said Natasha Kaneva, Head of Global Commodities Strategy at J.P. Morgan. Traditionally, the dollar is negatively correlated to oil prices. When the dollar appreciates, the imported price of oil rises and demand falls as a result, especially in emerging market (EM) economies. However, more oil sales are now being transacted in non-dollar currencies such as the renminbi. “Crucially, Russian oil is now either sold in the local currencies of the buyers or in the currencies of countries that Russia perceives as friendly,” Kaneva said. For example, some Indian refiners have begun paying for Russian oil purchased via Dubai-based traders in dirhams, while others are considering doing so in yuan. Saudi Arabia is reportedly exploring the acceptance of payments in other currencies. In addition, major Russian commodity producers have started issuing bonds in yuan. In September 2022, state-owned oil company Rosneft made a public offering of 10 billion yuan in bonds, followed by a second tranche of 15 billion yuan in March 2023. Is the dollar’s dominance truly waning in oil markets? Data from J.P. Morgan Research shows that between 2005 and 2013, a 1% appreciation of the U.S. trade-weighted dollar (USNEER) reduced the price of Brent crude by about 3%. Between 2014 and 2022 however, this figure declined to a mere 0.2%, with OECD oil inventories now playing a much more dominant role in determining oil prices. “Overall, we find that the importance of the dollar has declined significantly from 2014 to 2022,” said Jahangir Aziz, Head of Emerging Market Economics Research at J.P. Morgan. “While it is possible that this shift is overly influenced by the rise in macroeconomic volatility caused by the spike in post-pandemic inflation and geopolitics, it is hard to ignore it altogether." Is de-dollarization imminent? Overall, while marginal de-dollarization is expected, rapid de-dollarization is not on the cards. “This is especially given the considerable advantages that accrue to a ubiquitous currency, and the fact that the U.S. has a long-standing global network of alliances and partnerships,” Wise said. Instead, partial de-dollarization — in which the renminbi assumes some of the current functions of the dollar among non-aligned countries and China’s trading partners — is more plausible, especially against a backdrop of strategic competition. This could over time give rise to regionalism, creating distinct economic and financial spheres of influence in which different currencies and markets assume central roles.

#### **Dollar heg is alive and well**

Wade 2/28 Robert H. Wade, 2-28-2024, "Is US dollar hegemony ending?", Global Policy Journal, https://www.globalpolicyjournal.com/blog/28/02/2024/us-dollar-hegemony-ending TDI

The air rebounds with claims of “the end of dollar hegemony”, “the end of American financial supremacy”. Some of this has been prompted by unease and even outrage at the US government’s overt “weaponization” of the dollar and the dollar payments system in the past few years, to sanction enemies like Iran, Cuba, Venezuela, Afghanistan, North Korea, China. The US took weaponization to a new level when it used the dollar payments system to freeze Russia’ s access to $300 bn in liquid foreign exchange reserves in the wake of Russia’ s invasion of Ukraine in February 2022. Now influential voices are urging the US government to go further and appropriate those reserves (take ownership of them, not just freeze them), and give them to the government of Ukraine for post-war reconstruction (Sandbu 2023, Rasmussen 2024). Those who think their states might be subject to the same punishment have started to search anxiously for ways to escape dollar dominance. Confidence is an indispensable requirement for a currency, and beyond a certain point of weaponization the US undermines international confidence in the dollar as the world currency and accelerates states’ search for dollar alternatives. The more talk there is of appropriating Russia’s reserves the more countries like China fear their reserves held in dollars or euros may no longer be safe. So now the BRICS countries, led by Russia, are discussing how to escape dollar dominance. President Putin forecast the “beginning of the end” for the dollar in June 2023. Former president of Brazil, Dilma Rousseff, current chair of the New Development Bank, pledged to “find ways to avoid … being dependent on a single currency”. The Brazilian finance minister in 2022 called for a South American international currency, beginning with Brazil and Argentina. Even the European Union has recently shown signs of wanting to escape dollar dominance. The German foreign minister has called for a new EU-based payments system independent of the US and the SWIFT payments system, that would not involve dollar payments. But people have been forecasting the end of dollar hegemony for half a century and more, for reasons to do with the inherent difficulties for the US central bank to balance supplying enough dollars for global transactions and few enough dollars to sustain confidence in the value of the dollar. This issue led economist Robert Triffin in 1960 to warn of an “imminent threat to the once-mighty US dollar” (his argument came to be known as “the Triffin Dilemma”). Charles Kindleberger declared in 1976 that “the dollar is finished as international money”. When French president Nicolas Sarkozy chaired the G20 in 2010 he took the opportunity to decry the model that left “part of the world dependent on US monetary policy”. This essay argues that dollar hegemony will surely end – but not in the foreseeable future. Most of the world has no prospect of an alternative to the international dollar to be used at scale in the next two decades or so. Quantitative dominance of the international dollar and dollar payments system The dollar and dollar payment system remain overwhelmingly dominant. According to the Bank for International Settlements’ latest triennial survey, the dollar as of 2022 was part of 88% of all international transactions. That percentage is only slightly lower than it was in 1989, testimony to the dollar’s resilience. Meanwhile, the euro accounts for 31% of international transactions, the yen 17%, the pound 13%, the RMB only 7%, up from 4% in 2019. As a share of global foreign exchange reserves, the dollar now accounts for around 60%, down from 72% in 2000. Over this period the RMB share grew from 0% to 2.6%. Incumbency advantages Dollar dominance rests on huge incumbency advantages - institutions which give the dollar system huge economies of scale and network externalities, such that the more users the more people need to use it. The institutions include Wall Street and US Big Tech (Google, Facebook, Apple, Amazon, Uber), which dominate the world system, and they have **no incentives to de-dollarize**. The US has well protected property rights; a court system and central bank vested with high confidence around the world; the world’s deepest, most liquid, most open financial markets, which function in dollars; and effective macroeconomic management most of the time, producing low inflation. Dollar dominance allows the US to sustain large current account deficits – importing much more than it earns from exports, thereby “artificially” boost living standards for a large subset of Americans. Also it lowers US corporations’ cost of foreign direct investment (FDI), fuelling their expansion around the world. And it allows the US to easily finance its military activities around the world (Lambert and Plihon 2023). Beyond US direct control is an institution crucial to the dollar payments system, namely SWIFT (Society for Worldwide Interbank Financial Telecommunication). Established half a century ago, it is the nerve centre of the global financial network, the message system through which all major banks transfer all major currencies. It carries over five billion financial messages a year. It does not actually move money; it simply tells one bank to debit an account and credit another. A Shanghai bank wanting to send funds to a Sydney bank has to go through SWIFT. Kicking a country off SWIFT constitutes a severe national blow. In 2012 the US - the European Union went along - kicked Iran off SWIFT, which meant Iran could not receive hard currencies for its oil exports. The blow was severe enough, coupled with a change in government plus a change in US policy on nuclear enrichment, for Iran to come to the bargaining table in 2015 and agree with the US to restrain its nuclear program. The US kicked Russia off SWIFT after its early 2022 invasion of Ukraine; or to be more exact, kicked 10 of the largest Russian financial institutions off SWIFT. Over the past decade the US government has increasingly used its control over the dollar - whether directly or indirectly via SWIFT - to sanction countries and private entities and individuals that it deems hostile. Putin lamented in 2020, “We aren’t aiming to ditch the dollar. The dollar is ditching us.” In particular, most banks globally have no choice but to comply with US sanctions, because they cannot afford to let go of correspondent banking relationships with US banks. As long as banks’ transactions with US enemies are in dollars they will pass through a US-based clearing house, making them subject to US laws. We should also not omit the dollar system’s geopolitical underpinnings. The US has some 700 overseas military bases spread over 80 countries, and a military budget greater than the military budgets of the next 10 countries combined. This is especially relevant to the case of Middle East oil and its pricing in dollars. China does not (yet) have the military capacity to persuade US allies in the Gulf to switch sides. Limits on bilateral trade agreements in national currencies Agreements to use national currencies in bilateral trade agreements are increasing and could speed up de-dollarization. But so far, they remain mostly at cosmetic scale. They are inherently limited by the fact that there are surplus and deficit countries in these exchanges. Surplus countries accumulate monetary assets in the currencies of the deficit countries, and may be wary of doing so because of the risk of inconvertibility and depreciation. Deficit countries may worry that surplus countries will dump their currencies in international currency markets in the search for safer assets (Nogueira Batista Jnr 2023). The Russian-Indian trade negotiations reached stalemate in May 2023 over the issue of conducting commerce in Indian rupees. India wanted the transactions to be in rupees, but because the trade balance favours Russia, Moscow feared drowning in unusable rupees. They reached a compromise with India paying for Russian oil with Emirati dirhams (Lambert and Plihon 2023). Saudi Arabia seems to be issuing threats to make oil contracts in non-dollar currencies as part of a multipronged bargaining strategy with the US. When the Saudi finance minister announced in January 2023 (at the Davos World Economic Forum meeting) that his country was open to using currencies other than the dollar in oil contracts, he could not have expected the intense media attention. His remark ran against the decades-long implicit agreement that the US would supply Saudi Arabia with military support and OPEC would use the US dollar in its oil sales (Habibi 2023). In 2021 Saudi Arabia signed a military cooperation agreement with Russia, implying the US was no longer the sole protector of the kingdom. The Saudi finance minister’s 2023 announcement at Davos went with Saudi normalization negotiations with Iran under Chinese mediation and the resumption of normal diplomatic relations between the two countries. Also, with expanding bilateral ties between Saudi Arabia and China. And with close cooperation with Russia in OPEC since Russia’s invasion of Ukraine in early 2022, to prop up oil prices. In response the US began to be more positive towards Saudi Arabia, which was probably the Saudis’ objective; in particular to see what the US offers it not to price its oil sales in currencies other than the US dollar. Proposed BRICS currency Russia has taken the lead in promoting the idea of a BRICS international currency, initially as a unit of account in transactions between the BRICS, so that the prices in these transactions would not fluctuate with the dollar. The intention is to get the unit of account up and running before taking steps to add the two other essential functions of a currency, a store of wealth and a medium of exchange. The plan for a BRICS currency was quietly discussed at the BRICS summit in August 2023, under the name of the R5 (the currencies of all five BRICS begin with “r”). But there is strong resistance within the coalition (think of the tensions between China and India). The Leaders’ Declaration endorsed the general merit of de-dollarization - it encouraged the use of national currencies in trade and finance between the BRICS - but made no mention of a common currency. Perhaps the BRICS Summit in 2025 in Brazil will announce concrete steps to the creation of a limited BRICS currency, since the Lula government is enthusiastic about the idea (Nogueira Batista Jnr. 2023). The RMB? What are the prospects of the RMB becoming a significant international currency? It is widely assumed that the US reaps an “exorbitant privilege” from having its currency also function as the international currency. But some analysts, including Michael Pettis, argue that the dollar is now an “exorbitant burden” to the US. The US has to issue floods of US dollar assets to provide the world with the liquidity it needs, and other countries’ demand for these safe assets tend to fuel speculative bubbles in the US, such as mortgage-backed securities, notably the sub-prime mortgage securities in the run-up to the Great Crash of 2008. To the extent that Beijing realizes that a national currency which functions as an international currency can impart an exorbitant burden as well as exorbitant privilege, it may hesitate to promote the RMB. As leader of the Global South it may still criticise dollar hegemony, while acting to support dollar hegemony for the most part, promoting RMB internationalization only at the margins. It is striking that China is following US-led sanctions against Russia. The Asian Infrastructure Investment Bank (AIIB), led by China, has cut off Russia’s dollar financing. Significant internationalization of the RMB would depend on a far-reaching re-set of US-China relations. For US firms to buy up large quantities of RMB securities they would have to judge the risk of US sanctions on China – such as US freezing of China’s liquid reserves, never mind appropriating those reserves as voices are calling for with Russia – as very low. Those risks would not be low if and when China invades or blockades Taiwan, as President Xi has many times declared China must be prepared to do. Also, China’s RMB could be used on a significant scale as an international currency only if China opened its capital account and established deep capital markets beyond state control. Beijing has good domestic political as well as economic reasons for not doing so anytime soon. It is striking that most of China’s lending for Belt Road Initiative projects throughout the global South (around $1 trillion since 2013) is in dollars, to be repaid in dollars. Meanwhile, China’s Big Tech firms (Alibaba, Tencent) are developing private sector retail digital payments, and as of 2023 they are preparing the system for wholesale and cross-border payments. But the central bank digital currency has had trouble breaking into the market. Conclusion It is worth remembering two points. First, creating a widely used international currency is bound to take decades. It took four to five decades from when the US surpassed Britain as a global economic power in the late nineteenth century to when it became the dominant financial power and the dollar the dominant international currency. European efforts to create its within-Europe international currency began in 1972 with the small “snake-in-the-tunnel” agreement to limit fluctuations between currencies; and culminated in 1999, 27 years later, with a common currency. Beijing may be thinking of a similar “slow but steady” internationalisation of the RMB, crossing the river one stone at a time. Second, major developing countries have started to create coalitions from which the US is notably excluded or has excluded itself: such as the Asian Infrastructure Investment Bank, the New Development Bank, the Shanghai Cooperation Organisation, and of course China’s globe-spanning network of infrastructure alliances, the Belt Road Initiative (BRI). In another few decades we may look back on this period as the early stage of a new geopolitical and economic environment in which the US is more marginal than it has been for more than eight decades, including its currency.

#### Dollar hegemony is strong, but can be shaken

Stanley, 5/15 “The Dollar Is Poised to Keep Its Crown,” Morgan Stanley, https://www.morganstanley.com/ideas/us-dollar-dominance-maintains-reserve-currency-status, 05/15/2024] TDI

Most of the world’s major currencies have declined in value relative to the dollar this year. The simple explanation for why: As the U.S. Federal Reserve has kept interest rates high in the face of stubborn inflation, the resulting higher yields on bonds and other assets attract international investors, strengthening the dollar’s position. At this point, the dollar’s persistent strength has raised concerns that it may be poised for a fall after a 16-year run since the global financial crisis. Dollar doubters point to indicators that could erode its long-held role as the world’s currency of choice, including rising commodity prices, which are negatively correlated to the dollar; growing signs that Japan’s central bank will let interest rates rise, strengthening the yen against the dollar; a decline in dollar trades resulting from Russia sanctions and U.S. and China tensions; and increasing U.S. debt relative to gross domestic product (GDP). But Morgan Stanley Research thinks the consensus on the dollar has gotten too pessimistic. “Predictions of the dollar’s demise may be greatly exaggerated,” says James Lord, Morgan Stanley’s Head of Foreign Exchange Strategy for Emerging Markets. “It has the potential for cyclical decline if and when the Fed cuts interest rates but will still be bolstered by its enduring dominance as a reserve currency. It’s still the favored choice for central bank allocations, global trade financing, foreign exchange activity, cross-border lending and debt issuances.” Here are some of the factors supporting continued dollar dominance. No Clear Challenger Historically, for a leading global currency to be put aside, another one must be ready to step in, as when the dollar replaced the British pound after World War I. At this point, however, no clear challenger has emerged to replace the dollar. “While the yuan is often seen as a growing challenger to the dollar because of China’s increasing economic and financial influence in the global economy, its role in global reserves and trade will rise about 2.3% by 2030 — not enough to threaten the dollar’s dominance, at least for the remainder of the decade,” says Lord. Any challenges to the dollar will build slowly. China’s efforts to increase trade and investment, for example, are focused on countries that are geopolitically aligned, which could encourage more international use for the yuan. As much as one-third of China’s trade in goods could be invoiced in yuan by the end of the decade. But China also faces the “3-D challenge” of debt, deflation and demographics that could curb demand and slow this internationalization process. Dollar Dominates Global Deals One of the most important factors in assessing the dollar’s dominance is its role in cross-border lending. During the past 25 years, about half of all transactions globally have consistently been tied to the dollar. Significantly, about half of those dollar-denominated cross-border loans didn’t involve any U.S. lenders or borrowers. No other currency comes close, with most remaining below 10% of the market. “When looking at cross-border lending, it doesn’t seem as though any other currency will challenge for the top spot in the near future,” says David Adams, Morgan Stanley’s Head of G10 Foreign Exchange Strategy. Commodity transactions also underscore the dollar’s reserve currency role. Dollar doubters have speculated that rising prices, U.S. sanctions and increasing non-dollar trades could begin shifting more commodity transactions away from the dollar. However, any such shift is likely to be gradual. Most commodities, including oil and gas trades, are still invoiced in dollars. “At the margin, there could be some shifts as trade flows change and new markets emerge, but any changes in the dominant currency for commodity markets would happen only slowly,” says Morgan Stanley Commodities Strategist Martijn Rats. Finally, corporate debt issuance remains dominated by the dollar as U.S. corporations show little concern about the dollar’s reserve currency status. In the past decade, the share of dollar-denominated foreign currency debt has held steady at 50% to 60% of the total global issuance. While the dollar’s status may be secure in the short and medium term, it does face long-term risks that bear watching.

#### The dollar remains high but shaky.

Díaz and Hirt, 2024 [(Roger Aliaga and Josh, Vanguard Chief Economist, Americas, and Head of Portfolio Construction, Vanguard Senior Economist) “Why the U.S. dollar remains a reserve currency leader,” Vanguard,https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/why-us-dollar-remains-reserve-currency-leader.html, 04/04/24] TDI

What are reserve currencies and why do they matter? Why has the U.S. dollar been the preferred measure for so long? Aliaga-Díaz: At a high level, an international reserve currency helps global investors and sovereign governments conduct critical transactions like settling payments for exports and imports of goods and services between nations, conduct global portfolio investments, borrow funds, and set prices for commodities such as oil or gold. International reserve currencies are the linchpin of both world trade and the global financial system. Any commercial or financial transaction between two or more parties is always conducted by exchanging money. The currency that’s widely accepted as the medium of exchange in all transactions is called an international reserve currency. All international prices, international contracts, and financial transactions are quoted in terms of reserve currency units. Since World War II, the U.S. dollar has prominently played this international reserve currency role. Furthermore, global investors, governments, and sovereign wealth funds typically see reserve currencies as a safe haven to protect their assets during periods of heightened uncertainty—geopolitical events, financial crises, and periods of domestic political unrest. This is the “store of value” characteristic of international reserve currencies. Hirt: There are three primary reasons the U.S. dollar continues to be the reserve currency of choice globally. One is that the U.S. is a traditionally strong sovereign nation, backed by robust, persistent economic growth. Another is the democratic nature of the U.S. government and its institutions. The international community trusts in the stability of our overarching structures and in the property-rights standards that we maintain. Third is a degree of inertia—the difficulty in changing the structure of global finance revolving around the dollar and U.S. capital markets. Competing nations can boast some of these facets, but the U.S. maintains all three advantages. Why has the dollar lost some ground as a reserve currency in recent decades? Aliaga-Díaz: One primary reason is the significant globalization seen over the last few decades and the associated economic growth in many economies. Overall, this has yielded a positive outcome for the global financial system. As the world economy grows over time, the volume of both global financial flows and international trade expands at a fast pace, even faster than the growth of the U.S. economy. As a result, the global demand for reserve currencies starts to surpass the capacity of the U.S.—the sole issuer of the U.S. dollar—to satisfy it. Since the launch of the euro in the 1990s, we saw some international operations shifting toward it and—to a much lesser degree—other major developed-market currencies such as the Japanese yen and the British pound. More recently, there has been a small but growing volume of global transactions quoted in Chinese yuan.

**US Dollar Hegemony high but shaky**

Han 22 [(Danielle, Journalist in England with a background in policy and research), “Why is the US Dollar so Strong?”, https://daily.jstor.org/why-is-the-us-dollar-so-strong/, JSTOR Daily, 11/7/22] TDI

The **US dollar is the strongest it’s been in years**. The Federal Reserve is **steeply hiking interest rates—now reaching a record 3 percent**—to battle inflation. It was recently urged by the United Nations Conference on Trade and Development (UNCTAD) to halt rates, amidst concerns of a global recession. American monetary **policy is intrinsically connected to the international economy.** As Thomas Costigan, Drew Cottle, and Angela Keys explain, the dollar is the established global reserve currency, and most transactions rely on a framework shaped by greenback value. In many ways, the influence of the United States on global affairs is an asymmetrical constellation sustained both by itself and the international systems it built. This can prompt issues for other world economies: a recent UNCTAD report warns that the rising **US interest rates could cut $360 billion of future income for developing countries.** So, why is the US dollar so strong? The answer is one of policy design; along with post-World War II interests giving the US a managerial position in the world order, the economic system is constructed to reinforce itself as an American responsibility. A history of international currency valuations The dollar has been the cornerstone of the global economy since the mid-twentieth century. As Costigan, Cottle, and Keys remind us, the Bretton Woods Conference in 1944—the first international currency agreement that installed a US-centric system as a norm—established that all states could calibrate the worth of their **money via a gold-dollar conversion**. This model changed under the Nixon administration, when value moved toward another commodity: oil. When the economies of **oil-exporting states were vacuumed into surging prices and demands, petrol values became attached to dollar transactions**—referred to as petrodollars. Here, oil became—and continues to be—the value anchor in US and international currencies. The role of international institutions As noted by Costigan, Cottle, and Keys, the currency hegemony was originally a post-war era effort that embedded US leadership in the global economic paradigm. While the initiative was largely facilitated by political messaging—that the US could stabilize “disparate regions of the world” by using itself as a financial center—it was also part of an outlined plan called the “Grand Area” strategy, backed by the Council on Foreign Relations (CFR) and the US government. The strategy was one that linked US economic interests with security ones, ensuring American leadership in a designed liberal international system. It planned for US power, hegemony, control, and wealth. The dollar hegemony and its future Other states are unlikely to topple the dollar hegemony. Some have tried, producing initiatives to compete with western-operated transaction systems like SWIFT and bilateral currency agreements that attempt to underpass the dollar. Additionally, **rising economies and private currencies might challenge dollar authority**, notes International Relations scholar Masayuki Tadokoro, especially as a political tool. However, it’s likely that most global economic activity will only further fortify the greenback’s stronghold: after all, the system was designed that way.

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#### Sanctions are fundamental for maintain dollar hegemony, dollar system beneficial for all parties.

Katz, 2023 [(Dan, co-founder at Amberwave Partners, an asset management firm, and former senior advisor at the U.S. Treasury, 2019-21.) “Sanctions Don’t Threaten the Dollar’s Dominance. They Support It.,” Barron’s, <https://www.barrons.com/articles/global-sanctions-support-dollar-dominance-fc8dc32e>, 05/10/23] TDI

The U.S. dollar’s status as the world’s reserve currency gives the United States a financial superpower—the ability to impose costs on adversaries through sanctions. But the use of that superpower in recent years has driven fears that other countries may move away from using the dollar to minimize their vulnerability to sanctions. Such a shift would endanger many benefits the U.S. receives from dollar hegemony, beyond just the ability to impose crippling economic sanctions. Yet dollar dominance is not a zero-sum game. In reality, U.S. sanctions are a fundamental part of the series of tradeoffs that create a stable equilibrium of dollar use in the global economy. Over the long term, U.S. sanctions are a key pillar of, not a threat to, dollar dominance. Foreign countries’ use of the dollar for reserve assets and as a transaction medium brings vulnerability to sanctions, but also a litany of benefits. Governments and private actors’ evaluation of the costs and benefits of the dollar system, including potential sanctions, shapes market usage of the dollar. Different economies have different incentives for dollar adoption. For example, developing countries like Colombia or Kenya that run current account deficits must import foreign capital; therefore, their growth depends on providing assurance to international investors that their investments will not be threatened by hostile action or subject to expropriation. In these cases, countries that accumulate dollar reserves tacitly signal to foreign investors that their investments are safe, because these governments would be vulnerable to U.S. sanctions in the event of bad behavior. As Michael Dooley, David Folkerts-Laudau, and Peter Garber have argued, reserves should be seen not as U.S. liabilities, but as a form of public collateral for Western investors. Many developing countries will eagerly expose themselves to the risk of sanctions in exchange for accelerating integration with the West. Sanctions strengthen the credibility of the commitment not to confiscate private investors’ assets, engendering more confidence, more global capital flows, and more secure reserve status for the dollar. As current account deficit countries move up the development curve, many, like China, have transformed into current account surplus countries. These countries’ excessive productive capacity and savings create a different set of considerations for dollar access and therefore, sanctions vulnerability. Surplus economies derive a wide range of benefits from dollar usage. For example, they require a large consumer market willing and able to absorb their excess productive capacity and savings. If they were forced to recycle savings domestically, their currencies would appreciate significantly, slowing their export-driven economies. Additionally, they also need to import Western technology and, critically, must sell to deficit countries, which are incentivized to use the dollar. Exposure to sanctions is a price they pay in exchange for accessing these direct benefits of participation in the dollar system. Dollar hegemony is an equilibrium that results from a complex balance of costs and benefits for all international participants—including the U.S. For Americans, the dollar’s international role brings real benefits like seigniorage—one time profits made by exchanging newly created dollars for real goods or services—but also harmful incentives for Americans to consume more than they produce and to offshore supply chains, diminishing resilience. It’s always been implicit in the bargain that the U.S. will accumulate economic leverage that it can use through sanctions. Economic data on the dollar’s international use support the conclusion that U.S. sanctions are a fundamental part of the equilibrium that has put the dollar at the center of the international economic system. U.S. sanctions have dramatically increased in frequency and severity over the last decade, but the dollar’s share of reserve assets has been relatively consistent at approximately 60% since 2008, with most changes due to fluctuations in valuation. Even more poignantly, the dollar’s share of international transactions was 88% in 2022, up from 85% in 2010. Despite loud complaints about U.S. sanctions, the evidence suggests that the dollar system remains attractive on net for all parties. As long as the U.S. remains the most dynamic large economy, with the deepest and most liquid financial markets, world leading innovation, rule of law, and unrivaled influence over the international security architecture, the dollar’s international role will likely persist. Indeed, if the U.S. did not stand prepared to use sanctions to advance its national interest, faith in its ability to continue to stand at the center of global affairs could be undermined, weakening dollar hegemony. Sanctions are increasingly the foreign policy tool of first resort, in part because they are perceived to entail minimal domestic cost. This dynamic has its problems. It creates incentives both to reflexively reach for sanctions in an urge to appear to be taking action when restraint would prove more prudent, and also to rely on sanctions at the expense of other policy tools, including harder forms of power, that are critical to maintaining the dominant U.S. geostrategic position over time. If sanctions pose any threat to the dollar, it is from ineffective use that undermines America’s security standing, not from an active and considered approach.

#### Sanctions are k2 dollar dominance and removal would be catastrophic

Norrlöf ’23 Dr. Carla Norrlöf, 6-8-2023, "Dollar dominance: Preserving the US dollar’s status as the global reserve currency", Atlantic Council, https://www.atlanticcouncil.org/commentary/testimony/dollar-dominance-preserving-the-us-dollars-status-as-the-global-reserve-currency/ TDI

The extent of US dollar dominance and its preservation has become a principal theater for the great power struggle between the United States, China, and Russia—placing the future of liberal international order in the balance. The dollar is the only truly global currency in the world, and is widely used for transactions, pricing, settlement, and investment by governments and private actors outside the United States. These roles offer the United States economic, political, and social privileges. Economically, Americans benefit from the ease and convenience of transacting in dollars, from seigniorage, monetary flexibility, and safe-haven benefits in times crisis. Politically, the dollar offers the United States a non-military instrument of coercion with which to police international order. Socially, the United States gains status and prestige. Preserving the dollar’s status as the global currency is therefore in the United States’ interest, and potentially in other countries’ interest. Dollar dominance refers to the disproportionate use of dollars in the world economy, a condition which has prevailed during the entire postwar era. The absolute dominance of the dollar is unlikely to change in decades to come, though the dollar’s relative dominance has receded from peak levels. Even though the dollar remains dominant, a relative weakening of the dollar’s status is considered a harbinger of the long-term power shift to the East, hastening the onset of a multipolar order in which the United States is less capable and less influential. Assessing dollar dominance The precise meaning of dollar dominance in this regard remains unsettled. How strong must the dollar be relative to other currencies used for international purposes for the international currency system to be characterized by dollar dominance? This question is rarely tackled head on. The lack of a common focal point makes it very difficult to determine whether dollar dominance is truly threatened and how to discern a multipolar currency system if, and when, one comes to pass. Using metrics over the various functions of an international currency, for example the reserve currency function, it is possible quantify dollar dominance according to established criteria—for instance polarity or systemic concentration. Polarity is a term traditionally used by international-relations scholars to assess the international balance of power based on military might. But the concept is sometimes used to describe the international distribution of economic power. Polarity is particularly well-suited for characterizing the international currency system because great-power currency capabilities can be used to enforce international agreements and police international order. Strictly speaking, polarity is the number of great powers in the international system. In a unipolar currency order, one great power enjoys preponderance and has no close rival. In a bipolar currency order, two great powers predominate and have distant rivals. And in a multipolar currency order, more than two great powers wield relatively equal influence. Yet this still leaves open the question of how to measure polarity. Over the course of half a century, the dollar’s reserve currency role was strongest in the years following the collapse of the Bretton Woods dollar standard when President Nixon abandoned the promise to convert dollar reserves into gold—the 1971 Nixon shock. Regardless of which measure of dominance is used—polarity or systemic concentration—the dollar is significantly lower today than it was in 1973. However, the dollar’s reserve currency role is stronger than it was in 1990 when the Cold War ended. In a fifty-year perspective, the dollar reached a low point at that time, a period otherwise considered to mark the onset of America’s unipolar moment. Clearly, the level of reserve currency holdings in a single year, or within a limited time frame, is not a good predictor of US ascendancy or decline in any broader sense. Point estimates of reserve currency holdings are not a good predictor of dollar dominance either. That is because the liquidity creating role, assumed by the issuer of the first international currency, requires adjustment of expansionary policies, resulting in cycles of trade deficits when demand for dollar assets is typically high and deficit adjustment when dollar demand tends to fall. Depending on the measure used to assess dollar dominance, the most recent downward dollar cycle began in 2016 (polarity) or 2017 (concentration). According to both measures, an upward cycle began in 2020 and stabilized despite the 2022 sanctions against Russia. The dollar’s many international roles The dollar’s reserve currency role is used synonymously with the dollar’s ability to fulfill the range of currency functions—as medium of exchange, unit of account, and store of value—for governments and private actors. This shorthand reflects the view that governments’ willingness to accumulate dollar reserves is a condition for the longevity of the dollar system. For example, in times of crisis, when dollar shortages occur, private actors rely on their central banks to supply them with dollar assets, sometimes via swap lines extended by the Federal Reserve. Private actors’ willingness to use and hold dollars is necessary for the dollar system’s reach and entrenchment, but private entities coexist within a decentralized system. Their actions are not as consequential as those of official actors because each single entity typically holds a small slice of dollar assets. Even the considerable dollar assets held within large financial institutions consist of deposits by separate entities without any means or incentives to coordinate actions apart from inadvertently via the price mechanism. Unlike official actors, private actors’ choice of foreign currency is exclusively an economic decision. Moreover, they are unlikely to act collectively with the aim of disrupting the system. The reserve currency role is where the United States has the biggest lead relative to its nearest currency rival, the euro-zone. How the dollar became dominant The dollar [rose to the top of the international currency hierarchy after World War I](https://www.nber.org/papers/w14154), superseding the British pound which regained its number one position in the interwar years before permanently losing currency primacy to the United States after World War II. After World War I, devastated European countries began relying on the United States for loans to rebuild their war-torn economies. The United States gradually became banker to the world with New York emerging as a financial center on a par with London. The stock market crash of 1929 and the ensuing Great Depression hit the United States hard, and the international role of the dollar declined between the two world wars. The 1944 Bretton Woods Agreement created a dollar-based system in which all currencies were pegged to the dollar and the dollar was pegged to gold, convertible at the rate of thirty-five dollars an ounce. World War II decimated European industry, which the United States helped rebuild through the Marshall Plan with large-scale investments and merchandise exports to Europe. The United States’ strong economic lead after the two world wars, Europe’s dependence on the United States to resuscitate its ailing economies, along with the 1944 Bretton Woods agreement on the dollar-gold standard created the conditions for dollar dominance. Dollar primacy continued even as the United States broke away from the system which established the dollar’s prominent role. The Bretton Woods system capped US trade deficits at levels compatible with the United States’ ability to liquidate foreign dollar holdings through gold conversion. When the United States shook off the constraints reflected by gold conversion, the dollar system did not end. The 1971 Nixon shock simply decoupled the dollar from gold and replaced the gold constraint on US trade deficits with inflation and dollar depreciation. The role of trade and oil The dollar’s international role initially coincided with US trade surpluses as European countries absorbed American goods. As the European economies grew, demand for US assets grew, and the trade dynamic was reversed. US trade deficit pressures started to undermine the Bretton Woods dollar standard as [predicted by the economist Robert D. Triffin](https://ies.princeton.edu/pdf/E132.pdf). In his testimony to the US Congress, Triffin pointed to the contradiction between the United States’ liquidity provision and confidence in the dollar. The United States exported dollar assets, which were held abroad as foreign reserves, creating the liquidity needed to fuel economic growth. Dollar exports generated foreign investment in the United States leading to trade deficit pressures. In this case, the large supply of dollars undermined confidence in the dollar, particularly the United States’ ability to honor dollar conversion into gold, potentially jeopardizing the dollar standard. On the other hand, had the United States not accepted to run trade deficits the main source of international liquidity would run dry, which risked undermining international economic growth with destabilizing consequences. The United States’ liquidity provision was required for continued growth but in conflict with the long-term prospects of the dollar’s international role. Triffin predicted the breakdown of the Bretton Woods dollar system, and the dilemma remains relevant for the relationship between the United States’ liquidity creating role and confidence in the dollar. In the 1970s, oil and other commodities began to be priced in dollars, creating incentives for official and private actors to settle payments in dollars and therefore store value in dollars. Threats to dollar dominance The dollar remains dominant due to economic fundamentals and the history of using dollars, favoring future use because everyone else is using dollars. Supporting the dollar’s international role are factors such as the size of the US economy, its commercial and financial markets, the liquidity, depth, breadth and openness of US financial markets, the dollar’s convertibility, relative stability, and sound macroeconomic policies. The economic policies underpinning issuance of the primary international currency has not been flawless, but the historical record does not need to be perfect for the historical record to support the dollar’s continued use. The network effects of plugging into the dollar system due to the liquidity, depth, and breadth of the market for dollars creates an incumbency advantage, which is hard to overcome. In the absence of major economic or geopolitical upheaval, inertia disincentivizes a major switch to alternative currencies. Political factors could also impinge on the dollar’s role. For example, strong political institutions and property rights protection contribute to shoring up confidence in the US economy. Security ties to the United States are also said to have favored dollar use in the early Cold War days. US sanctions to uphold the liberal international order invite dollar support from states backing the order. On the flip side, an erosion of US political institutions, a weakening or reduced need for US security guarantees, or alternatively a sanctions backlash would likely reduce dollar support. Unless political developments within the United States or US foreign policies radically shake confidence in the United States and access to dollars, economic factors are more likely to determine the fate of the dollar system. US decline The United States’ relative economic decline has been debated for at least sixty years. In the 1960s, [Organski predicted](https://www.amazon.com/World-Politics-F-K-Organski/dp/0394304195) China’s inevitable rise as a systemic leader and noted India’s likely emergence as a great power. In the 1980s, [Paul Kennedy famously predicted](https://www.amazon.com/Rise-Fall-Great-Powers/dp/0679720197) that the United States would lose the superpower competition with the Soviet Union due to military overstretch. And an emphasis on competition in the era of economic interdependence led to repeated warnings about the United States’ ability to maintain its edge over rising economic powers, notably [Europe](https://www.amazon.com/Rise-Trading-State-Commerce-Conquest/dp/0465070361) and [Japan](https://www.amazon.com/Head-Coming-Economic-Battle-America/dp/0446394971). The United States has declined relative to other great powers along various dimensions but remains the absolute strongest power across most dimensions. China’s gross domestic product (GDP) is nearly eighty percent of US GDP, and its goods imports are roughly equivalent to US goods imports. However, China’s financial markets are nowhere near the size or sophistication of US financial markets and China’s yuan accounts for less than three percent of foreign exchange reserves. The euro area is a closer competitor to the dollar. Euro area GDP is approximately sixty percent of US GDP, goods imports account for some ninety percent of US goods imports, and euro area financial markets are both advanced and large. The euro is the second strongest reserve currency, accounting for approximately twenty percent of foreign exchange reserves compared to the dollar’s sixty percent share. US domestic economic policies While the dollar enjoys an extraordinary lead over other international currencies, it is not invincible. Poor domestic policies could shake confidence in the dollar. Structurally, the United States’ liquidity-creating role—providing dollar assets to the rest of the world—and the ability to invest in the United States can interact unfavorably with low savings in the United States, resulting in large deficits, rising public and/or private debt. Unlike the euro-zone, however, the United States does not face the prospect of involuntary sovereign default because the dollar is a convertible sovereign currency. The recent specter of US default, a possibility which arises periodically, is entirely voluntary and due to a self-imposed debt ceiling. In the United States, the upper bound of the debt limit is rather determined by foreigners’ willingness to hold dollars, at worst resulting in inflation and depreciation. Although the United States cannot be forced to default, such an adjustment process may not be benign. Geopolitical challenges There have been few deliberate attempts to unseat the dollar as the first international currency. In the early twenty-first century, Iraq and Iran discussed switching oil pricing from dollars to euros with a view to reducing dependence on the dollar system, a response to US sanctions and interventions in the Middle East. More recently, an anti-dollar counter-coalition centered around the BRICS countries has emerged. The inclusion of China and Russia, and large emerging economies, presents a more potent challenge to dollar dominance than in the past. If sanctions, or some other development, leaves other countries dissatisfied, the counter-coalition could grow and pose a more acute defiance against the dollar system. Rising US public debt, high inflation, and other key developments are unfolding in a strategic setting reminiscent of the Cold War environment. The most striking parallel is the return of great-power rivalries and policymakers’ preoccupation with security concerns, which are taking precedence over economic efficiency. Fears about economic decoupling, deglobalization, and fragmentation abound. On the monetary front, the worry is that countries anticipating US sanctions will move preemptively to reduce their dependence on the dollar. China and Russia have been especially energetic in pushing alternative currencies and building a multinational financial infrastructure for trade and investment in renminbi and rubles. For example, China’s Cross-Border Interbank Payment System (CIPS) acts as a clearing house similar to the US Clearing House Interbank Payments System (CHIPS). CIPS processes a mere fifteen thousand transactions per day, amounting to the dollar equivalent of fifty billion, whereas CHIPS processes twenty-five thousand transactions per day, with a value exceeding $1.5 trillion. The CIPS initiative has nonetheless laid the groundwork to clear and settle more cross-border exchange in renminbi. When China launches a financial messaging system capable of working independently from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), it will have its own complete, autonomous architecture for settling cross-border transactions denominated in its own currency. For its part, Russia has already taken steps to bypass SWIFT, creating its System for Transfer of Financial Messages (SPFS) after its illegal annexation of Crimea in 2014. Russia’s central bank claims that demand for SPFS has increased significantly since last year’s full-scale invasion of Ukraine. At the time, however, the system had only around four hundred users. Still, owing to new payments infrastructure and various bilateral agreements, pursuing trade and investment in non-Western currencies has become somewhat easier. Russia and China have agreed to trade in renminbi; and, reviving the Cold War-era rupee-ruble mechanism, Russia and India were planning to trade in their own currencies following Russia’s invasion of Ukraine. However, that effort was recently discontinued, with both countries settling on using the United Arab Emirates’ dirham instead. All told, such use of alternative currencies by third countries remains small. While the renminbi is being used to settle a Russian investment in a nuclear-power plant in Bangladesh, other examples are scarce. Governments are also making plans to move away from pricing oil in dollars, although the significance of this development is easily overstated. Oil may be one of the world’s leading export products, but it ultimately accounts for a small share of global trade. More broadly, because international currencies are, by definition, used by third countries, adopting a trade or investment partner’s currency will not necessarily raise that currency’s international role, even if it does reduce the greenback’s relative role in cases where those transactions were previously denqominated in dollars. Those predicting the end of dollar hegemony also point to China’s own use of bilateral swap lines to allow foreign central banks to acquire renminbi in exchange for their own currency. Making renminbi available to foreign governments is a prerequisite for its use by public and private actors, and the ability to act as lender of last resort in times of crisis is a key reserve-currency function. China has also been maneuvering to expand its institutional footprint, such as by introducing an emergency renminbi liquidity arrangement under the auspices of the Bank for International Settlements (BIS). Similarly, the basket of currencies underpinning the International Monetary Fund’s special drawing rights (SDR, the IMF’s reserve asset), now includes the renminbi, alongside the dollar, yen, euro, and pound sterling. And the BRICS (Brazil, Russia, India, China, and South Africa) have also discussed ways to push back against dollar hegemony, such as by issuing a joint reserve currency to bypass the dollar and other major Western currencies (as well as offering an alternative to SDR). Finally, one of the most eagerly anticipated technological developments in this area is China’s creation of digital payment alternatives. China’s central bank introduced a digital currency, the e-CNY, in 2016 and offered this payment option to participants at the 2022 Olympics in Beijing. When fully implemented, the e-CNY will function independently of other payment and financial-messaging systems. By offering cheaper, faster, and safer transactions, a Chinese digital currency could make the renminbi more attractive and therefore more widely accessible and liquid. Promoting the e-CNY for trade and investment could accelerate renminbi internationalization. But underlying trade and investment patterns must change before the global currency hierarchy does. Here, the China-centered Regional Comprehensive Economic Partnership, as well as China’s Belt and Road Initiative, could help internationalize the renminbi by multiplying economic interactions and encouraging renminbi use in third-country trade and investment. Still, in the medium term, renminbi internationalization is likely to encounter substantial hurdles, owing to China’s maintenance of capital controls and broader balance-of-payments constraints. Why sanctions are an unlikely tipping point for dollar dominance Following Russia’s invasion of Ukraine, geopolitical blowback is widely seen as threatening dollar dominance. To fully grasp what today’s turbulence means for the dollar system, we must however move beyond the motivations of countries targeted by sanctions. Many countries benefit from US currency coercion because they share the core principles behind US sanctions. Countries supporting sanctions on Russia have strong geopolitical incentives to continue holding and using dollars for international reserve and payment purposes. Supporting the dollar reinforces the constraining impact of the sanctions and helps ensure their future effectiveness. The economic incentives these governments previously had to diversify away from traditional currencies, particularly the US dollar must now be weighed against their geopolitical incentives to hold dollars. Together, the coalition arrayed against Russia accounts for more than ninety percent of global currency reserves, approximately eighty percent of global investment, and sixty percent of world trade and world economic output. Overcoming that dominance would be difficult even if every country that has declined to sanction Russia fell in line behind an organized anti-dollar coalition. Moreover, countries not participating in sanctions against Russia do not necessarily disagree with the goals behind them: ending the war in Ukraine and deterring future territorial aggression. The coalition behind the sanctions against Russia is broad, wealthy, and militarily powerful, and its objective of ending Russia’s barbarous war is widely shared, even by those not participating in the sanctions. Geopolitically induced dollar support is rather likely to stabilize dollar holdings. Having noted the relationship between sanctions and dollar dominance a decade ago, I am not suggesting there is no possible scenario in which sanctions threaten dollar hegemony, simply that the Russia sanctions are highly unlikely to represent such a tipping point. Sanctions should be designed to prevent the unipolar currency order from further eroding. For example, by building broad sanctions coalitions in which participation is strictly voluntary and without forcing countries to choose sides. Sanctions can be costly for third parties. Whenever possible, steps should be taken to alleviate unintended consequences. In addition, sanctions should be reserved for clear-cut cases in which the international order is under threat, as in Ukraine, and should not be used for parochial purposes, as when sanctions were reinstated against Iran in 2018, even though Iran had not broken the terms of the nuclear deal, or when the Trump administration imposed overly harsh sanctions on Cuba. Imposing sanctions to pursue narrow US interests raises legitimate fears among countries that they could be targeted next, motivating them to find alternatives to the dollar. Using sanctions to preserve the central elements of the liberal international order is a goal many countries can subscribe to, or at least tolerate, leaving the dollar as their continued currency of choice. Other geopolitical drivers Sanctions risk is not the only geopolitical factor shaping dollar use. In today’s fraught international environment, countries question the wisdom of system-wide economic interdependence and privilege economic ties with friends. As security concerns eclipse economic concerns, the United States and Europe are limiting their economic dependence on foreign adversaries and pushing to relocate manufacturing and supply chains to allied nations in what has come to be known as “friend shoring.” Just as countries are beginning to source goods and inputs from friendly nations, they may very well adopt the currencies of friendly nations. We should therefore expect a return to the Cold War logic in which economic relations more frequently align with security relations. With the United States at the bullseye of the largest security network in the world, the dollar stands to benefit from this shift. As during the Cold War, US security provision may induce allied dollar support. Concluding remarks In short, the size of the sanctioning coalition, the number of nonparticipating sanctions supporters, and the number of countries under the US security umbrella, make large-scale currency diversification away from the dollar unlikely, at least in response to the Russia sanctions. To preserve the existing currency hierarchy and limit the long-term trend towards currency multipolarity, the United States must adopt sound economic policies and use economic statecraft to promote the public good of international order from which most countries stand to benefit. The United States cannot afford to alienate key allies, or a large portion of the international community, and simultaneously preserve the unipolar dollar era over the long term. For the first time since the collapse of the Bretton Woods gold standard, we are seeing a systemic limit on the dollar centered economic order and US foreign policy.

#### American intervention in foreign conflicts maintains dollar hegemony

Hatfield 18 (Matthew Hatfield, Journalist at Harvard Political Review, "The Worrisome Deal: China and Saudi Arabia", 12/18/18, https://harvardpolitics.com/world/the-worrisome-deal-china-and-saudi-arabia/)

Protectionism of the petrodollar can be an ulterior motive that explains US intervention into oil-exporting nations. In the years after Saddam’s announcement, President George Bush asserted that his regime  possessed weapons of mass destruction. Following  9/11, the United States invaded Iraq, deposed  Saddam Hussein, and converted Iraqi oil sales back to the U.S. dollar. This exact pattern was repeated with Muammar Gaddafi when he attempted to create a unified African currency backed by Libyan  gold reserves to to sell African oil. Shortly after his announcement, rebels armed by the US government and allies overthrew the dictator and his regime. After his death, the idea that African oil would be sold on something other than the dollar quickly died out.

### 1nc – link – north korea

#### Harsh sanctioning makes countries ditch the US dollar, US dollar’s heg is hanging in the balance if the US doesn’t let up

Helms, ‘23 [(Kevin, Head journalist at Bitcoin.comNEWS, and a graduate student of Austrian Economics) “North Korean Analyst Warns of Accelerating End to Dollar Dominance — Says BRICS Poses Challenge to US Hegemony,” Bitcoin.comNEWS, https://news.bitcoin.com/north-korean-analyst-warns-of-accelerating-end-to-dollar-dominance-says-brics-poses-challenge-to-us-hegemony/, 6/26/2023] TDI

A North Korean analyst has cautioned that the actions taken by the U.S. to restrict the usage of the dollar and the growing interest of countries to join the BRICS bloc are “accelerating” the decline of the USD as the world’s dominant currency. North Korean State Media on De-Dollarization and the BRICS North Korea’s state media, the Korean Central News Agency (KCNA), published an article Sunday titled “Expansion of BRICS is an inevitable result of the present unfair international economic order.” The article is authored by Jong Il Hyon, an international affairs analyst of the DPRK. He explained that the primary driving force behind numerous countries joining the BRICS bloc is “the present unfair and unreasonable international economic order” that centers around the U.S.-led international monetary system built upon the dollar. Jong added that the U.S. established the Bretton Woods system in July 1944 with the dollar as the international standard currency after accumulating a vast amount of wealth during World War II. However, since then, the U.S. has engaged in global exploitation, reaping advantages from its dominant position in currency minting and utilizing the dollar as a tool to achieve its political objectives, he opined, noting: It is well known that the international monetary system based on dollar has become the two pillars backing the U.S. domination over the world, along with military means. The North Korean analyst further detailed that over the span of almost a century, starting from the gold dollar in the 1940s, followed by the oil dollar in the 1970s, and now the debt dollar, “the U.S. has resorted to every means and method to maintain the supremacy of dollar as the key currency.” He stressed that the U.S. “unhesitatingly committed despicable acts of imposing financial sanctions” on countries that displeased it through the abuse of the dollar’s predominant position. He cited the financial sanctions imposed on Russia after its invasion of Ukraine as an example. Jong emphasized that this led to a reduction in reliance on the U.S. dollar and the increased adoption of national currencies for international trade by various countries, including the BRICS nations (Brazil, Russia, India, China, and South Africa) and members of the Association of Southeast Asian Nations ([ASEAN](https://news.bitcoin.com/10-southeast-asian-nations-challenge-dollar-dominance-with-push-for-local-currencies/)). Notably, the BRICS has a proposal for a common currency, which is expected to be discussed during the upcoming leaders’ summit. The North Korean analyst added that the growing de-dollarization trend demonstrates that the U.S., through its assertive and arbitrary actions in pursuit of global dominance, has expedited international efforts to ditch the dollar, stimulated the creation of a new monetary system, and encouraged numerous countries to join the BRICS. He stressed that the sanctions and pressure wielded by the U.S. are now backfiring and undermining its own position. Jong pointed out that at their recent meeting of foreign ministers, the BRICS member states agreed to encourage the use of national currencies for trade settlement among member states and with allies. Noting that the BRICS economic bloc is “steadily increasing its political influence in the international arena,” the analyst stated that it is “becoming a challenge to the existing international order and financial system led by the U.S. and the West.” He concluded: The unprecedented international moves to limit the use of dollar and the tendency of many countries to join BRICS are accelerating the end of dollar as a key currency and the end of the U.S. hegemonism pursuant to it. Do you agree with the North Korean analyst about U.S. dollar dominance and the challenges posed by the BRICS? Let us know in the comments section below.

#### Dollarization of NoKo threatens Kim’s rule

Kim 23 [(Kim Hyungjin, reporter and journalist), “‘Dollarization’ of North Korean economy, once vital, now potential threat to Kim’s rule ,“https://apnews.com/article/north-korea-economy-dollar-currency-kim-251a6fee83845253da5b6e0309008a87, June 08, 2023]

SEOUL, South Korea (AP) — Before fleeing North Korea in 2014, Jeon Jae-hyun kept U.S. dollars as a store of value and used Chinese yuan to make everyday purchases at markets, restaurants and other places. He used the domestic currency, the won, only occasionally. “There were not many places to use the won, and we actually had little faith in our currency,” Jeon said during a recent interview in Seoul. “Even the quality of North Korean bills was awful as they often ripped when we put them in our pockets.” North Korea has tolerated the widespread use of more stable foreign currencies like U.S. dollars and Chinese yuan since a bungled revaluation of the won in 2009 triggered runaway inflation and public unrest. The so-called “dollarization” helped ease inflation and stabilize exchange rates, enabling leader Kim Jong Un to establish a stable hold on power after he inherited that role in late 2011. But the trend poses a potential threat to Kim as it has undermined his government’s control over money supply and monetary policies. The isolation of the pandemic badly hurt the North’s economy but still gave Kim a chance to solidify social controls by restricting market activities and limiting influence from capitalist, democratic South Korea. Now, observers say Kim is trying to roll back use of the dollar and yuan to tighten his grip on power as the North grapples with pandemic-related hardships, longstanding U.N. sanctions and tensions with the U.S. RELATED COVERAGE Belarus’ foreign minister arrives in North Korea for talks expected to focus on Russia cooperation South Korea boosts border propaganda broadcasts after North Korea flies more trash balloons South Korea restarts blaring propaganda broadcasts to retaliate against North’s trash balloon flying “He has no other choice but to strengthen the command economy as he’s been locked in confrontations with the U.S. while maintaining a border shutdown,” said Lim Eul-chul, a professor at Kyungnam University’s Institute for Far Eastern Studies in Seoul. “The current direction of the North’s economy is controlling markets in a stronger manner so there are still limits in demands for dollars.” It’s unclear what Kim would do, since banning use of dollars and yuan could backfire by just confusing and angering the public, experts say. North Koreans are likely resisting attempts by authorities to take their foreign currency given the low level of public trust in the government’s economic policies, said Choi Ji-young, an analyst at Seoul’s state-funded Korea Institute for National Unification. The shift to using dollars and yuan came amid economic turmoil and a famine in the 1990s that crumbled the state rationing system, prompting the emergence of capitalist-style markets. The 2009 revaluation of the won led to even wider use of foreign currencies. To try to reassert control over nascent markets, authorities limited the amount of old bills that citizens could exchange with new North Korean won, wiping out much of their household savings. Realizing the local currency was unreliable, many began storing their savings in dollars and yuan. Jeon, a former official from the northern North Korean city of Hyesan, had two boxes of North Korean won notes totaling 2 million won at his house in 2009, about what it would cost then to buy 60-80 smuggled, second-hand Japanese TVs. Most of that money became worthless since the authorities only allowed residents to exchange up to 200,000 won (about $60-70 at the time) per household in old bills for new money. “My money was all gone. I was extremely frustrated and embarrassed but couldn’t do anything in protest,” Jeon said. “I saw many people crying and heard others fled to South Korea.” The yuan has since become the most-used and preferred currency for savings in areas near the North’s border with China. The dollar has emerged as the most saved currency and the second most-used currency after the won in southern regions, according to surveys of defectors. Jeon said he used the yuan to buy clothes, rice and other daily necessities, eat out or pay bribes to bosses. Most of his savings were stored in yuan and dollar bills. He kept a small amount of North Korean won for occasions like donating money to village campaigns to support military units. Paek H.O, who defected from the northeastern North Korean town of Musan in 2018, said she used the yuan to buy expensive goods and the won for cheap items such as sodas, vegetables and bread sold at markets. About 50 professional money changers operated in Musan, she said. “Using foreign currency is officially illegal but few ran into troubles or got arrested for using it,” said Paek, 47. She asked that her first name be identified using initials, citing worries for the safety of relatives in North Korea. There are two exchange rates for the won -– an artificially high one set by the government and another set by the market that experts say more clearly reflects actual economic conditions in the country. The won had stabilized at around 8,000 per dollar since 2012-2013 but suddenly sharply strengthened in 2020 when North Korea sealed its borders to guard against COVID-19. According to North Korea monitoring groups, the won was trading on the street at about 6,700-7,000 per dollar in late 2020; 4,600-7,200 in 2021; and 5,200-7,500 in the first half of 2022. Later in 2022 it dropped back to about 8,000 won per dollar. The won’s value soared during the pandemic likely because demand for dollars and yuan fell due to the border closures and tighter controls on use of foreign currency. Such controls appear to have been enforced inconsistently though a lack of information from the secretive North makes it virtually impossible to get clear details. Jeon said his relatives in Hyesan told him in phone calls that they weren’t allowed to use foreign currency in 2021 but could last year. Paek said her sisters in Musan told her last year that they were using the yuan. Kang Mi-Jin, a defector who runs a company analyzing North Korea’s economy, said people in nearly 20 regions across North Korea voluntarily stopped using foreign currency in 2021 during a campaign against “anti-socialist elements” due to worries about possible punishment. Citing her contacts inside North Korea, Kang said the North Koreans also held onto foreign currency as a safe haven. The return of exchange rates to pre-pandemic levels likely reflects revived demand for foreign currency amid speculation North Korea might soon lift its COVID-19 restrictions. But many experts say less foreign currency is in circulation and the government is likely intervening to control exchange rates in markets. “Dollarization can’t be a long-term government policy as it’s like relinquishing sovereignty over monetary policy, though it’s still true that it helped the North’s economy stabilize and grow for the (earlier) years of Kim Jong Un’s rule,” said Lim Soo-ho, an analyst at the Institute for National Security Strategy, a think tank run by South Korea’s spy agency. He said Kim’s government is likely “very carefully” examining whether to fully reopen the borders since an abrupt, full-fledged resumption of imports would push the value of the dollar against the won sharply higher, making imported goods more expensive. Son Kwang Soo, an analyst at the Seoul-based KB Research in Seoul, said the North may be trying to keep the exchange rate in a narrow band of around 8,000 won per dollar. Defectors say an attempt to end use of dollars and yuan would likely just cause chaos. “Kim Jong Un will eventually leave ‘dollarization’ as it used to be. If he bans the use of foreign currency by ordinary citizens, the country’s monetary circulation would be disrupted,” Kang said. “My contacts in North Korea told me it’s even hard to find some North Korean bills now.”

#### Releasing sanction opens the floodgates for the North Korea won to rise up

Kim, ‘21 [(Hooyeon, News Reporter · Bloomberg News Reporter · News Intern · News Assistant · Production Associate · Staff Reporter. The Ewha Voice) “Why is North Korea’s currency surging against the US dollar?,” Aljzeera, https://www.aljazeera.com/economy/2021/10/14/why-is-north-koreas-currency-surging-against-the-us-dollar https://www.aljazeera.com/economy/2021/10/14/why-is-north-koreas-currency-surging-against-the-us-dollar, 9/21/23] TDI

North Korea is grappling with sanctions, flood damage, food shortages and a massive trade hit, yet its currency, the won, has surged 25% against the US dollar this year.In normal economies, currencies weaken in times of difficulty, but something counter-intuitive is happening in North Korea: the won is surging just as things are getting worse. Kim Jong Un’s country has been hit by the toughest sanctions in its history, massive flood damage and an unprecedented pandemic that cut off most of its trade. The economy posted its sharpest drop in more than two decades last year, while its people are facing one of the worst food shortages in more than 10 years. KEEP READING list of 4 items list 1 of 4 Slow recovery after CrowdStrike update sparks global IT outage list 2 of 4 Can salt mitigate hunger? Inside the salt flats of La Guajira, Colombia list 3 of 4 Chaos as airlines around the world hit by IT outage list 4 of 4 Is the world economic order changing? end of list But the North Korean won has jumped 25% against the dollar this year, calculated on a monthly average basis using the numbers reported by the two media organizations that track it. That follows a 15% surge in 2020. There are competing theories for why it’s happening, ranging from Kim’s pandemic border closure killing demand for foreign currencies to the isolated country instituting a crackdown on their use. Whatever the reason, most observers agree it’s no good thing. “A currency normally depreciates when a country is facing troubles, but the opposite is happening in North Korea,” said Kim Byung-yeon, a professor of economics at Seoul National University. The North may be trying to boost the won to support the economy, but continuing such attempts “could end up harming the real economy even more.” North Korea’s unofficial exchange rate, which is tracked by the two news outlets, is formed in the country’s “jangmadang,” local markets that have grown to become a large informal economy. Its official rate has been steady at around 100 won per dollar for the past decade, an artificially strong level with no use as an indicator. The unofficial rate is around 5,200 won per dollar. Running a private currency exchange is illegal in North Korea, so the two media companies, Asia Press International of Japan and Seoul-based Daily NK, use secret human networks inside the isolated country to compile their rates, according to Jiro Ishimaru, a journalist at Asia Press International, and Lee Sang Yong, editor in chief of Daily NK. They get information on trading of the currencies at the jangmadang. According to Daily NK, the rate was generally steady at about 8,000 won per dollar since early 2013, but the won started gaining last year, reaching a monthly average of 4,723 in August, the strongest since June 2012. Many observers say the coronavirus pandemic is behind the surge. Sign up for Al Jazeera Weekly Newsletter The latest news from around the world. Timely. Accurate. Fair. E-mail address Subscribe By signing up, you agree to our Privacy Policy protected by reCAPTCHA The U.S. imposed a full trade and financial embargo in 2017, on top of sanctions already in place from the United Nations, but goods still made it into North Korea, smuggled in from China. Advertisement But that all changed when North Korea shut its borders in 2020, according to Lim Soo-Ho, a senior researcher at the Institute for National Security Strategy, a government-funded think tank in Seoul. “Foreign currencies were still in demand” until then, Lim said. “As imports into the North crashed, demand for overseas currencies kept falling, too.” Imports from China, North Korea’s biggest trading partner, dropped more than 90% year on year every month from August 2020 to February this year, with declines continuing thereafter, according to the Korea International Trade Association, a trade group in Seoul. Satellite images show how once-busy bridges and roads between North Korea and China became empty after the border closure, according to Ramon Pacheco Pardo, a professor of international relations at King’s College London. The slump in imports isn’t the only reason for the surge, according to Seoul National University’s Kim. The won’s gains imply that foreign currencies have lost their allure within North Korea, too, and that suggests some kind of government crackdown on their use, he said. “Even though imports dropped, the won wouldn’t have strengthened so much if the dollar remained in demand in the local markets,” Kim said. Many retail outlets in the capital Pyongyang have stopped accepting dollars or prepaid overseas currency cards from foreigners in the country, and are instead asking them to pay in won, the Russian embassy said in a Facebook post in October last year. Financial authorities were ordering residents to report their holdings of foreign currencies and deposit them in banks, Daily NK reported this April, citing an unidentified person in North Korea familiar with the matter. Advertisement Most North Koreans keep their dollars at home and use them to trade goods, according to Kang Mijin, chief executive officer of NK Investment Development, a data services company that provides research and information on North Korean markets. That’s especially true since a massive currency reform in 2009 cut the value of their won holdings by more than 90%. “The North may have taken this period of isolation as an opportunity to restore its socialist systems,” said Seoul National University’s Kim. “And for the government to retain its control over that system, the key would be to return to the won.” North Korea may be trying to protect its people from economic hardship by strengthening the won and in turn causing deflation, Kang of NK Investment Development said. There’s even a theory that mysterious North Korean currency brokers may be accelerating the won’s gains through speculative trading. Whatever the truth is, analysts say the won’s unusual surge won’t end well. Advertisement The drop in trade and strengthening currency point to a broken economic system, the Korea Development Institute, a South Korean state-run think tank, said in a January report. North Korea may be facing its worst economic crisis since the 1990s, it said. While the currency’s gain may benefit government-backed companies and households who don’t hold dollars, the increasing volatility is negative for the country as a whole, Choi Ji-young, a research fellow at the Korea Institute for National Unification, a South Korean government-affiliated research institute, wrote in an August paper. Turbulent markets increase uncertainties and hinder resource allocation, she wrote. For “ordinary North Koreans, it’s a warning sign,” said Pardo of King’s College London. “The poorest North Koreans, who are the ones who have less access to the won, could see their standard of living deteriorate compared to those who can more freely access the currency.” Choi Eunju, a research fellow at Sejong Institute, a private research center covering unification studies and foreign policy in Seongnam, a city south of Seoul, isn’t as pessimistic. “Kim’s regime has paid more attention to public sentiment than any other government,” Choi said, noting that official remarks since the pandemic started suggest the government is trying hard to prevent this becoming a social issue. Advertisement “But if the current situation keeps going for a extended period of time, things could turn ugly,” she said.

### 1nc – link – venezuela

#### Sanctions are key to US exerting hegemonic influence and anti authoritarian stance

**CRS 2022** [(Congressional Research Service, research service that works exclusively for the US Congress, providing policy and legal analysis to committees and Members of both the House and Senate.) “Venezuela: Background and U.S. Relations,” CRS report, https://crsreports.congress.gov/product/pdf/R/R44841, December 6, 2022] TDI

Venezuela remains in a deep economic and humanitarian crisis under the authoritarian rule of Nicolás Maduro, who has consolidated power since his reelection in a 2018 presidential vote widely deemed fraudulent. Maduro, narrowly elected in 2013 after the death of Hugo Chávez (president, 1999-2013), and the United Socialist Party of Venezuela (PSUV) took de facto control of the National Assembly, the last independent branch of government, in January 2021. From 2019 through 2021, Maduro resisted U.S. and international pressure to cede power and allow a transition government led by Juan Guaidó, the National Assembly president elected in 2015 and once regarded as interim president by nearly 60 countries, to convene elections. Opposition parties, organized under a Unitary Platform since 2021 that includes Guaidó’s party as one of many, resumed negotiations with Maduro officials in November 2022 to create better conditions for presidential elections due in 2024. Despite a nascent economy recovery, Venezuela’s economy contracted by roughly 75% from 2014 through 2021, exhibiting among the world’s highest rates of hyperinflation, according to the International Monetary Fund (IMF). While hyperinflation may have technically abated, food insecurity and a collapse of health and other social services have left 7 million people in need of humanitarian assistance and led another 7.1 million Venezuelans to flee the country as of November 2022, according to U.N. agencies. U.S. Policy The U.S. government ceased recognizing Maduro as Venezuela’s legitimate president in January 2019, and the Trump Administration sought to compel him to leave office through diplomatic, economic, and legal pressure. The Biden Administration initially maintained a similar policy, although U.S. officials held direct talks with Maduro in March and June 2022 that led to a policy shift. In November 2022, the Biden Administration issued a license to allow Chevron to resume some operations in Venezuela after the Maduro government resumed negotiations with the opposition. Further sanctions relief may depend upon the results of the negotiations. From FY2017 through FY2022, the United States provided $1.94 billion in humanitarian aid to Venezuela and countries sheltering Venezuelans. U.S. democracy, development, and health support for the Venezuela crisis totaled $323 million through FY2021 (most recent year available). In July 2022, the Biden Administration announced an extension of Temporary Protected Status for Venezuelans to March 10, 2024. Congressional Action Congress has supported efforts to promote negotiations leading to a restoration of democracy in Venezuela through sanctions and other means, as well as to provide humanitarian assistance to Venezuelans as authorized by the VERDAD Act of 2019 (P.L. 116-64, Division J, Title I). In March 2022, Congress enacted the FY2022 Consolidated Appropriations Act (P.L. 117- 103), which included $40 million for democracy programs in Venezuela ($7 million more than the FY2021 allocation). The Biden Administration requested $55 million in FY2023 funds for Venezuela. The House Appropriations Committee’s reported version of the FY2023 State Department, Foreign Operations, and Related Programs appropriations bill (H.R. 8282) would provide $50 million for Venezuela programs; the Senate-introduced version, S. 4662, would provide $40 million. Oversight has focused on the Administration’s approach to sanctions and negotiations. For example, some Members of Congress have expressed support for U.S. talks with Maduro, whereas others remain opposed to those talks and have introduced legislation that would prohibit U.S. imports of Venezuelan oil. S. 688, reported by the Senate Homeland Security and Governmental Affairs Committee in March 2021, would prohibit contracting with persons who do business with the Maduro regime.

#### Sanctions are critical to American leadership and isolating Venezuela over abuses.

Smart ’18 [Christopher Smart 12-16-2018, "The Future of the Dollar—and Its Role in Financial Diplomacy", No Publication, <https://carnegieendowment.org/posts/2018/12/the-future-of-the-dollarand-its-role-in-financial-diplomacy?lang=en>] TDI

The dollar’s central role in world financial markets reflects both faith in American leadership and the absence of reasonable alternatives. Currency dominance has also been a linchpin in America’s efforts to shape a global order around free markets and democracy while serving as a foundation for the sustained growth of a more integrated global economy. These roles now face rising risks. Both Republicans and Democrats question the benefits of an open and integrated economic order that seems to drain good jobs and demand repeated bailouts of bad banks and corrupt foreign governments. Meanwhile, allies and rivals alike raise doubts about the durability of U.S. leadership and the wisdom of depending so heavily on one dominant power. Such talk hardly portends imminent financial collapse or reconfiguration of the global order. America’s military and political strength remain paramount and investors still retreat to dollars whenever risks mount—even when those risks originate in the United States itself. Nevertheless, signs of an unravelling consensus are unmistakable. They lie not in the declining percentages of U.S. currency held in sovereign reserves, but rather the weakening faith in America’s ability to hold the system together. The clues are in the early elements of financial plumbing that bypass dollar markets, international financial institutions without active U.S. participation and increasingly rudderless economic gatherings of finance ministers. The risks for the existing global order are not that another power will displace Washington on these issues, but that there will be no leadership in areas that have become increasingly important to global commerce. Worse, the response to the next financial crisis will be uncoordinated and disastrous. The U.S. midterm elections have triggered some renewed debate about America’s global agenda, yet there have been few voices to remind voters that international financial leadership benefits Americans and not just America’s banks. In fact, global dependence on access to the dollar gives Washington leverage to coordinate battles against terrorism and cybercrime, to shape rules against corruption and tax avoidance, and to protect privacy through the regulation of global data flows that will drive the next decades of economic innovation. Meanwhile, the United States must also build on summit communiques to make concrete progress in these areas with skeptical allies and rivals. For all its fits and starts, U.S. leadership continues to provide a crucial global framework for strong, sustainable and balanced growth. Yet faith in the dollar will only endure with a sense that the United States’ role has evolved from chief executive to managing partner that champions the integrity of a global financial system along with its own interests. The fundamental choice to transact, invest or save in dollars reflects a judgement that they are most useful for those purposes. These judgements are slow and cumulative, but the choices can shift surprisingly and decisively. In many ways, the dollar emerged later than it should have, but perhaps sooner than expected. The U.S. economy surpassed Britain’s in the 1870s and was a larger exporter by the First World War. Yet the dollar first gained preeminence in bond markets by 1929, only to cede leadership back to sterling with the Great Depression. The end of the Second World War left the United States paramount with victorious armed forces, an unmatched economy and a network of global interests. In the decades since then, however, the dollar has endured the end of gold convertibility, inflationary fevers, expanding trade gaps, ballooning fiscal deficits, intermittent government shutdowns, a global financial crisis and even the loss of the U.S. Triple-A bond rating. Foreign firms use dollars because their customers, suppliers and competitors do. In one survey by Harvard economics professor Gita Gopinath, now the International Monetary Fund’s (IMF) chief economist, the share of global trade invoiced in dollars is more than three times the U.S. share of global exports. Foreign governments accumulate dollars in reserves because they like to manage their own exchange rate against the world’s major trading currency. According to the IMF, the dollar still represents roughly 62 percent of all sovereign reserves, with the euro at 20 percent and the renminbi still accounting for less than 2 percent even though its share in global trade and finance is rising. Finally, investors favor dollars in part because firms and governments do, but also because the dollar markets are the deepest and most sophisticated, which makes them likely to be less expensive to tap for loans and more likely to deliver a reliable return. The economic tradeoffs for the United States are clear. Issuing the world’s reserve currency offers the prospect to literally print money everyone accepts to buy guns without giving up butter. The dollar’s dominance also allows the United States to delay or shift any costs of global adjustment to other countries. Another benefit, the United States pockets the “seigniorage” income from what are effectively no-interest loans from the foreigners who hold two-thirds of the $100 bills in circulation. Among the costs, America’s easy access to low-cost credit may contribute to a stronger exchange rate that hurts exports and makes fiscal and trade deficits larger. Washington also bears responsibility to provide dollars and safe assets in a crisis. Some of the dollar’s durability comes from the absence of viable alternatives. Europe’s common currency was a political project to bind the continent after centuries of war, although a clear aspiration of some European leaders has been to create a counterweight to dollar dominance. Yet the European financial crisis fragmented its financial markets and triggered questions about the viability of the European project itself. Postwar Japan deliberately protected the yen from an international role so that domestic capital could be directed for domestic purposes and the exchange rate could be managed. More recently, Japanese economic woes and competition from China have proscribed any real role for the yen, which remains at roughly 4.5 percent of international reserves. Chinese officials have a clear aim to expand the role of the renminbi in global trade, finance and sovereign reserves. For example, foreign governments have issued debt and central banks have established swap lines in Chinese currency. Even the likes of Germany and Chile have added it to the mix of their global reserves. Yet for now the reach of China’s currency remains restricted. Even if there is no economic crisis that interrupts more than two decades of blistering growth and reforms open the capital account and exchange rate, China’s domestic financial markets are not deep or liquid enough to absorb vast global flows. Ultimately, these require fundamental reforms in corporate governance, regulatory transparency and a system of checks and balances that a government can trust. Even the nineteenth century Rothschilds preferred lending money to constitutional monarchs, whom they considered better credit risks than unconstrained absolute monarchs. “Great powers have great currencies,” wrote the Nobel Laureate Robert Mundell, and it seems uncontroversial that global influence and global money are intertwined. Indeed, if the military strength and economic wealth of the United States underpin the dollar’s central role, America’s global influence is enhanced because its currency dominates trade, finance and sovereign reserves. In the extreme, the United States has been known to leverage its military strength on behalf of economic interests—and indeed, the dollar itself. At different times, for example, Japan, Germany and Saudi Arabia have been reminded that U.S. security guarantees warranted their financial support when the dollar came under strain. Alternatively, during the Suez Crisis, the dollar’s dominance allowed the United States to force a British military withdrawal under threat of triggering a run on sterling. Yet much of the dollar’s influence stems directly from the prestige of America’s institutions and trust in its intentions. Military and economic power support the dollar’s dominant share of trade and investment, but faith in U.S. political institutions has bolstered its role as both a reserve currency and a safe haven. In a world of imperfect choices, other countries have come to rely on the U.S. record of building rules-based financial institutions, proposing agendas for policy coordination and shaping progress toward open markets. This has been the story of the postwar Bretton Woods institutions, U.S. engagement in debt relief negotiations and the response to financial crises. Meanwhile, currency power ultimately depends on trust in the intentions of the issuer. The issuer’s interests may naturally come first, but its usage will grow if these interests are essentially aligned with shared goals of global growth and stability. The most important economic conferences of the twentieth century convened military and political allies for difficult negotiations around monetary and financial policy. How much more difficult will these discussions become with strategic rivals around the table? How eager will China or Russia be to cooperate when the G20 leaders next convene to address a global crisis? The United States put its own interests first long before the Trump administration, but it has generally interpreted this to include the construction of global financial rules and institutions that apply to all. The growing concerns among allies and rivals are the doubts of bank customers who have been told that all fees have been raised because management needs to prioritize shareholders first. The statement may be technically correct, but it’s a questionable business strategy. At a moment when other economic powers continue to emerge, these agreed rules and shared constraints become all the more important to protect U.S. interests. Amid accelerating political and technological change, they become more valuable still. The scope of financial diplomacy is tricky to distinguish from broader applications of economic power, which are often deployed in commercial channels through higher or lower trade barriers or outright embargoes. If the impact of offering or withholding commercial benefits has become diluted in an integrated world of many alternative suppliers, however, the importance of financial tools has grown. While America’s economic power rose through the twentieth century with its commanding share of global GDP, its financial leverage grew far more sharply over the last three decades. Benn Steil and Robert E. Litan wrote in Financial Statecraft: The Role of Financial Markets in American Foreign Policy that in 1970, some 90 percent of cross-border money flows were related to the trade of goods and services, while in the early 2000s some 90 percent are for investments or swaps or futures or a financial purpose unrelated to trade. Financial diplomacy begins with the coordination of macroeconomic policy, investment regimes and banking regulation, but dollar dominance has given the United States a privileged role in a broad field of negotiations including debt restructuring, battles against terrorism and transborder crime. Most notably, targeted financial sanctions have dramatically bolstered political leverage to isolate bad actors like Venezuela over human rights or Russia over transborder aggression. Washington has sometimes failed to capitalize on all these tools due to poor political leadership or bureaucratic dysfunction, but that may make its accomplishments all the more remarkable across two broad areas. First, U.S. financial diplomacy has been the dominant voice in setting the rules and institutions that reinforce the openness and stability of the global financial system, and consequently support world economic prosperity. Second, the dollar’s dominance has opened conversation on a range of matters that raise global standards and improve cooperation beyond finance. The ability to impose order on unruly global markets is, in many ways, what distinguishes the dollar from other international currencies. It is the world’s safest asset whenever political or financial turmoil spikes. In many of the same ways that the overwhelming power of the U.S. military can force order onto a conflict zone, so the U.S. Federal Reserve and Treasury have played pivotal roles in stabilizing financial markets through swap lines and loans. As with much U.S. diplomacy, these are both acts of broad generosity and narrow self-interest. As the ultimate backstop, the United States remains at the center of official conversations about the state of the global economy and the agenda for growth. Washington is still the most influential voice in key institutions that set the framework for macroeconomic cooperation and the rules of banking and finance. U.S. preferences are not automatically adopted within the IMF, the World Bank or the Financial Stability Board, but most of the fingerprints on important outcomes are still American. Finally, the United States has been at the table during key negotiations between over-indebted governments and their creditors, usually shaping offers of debt relief in exchange for more transparent markets and stronger rule of law. From the post-Soviet transition and the Asian crisis to the more recent travails of Greece, Ireland and Portugal, finance ministers from across the continent kept a sharp eye on Washington’s views even if the formal U.S. role was more limited. Remarkably, American influence has also extended beyond stability and sound macroeconomic fundamentals. The dollar’s dominance, for example, has bolstered tools to attack money laundering, transnational crime and terrorism. The impressment of banks to monitor and punish a range of real and suspected rogues stems from their desire to retain access to the dollar system. This has led to greater cooperation among governments in ad hoc investigations of drug dealers and more coordinated efforts through the Financial Action Task Force (FATF). Muscular U.S. legislation that required foreign banks to report on clients with U.S. tax liabilities was met with dismay at its extraterritorial reach and threats of stiff fines. Yet within a few years, governments and banks everywhere signed up and Europe even introduced its own version. Meanwhile, as U.S. banks have been drawn deeper into protecting client personal and financial information, the dollar’s importance has been shaping broader rules around privacy and global data flows. Just as the strength of the U.S. economy has induced other economies to discuss new labor and environmental standards during trade talks like the Trans-Pacific Partnership and even revisions to the North American Free Trade Agreement, the dollar’s paramount importance provides additional U.S. leverage to improve standards of government transparency. If U.S. financial diplomacy depends on trust that America will champion fair and cooperative rules, then it may just be the first casualty of President Donald Trump’s “America First” strategy. Still, the forces that have been weakening U.S. influence on systemic issues have been building through years of neglect. From George Washington’s warning about foreign entanglements to confusion over U.S. priorities after the Cold War, isolationist impulses have come and gone. Today, they have become intertwined with a sense of helplessness amid forces of globalization blamed for their withering impact on middle-income families. In the wake of the global financial crisis, these forces have led to much deeper skepticism about U.S. engagement in general and the merits of financial diplomacy in particular. In some ways, the shifts echo dynamics around British economic leadership after the First World War, when the cozy arrangements of central bankers to defend the gold standard were upended by a labor movement that had been empowered by its war contributions and pressed for a new approach to international financial policy. The “Occupy Wall Street” and anti-globalization movements have left significant marks on mainstream parties and traditional U.S. commitments to international organizations like the IMF, which some viewed as an outrageous diversion of taxpayer money to bankrupt governments. More recently, these forces fueled the campaigns of Trump and Senator Bernie Sanders, both of whom decried a U.S. system that seemed rigged against American workers while the global economy was rigged against America. Pressures on the dollar’s role have been rising abroad as well. For all its importance, there has been no discernible strategy to protect and burnish the currency’s reputation. Indeed, Washington gridlock over fiscal deficits or debt limits might even suggest a deliberate effort to actually undermine confidence in the dollar. Naturally, doubts about U.S. financial leadership deepened sharply during a global financial crisis that was triggered by what many saw as American carelessness that allowed worthless subprime real estate assets to infect the world’s financial system. Notwithstanding an impressive G20 response led by Washington, the U.S. commitment to a stable global system has faltered amid lengthy Congressional delays in approving reforms of the IMF that included modest power-sharing with emerging economies. America’s allies worry about the reliability of U.S. engagement to shape the global financial system, including more reforms and capital at the Bretton Woods institutions. They also chafe at the extra-territorial reach of U.S. sanctions that seem both excessive and designed to protect American commercial interests rather than reinforcing global norms. While financial sanctions against Iran may be viewed as broadly successful, they raised grave concerns in Paris when U.S. regulators assessed nearly $9 billion in fines on the bank BNP Paribas for payments to Iran based on an expansive interpretation of U.S. jurisdiction. Worries about running afoul of U.S. regulators have also led banks to “de-risk” their businesses, leaving fragile states in Africa and the Caribbean dangerously close to losing access to dollar finance altogether. Meanwhile, rivals like Russia and China denounce financial sanctions they view as U.S. power run amok, and quietly explore alternative credit card and payment arrangements that avoid the dollar altogether. With Venezuela financially sealed off by U.S. sanctions, Moscow and Beijing are the only prominent economies sending delegations to engage the Maduro government on its debt woes. Current trends, of course, suggest that other economies will grow and leave the United States with a declining share of the global economy. Challengers and scholars have argued that a world of several, more or less equal reserve currencies would be fairer and more stable. Indeed, political scientists have long debated the relative merits of a single global hegemon over a system of several competing powers. On global financial and economic matters, the United States has used the system to its own advantage, but a fundamental thrust of postwar financial diplomacy has been to create open, predictable and transparent rules. Indeed, America’s “strong dollar” policy is an act of systemic responsibility, forswearing exchange rate targeting so that others will do the same to the longer-term benefit of the system. Even the sharpest tools in the U.S. sanctions kit have been deployed so far less on behalf of parochial interests than in an international effort against crime, terrorism or territorial sovereignty. Moreover, neither historical precedents nor current scenarios suggest fewer financial crises or more prosperity during periods when several currencies vied for dominance. The tumultuous story of the interwar gold standard alone should give pause to anyone rooting for a multi-currency world. France never intended to bring the system down, but, as Jonathan Kirshner has observed in Currency and Coercion: The Political Economy of International Monetary Power, its persistent efforts to undercut the dominance of sterling contributed directly to the outcome. While it is possible under current circumstances to imagine that Europe could help stabilize markets in cooperation with the United States, it is difficult to imagine such leadership on its own given its clumsy decisionmaking process. China still has a long struggle ahead to win over the trust of its immediate neighbors, let alone its global rivals. In a system of several currencies, each of the major players is more likely to seek an edge over its economic area than to enforce rules of trade and investment that benefit everyone. A great irony of the current political landscape is that deep within the turgid prose of international financial communiques lurks a surprisingly populist agenda. The Trump administration seems unlikely to seize the chance, but presidential candidates who emerge in the near future should pay attention. If the United States is to protect its own financial tools and reinforce the stability of the global system, it must underscore the actual successes and the potential for more progress. For voters concerned about security, the work of the U.S. Treasury and its counterparts through FATF has dramatically improved cooperation against drug gangs and terrorists. For voters who chafe at a political system they view as rigged to favor the rich and powerful, the Organization for Economic Co-operation and Development, the Asia-Pacific Economic Co-operation and others have been developing mechanisms with U.S. support to crack down on tax havens and official corruption. Meanwhile, America’s engagement with the G20 and the G7 has shaped conversations on how reforms to the global financial system can help alleviate global inequality, establish better strategies to reduce excessive sovereign debts and champion financing mechanisms that address climate change. Neither America nor its currency are headed to inevitable decline. Yet a period of populist resentment over current financial structures along with shifting allocations in the global economy have triggered questions about the U.S. commitment to the postwar Bretton Woods consensus. The Trump administration’s rhetoric and protectionist measures have raised even more questions. Even a casual review of history confirms that the current system is based as much on U.S. power and luck as consensus, but its reinforcement for a more turbulent era ahead will require still more policy creativity. Disgruntled domestic interests need to be reminded of the rare political benefits the United States derives from issuing the world’s safe-haven currency. Political leaders also need to demonstrate just how international financial engagement can support a global economy that is not just strong and sustainable, but also fair and accessible to others. U.S. financial diplomacy more than most diplomatic endeavors requires trust to succeed: the trust of voters that American engagement will help address their central fears and the trust of other countries that the dollar and its institutions offer the best mechanism for managing financial stability and economic growth.

### 1nc – link – iran

#### Sanctions are supported by dollar heg & are k2 JCPOA

Zoffer, 2020 [(Joshua, Qualifications) “To End Forever War, Keep the Dollar Globally Dominant,” The New Republic, https://newrepublic.com/article/156417/end-forever-war-keep-dollar-globally-dominant, 02/03/2020] TDI

Dollar hegemony enabled the U.S. to act swiftly, effectively, and on its own terms. In addition, the dollar’s role offers a potent alternative to kinetic military action as a means of pursuing foreign policy objectives. The dollar’s broad use means access to dollar liquidity—which in turn requires access to the U.S. financial system—is essential for foreign governments and businesses. For foreign banks, especially, being cut off from dollar access is essentially a death sentence. That makes sanctions that do so a powerful tool in the international arena. In 2005, for example, the U.S. used the dollar to strike a devastating blow against North Korea without firing a single shot or even formally enacting sanctions. Using authority provided by Section 311 of the Patriot Act, the Department of the Treasury crippled Banco Delta Asia, a bank accused of facilitating illegal activity by the North Korean government, by merely threatening to cut off its access to the American financial system. Deposit outflows began within days; within weeks the bank was placed under government administration to avoid a full collapse. Pyongyang was hit hard, as other banks ceased their business with it to avoid meeting the same fate. Similarly, though the Trump administration has worked hard to undo it, the Joint Comprehensive Plan of Action with Iran to limit the development of nuclear weapons was made possible, in part, by painful dollar sanctions that brought Iran to the table. Far from being a proximate cause of military conflict, the dollar’s central global role has often been used to contain adversaries without military intervention. Still, skeptics are right to point out that the dollar’s role has indirectly funded American interventionism and that dollar sanctions have been overused, provoking the ire of American allies. But these facts suggest we should use our dollar power to forge a more progressive U.S. order, not abandon the advantage altogether. America’s exorbitant privilege need not fund warships and missiles: The same low-interest borrowing could be used to fund a new universal health care system, expand access to higher education, or pursue any number of large-scale social policy objectives, including financing global public goods that no other country or consortium of countries is prepared to fund, such as climate change mitigation. Domestically, the chief argument against the dollar’s role is that the same overvaluation that makes imports cheap also makes exports expensive, contributing to the hollowing-out of the American manufacturing sector. But again, dollar deficit-spending could be used to address this economic hazard by covering the costs of relocation, job training, or even paying salaries through a federal work program. Calling out military adventurism as a reason to abandon dollar hegemony is like saying you should lose your credit card for racking up charges on junk food. The better solution is to change your diet, not cut off your access to credit. It isn’t even clear that the U.S. could “end” the dollar’s dominance, even if it wanted to. The dollar’s use in trade and payments reflects the decisions of many global actors, including but not limited to foreign governments. Companies and financial institutions overwhelmingly choose to use dollars because of the unrivaled depth and liquidity of the dollar financial market; at present, no other currency is ready to play this role. The only way the U.S. could change this would be to dramatically contract its borrowing, which would likely cause a global recession. Adler and Bessner’s argument gets at a dilemma at the heart of international monetary politics. Since Bretton Woods, the dollar has played two roles that sometimes end up at cross-purposes: It is the domestic money for the U.S. and the international unit of account for the globalized economy. No other country has been willing to allow its currency to be used in this way (or issued a currency capable of it). But without some currency playing this role, economic globalization as we know it cannot continue. Leaders in Russia, Venezuela, and other nations have spoken with bravado about ending the petrodollar for years but are no closer to making that change a reality. Iran’s Oil Bourse has accomplished little: OPEC still prices its members’ oil in dollars. The petroyuan lacks the market liquidity to compete with the petrodollar. Notorious opacity of Chinese financial markets aside, the capitalization of U.S. equity and debt markets is more than four times that of their Chinese counterparts. De-dollarization is more rhetoric than reality, as it has been for decades. A more multipolar currency system may offer greater stability decades down the road if the U.S. share of global economic output continues to shrink, but we aren’t there yet. I recently traveled to Beijing and Tokyo to speak with finance officials on exactly this issue. All agreed that for the foreseeable future, getting off the dollar is essentially impossible. In the words of Sun Tianqi, chief accountant of China’s State Administration of Foreign Exchange, which manages China’s dollar reserves, “the role of [a] currency is mostly determined by markets, not governments. Governments cannot simply choose to end [the] dollar’s role.” The U.S. cannot end the dollar’s dominance, and it shouldn’t want to. Ending forever wars does not require renouncing an exorbitant privilege that, if used properly, could be the source of so much good.

#### Sanctions underscore the supremacy of the dollar.

Finn ’18 Tom Finn, 05-18-2018, "Factbox: Iran sanctions risk highlights dollar's hegemony in world markets", Reuters, https://www.reuters.com/article/business/factbox-iran-sanctions-risk-highlights-dollar-s-hegemony-in-world-markets-idUSKCN1II25V/ TDI

From global finance and merchandise trade to investment, the dollar's supremacy in the world economy is being underscored by the U.S. decision to reimpose sanctions on Iran and all those doing business with it. President Donald Trump this month pulled out of a nuclear accord with Iran, sparking consternation among European companies which now risk punitive U.S. measures if they continue business dealings with Tehran.. Oil firm Total, insurer Allianz and shipping company Maersk are among European names signalling an exit from Iran. European leaders are meeting in Bulgaria to try to salvage the Iran deal but many remain frank about the prospects for operating beyond the reach of U.S. law. British foreign minister Boris Johnson, for instance, said governments had to be realistic about "the electrified rail, the live wire of American extra-territoriality and how (it) can serve as a deterrent to business". The linchpin of U.S. financial might is of course the dollar, which pervades nearly all aspects of global commerce. "No company or bank is going to go deal with Iran knowing they will face U.S. sanctions," said Peter Kinsella, head of FX and debt strategy at the Commonwealth Bank of Australia. "The U.S. would cut off your dollar funding and that would be a nightmare as the U.S. has the deepest and more liquid currency," he said. The dollar has defied years of efforts by foreign governments to end their reliance on it. This is what may complicate international efforts to preserve Iranian business links. Here are four of the key ways in which the dollar is used in the global economy: CENTRAL BANK RESERVE HOLDINGS Over 60 percent of the world's $11 trillion currency reserves -- used by governments to settle international claims and intervene in foreign exchange markets -- are held in dollars. The greenback's share amounts to $6.3 trillion, the International Monetary Fund (IMF) said in March, with the euro, the next largest, totalling $1.6 trillion or 20 percent. True, the dollar's share was at a four-year low after a prolonged weak spell that bred concern about its standing as the premier reserve currency. Yet years of hype about the Chinese yuan's growing popularity among central banks has not translated into its share in global reserves amounting to much more than 1 percent, the IMF said. Dollar reserves are held largely in U.S. Treasury bonds, and while data shows foreign creditors cooling on U.S. debt, big reserve managers in Beijing, Tokyo or Seoul have few viable alternatives to the immensely large and liquid $21 trillion Treasury market. INTERNATIONAL PAYMENTS, INVOICING The dollar remains the dominant vehicle for foreign exchange transactions, being on one side of 88 percent of all trades in 2016, according to The Bank for International Settlements (BIS). Contributing to its role in foreign exchange transactions is its widespread use in the invoicing of international trade. In 2014, 51.9 percent of international trade by value and 49.4 percent of international trade by volume of transactions were invoiced in U.S. dollars, even when a U.S. counterparty was not part of the transaction, the BIS said. European Union statistics office Eurostat said over half of all goods imports were invoiced in dollars in 2016, as was 85.5 percent of petroleum and petroleum products. The euro share was 13.7 percent. As a result, BIS data shows that in 2016 the dollar comprised 90 percent of the $3 trillion-a-day market for FX swaps and forwards, derivatives used by companies to hedge currency risks. "It's very hard to escape the interaction with the U.S. financial sector,"

### 1nc – impact – laundry list

#### US sanctions are key pillar to dollar dominance; provides a breadth of advantages.

Mott, 2023 [(Filip, graduated from James Madison University in 2022 with a BA in journalism and international affairs.) “Dollar dominance is stronger because of sanctions, not weaker, says former Treasury official,” Business Insider, https://markets.businessinsider.com/news/currencies/dollar-dominance-dedollarization-russia-sanctions-central-bank-reserves-gold-yuan-2023-5,05/12/23] TDI

Arguments that US sanctions are a threat to the greenback's strength fail to account for how such measures uplift the dollar, former Treasury Department adviser Dan Katz wrote in Barron's. In fact, hesitancy to use such measures would do more to undermine faith in the dollar, he added. "In reality, US sanctions are a fundamental part of the series of tradeoffs that create a stable equilibrium of dollar use in the global economy," he wrote. "Over the long term, US sanctions are a key pillar of, not a threat to, dollar dominance." While the US has used sanctions for decades, the freezing of Russia's foreign currency reserves after its invasion of Ukraine last year has led to renewed warnings of de-dollarization. Central banks have substantially increased their purchases of gold over the past year, and US rivals like China have pushed the use of non-dollar currencies in trade deals. Even Treasury Secretary Janet Yellen acknowledged the potential downside, telling CNN in April that, "There is a risk when we use financial sanctions that are linked to the role of the dollar that over time it could undermine the hegemony of the dollar." However, Katz said the dollar's share of reserve assets has been stayed around 60% since 2008 despite a sharp increase in the use of sanctions over the last decade, with changes largely due to valuation. Meanwhile, the dollar's share of international transactions rose to 88% in 2022 from 85% in 2010, he added. Other analyses paint a different picture. Eurizon SLJ Asset Management said last month that the dollar's standing as a reserve currency eroded last year at 10 times the pace seen in the past two decades. Still, Katz said demand for dollar reserves will continue due to sanctions, not in spite of them. Although he acknowledged that using the greenback does open a country up to the risk of sanctions, a willingness to do so is a sign to investors that a nation's market is safe and unlikely to fall into bad behavior. This is especially important to developing regions that must attract foreign capital. "Sanctions strengthen the credibility of the commitment not to confiscate private investors' assets, engendering more confidence, more global capital flows, and more secure reserve status for the dollar," he wrote. Meanwhile, current-account surplus countries like China benefit greatly from dollar access, allowing them to trade with deficit countries and import Western technology. The risk of sanctions is the price paid for a breadth of advantages, Katz said.

### 1nc – impact – heg

#### De-dollarization causes power imbalance between countries and hits global economy hard.

Morgan, 2023 [(J.P, leading global financial services firm with assets of $2.6 trillion and operations worldwide) “De-dollarization: Is the US dollar losing its dominance?” J.P. Morgan, https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization,08/31/23] TDI

What would be the impact of de-dollarization? Fundamentally, de-dollarization would shift the balance of power among countries, and this could in turn reshape the global economy and markets. The impact would be most acutely felt in the U.S., where de-dollarization would likely lead to a broad depreciation and underperformance of U.S. financial assets versus the rest of the world. “For U.S. equities, outright and relative returns would be negatively impacted by divestment or reallocation away from U.S. markets and a severe loss in confidence. There would also likely be upward pressure on real yields due to the partial divestment of U.S. fixed income by investors, or the diversification or reduction of international reserve allocations,” Wise said. However, the effect of de-dollarization on U.S. growth is uncertain. While a structurally depressed dollar could raise U.S. competitiveness, it could also directly lower foreign investment in the U.S. economy. In addition, a weakening dollar could in principle create inflationary pressure in the U.S. by raising the cost of imported goods and services, though benchmark estimates suggest these effects may be relatively small. “The dollar’s transactional dominance remains top-of-class despite secular declines in U.S. trade shares. On the other hand, de-dollarization is evident in FX reserves, where the dollar’s share has declined to a record low of 58%.” Meera Chandan Co-Head of Global FX Strategy, J.P. Morgan De-dollarization in currency markets De-dollarization could reduce institutional, investor and corporate demand for the dollar over time, and in size could cause its value to fall. If there is a specific catalyst for the move, de-dollarization could also result in heightened exchange rate volatility, especially as over 60 currencies are pegged to the greenback. However, while some signs of de-dollarization are emerging in currency markets, the dollar is thus far still maintaining its dominance. “Overall dollar usage has declined, but it remains within long-run ranges and its share remains elevated compared to other currencies,” said Meera Chandan, Co-Head of the Global FX Strategy research team at J.P. Morgan. Looking at FX volumes, the dollar’s share stands at 88%, near record highs, while its share of trade invoicing, cross-border liabilities and foreign currency debt issuance has held steady over the last two decades. “The dollar’s transactional dominance remains top-of-class despite secular declines in U.S. trade shares. On the other hand, de-dollarization is evident in FX reserves, where the dollar’s share has declined to a record low of 58%,” Chandan noted. Which currencies could dethrone the greenback? “In terms of competitors, China has been attempting to internationalize the renminbi. However, the renminbi’s global footprint is still small despite growing every year, and this will be a long process requiring reform,” Chandan said. For instance, the renminbi makes up just 2.3% of SWIFT payments, versus the dollar’s share of 43% and the euro’s share of 32%. “With China’s growing centrality in global commerce, one might naturally expect the renminbi to assume a greater role in the global economy over time, but this transition would likely occur over the course of decades,” Wise added. “Relaxing capital controls, opening markets, implementing measures to promote market liquidity, bolstering the rule of law, reducing appropriation and regulatory risk, and promoting Chinese government bonds as an alternative safe asset — these could all cement China and the renminbi as a credible alternative to the U.S. and the dollar.” roles.

#### Sanctions backlash leads to de-dollarization, dollars insure sanctions effectiveness.

Norrlöf, 2023 [(Carla, expert in US economic hegemony, nonresident senior fellow at Atlantic Council, professor at University of Toronto, published author.) “Dollar dominance: Preserving the US dollar’s status as the global reserve currency,” Atlantic Council, https://www.atlanticcouncil.org/commentary/testimony/dollar-dominance-preserving-the-us-dollars-status-as-the-global-reserve-currency/, 06/08/23] TDI

Threats to dollar dominance The dollar remains dominant due to economic fundamentals and the history of using dollars, favoring future use because everyone else is using dollars. Supporting the dollar’s international role are factors such as the size of the US economy, its commercial and financial markets, the liquidity, depth, breadth and openness of US financial markets, the dollar’s convertibility, relative stability, and sound macroeconomic policies. The economic policies underpinning issuance of the primary international currency has not been flawless, but the historical record does not need to be perfect for the historical record to support the dollar’s continued use. The network effects of plugging into the dollar system due to the liquidity, depth, and breadth of the market for dollars creates an incumbency advantage, which is hard to overcome. In the absence of major economic or geopolitical upheaval, inertia disincentivizes a major switch to alternative currencies. Political factors could also impinge on the dollar’s role. For example, strong political institutions and property rights protection contribute to shoring up confidence in the US economy. Security ties to the United States are also said to have favored dollar use in the early Cold War days. US sanctions to uphold the liberal international order invite dollar support from states backing the order. On the flip side, an erosion of US political institutions, a weakening or reduced need for US security guarantees, or alternatively a sanctions backlash would likely reduce dollar support. Unless political developments within the United States or US foreign policies radically shake confidence in the United States and access to dollars, economic factors are more likely to determine the fate of the dollar system. US decline The United States’ relative economic decline has been debated for at least sixty years. In the 1960s, Organski predicted China’s inevitable rise as a systemic leader and noted India’s likely emergence as a great power. In the 1980s, Paul Kennedy famously predicted that the United States would lose the superpower competition with the Soviet Union due to military overstretch. And an emphasis on competition in the era of economic interdependence led to repeated warnings about the United States’ ability to maintain its edge over rising economic powers, notably Europe and Japan. The United States has declined relative to other great powers along various dimensions but remains the absolute strongest power across most dimensions. China’s gross domestic product (GDP) is nearly eighty percent of US GDP, and its goods imports are roughly equivalent to US goods imports. However, China’s financial markets are nowhere near the size or sophistication of US financial markets and China’s yuan accounts for less than three percent of foreign exchange reserves. The euro area is a closer competitor to the dollar. Euro area GDP is approximately sixty percent of US GDP, goods imports account for some ninety percent of US goods imports, and euro area financial markets are both advanced and large. The euro is the second strongest reserve currency, accounting for approximately twenty percent of foreign exchange reserves compared to the dollar’s sixty percent share. US domestic economic policies While the dollar enjoys an extraordinary lead over other international currencies, it is not invincible. Poor domestic policies could shake confidence in the dollar. Structurally, the United States’ liquidity-creating role—providing dollar assets to the rest of the world—and the ability to invest in the United States can interact unfavorably with low savings in the United States, resulting in large deficits, rising public and/or private debt. Unlike the euro-zone, however, the United States does not face the prospect of involuntary sovereign default because the dollar is a convertible sovereign currency. The recent specter of US default, a possibility which arises periodically, is entirely voluntary and due to a self-imposed debt ceiling. In the United States, the upper bound of the debt limit is rather determined by foreigners’ willingness to hold dollars, at worst resulting in inflation and depreciation. Although the United States cannot be forced to default, such an adjustment process may not be benign. Geopolitical challenges There have been few deliberate attempts to unseat the dollar as the first international currency. In the early twenty-first century, Iraq and Iran discussed switching oil pricing from dollars to euros with a view to reducing dependence on the dollar system, a response to US sanctions and interventions in the Middle East. More recently, an anti-dollar counter-coalition centered around the BRICS countries has emerged. The inclusion of China and Russia, and large emerging economies, presents a more potent challenge to dollar dominance than in the past. If sanctions, or some other development, leaves other countries dissatisfied, the counter-coalition could grow and pose a more acute defiance against the dollar system. Rising US public debt, high inflation, and other key developments are unfolding in a strategic setting reminiscent of the Cold War environment. The most striking parallel is the return of great-power rivalries and policymakers’ preoccupation with security concerns, which are taking precedence over economic efficiency. Fears about economic decoupling, deglobalization, and fragmentation abound. On the monetary front, the worry is that countries anticipating US sanctions will move preemptively to reduce their dependence on the dollar. China and Russia have been especially energetic in pushing alternative currencies and building a multinational financial infrastructure for trade and investment in renminbi and rubles. For example, China’s Cross-Border Interbank Payment System (CIPS) acts as a clearing house similar to the US Clearing House Interbank Payments System (CHIPS). CIPS processes a mere fifteen thousand transactions per day, amounting to the dollar equivalent of fifty billion, whereas CHIPS processes twenty-five thousand transactions per day, with a value exceeding $1.5 trillion. The CIPS initiative has nonetheless laid the groundwork to clear and settle more cross-border exchange in renminbi. When China launches a financial messaging system capable of working independently from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), it will have its own complete, autonomous architecture for settling cross-border transactions denominated in its own currency For its part, Russia has already taken steps to bypass SWIFT, creating its System for Transfer of Financial Messages (SPFS) after its illegal annexation of Crimea in 2014. Russia’s central bank claims that demand for SPFS has increased significantly since last year’s full-scale invasion of Ukraine. At the time, however, the system had only around four hundred users. Still, owing to new payments infrastructure and various bilateral agreements, pursuing trade and investment in non-Western currencies has become somewhat easier. Russia and China have agreed to trade in renminbi; and, reviving the Cold War-era rupee-ruble mechanism, Russia and India were planning to trade in their own currencies following Russia’s invasion of Ukraine. However, that effort was recently discontinued, with both countries settling on using the United Arab Emirates’ dirham instead. All told, such use of alternative currencies by third countries remains small. While the renminbi is being used to settle a Russian investment in a nuclear-power plant in Bangladesh, other examples are scarce. Governments are also making plans to move away from pricing oil in dollars, although the significance of this development is easily overstated. Oil may be one of the world’s leading export products, but it ultimately accounts for a small share of global trade. More broadly, because international currencies are, by definition, used by third countries, adopting a trade or investment partner’s currency will not necessarily raise that currency’s international role, even if it does reduce the greenback’s relative role in cases where those transactions were previously denominated in dollars. Those predicting the end of dollar hegemony also point to China’s own use of bilateral swap lines to allow foreign central banks to acquire renminbi in exchange for their own currency. Making renminbi available to foreign governments is a prerequisite for its use by public and private actors, and the ability to act as lender of last resort in times of crisis is a key reserve-currency function. China has also been maneuvering to expand its institutional footprint, such as by introducing an emergency renminbi liquidity arrangement under the auspices of the Bank for International Settlements (BIS). Similarly, the basket of currencies underpinning the International Monetary Fund’s special drawing rights (SDR, the IMF’s reserve asset), now includes the renminbi, alongside the dollar, yen, euro, and pound sterling. And the BRICS (Brazil, Russia, India, China, and South Africa) have also discussed ways to push back against dollar hegemony, such as by issuing a joint reserve currency to bypass the dollar and other major Western currencies (as well as offering an alternative to SDR). Finally, one of the most eagerly anticipated technological developments in this area is China’s creation of digital payment alternatives. China’s central bank introduced a digital currency, the e-CNY, in 2016 and offered this payment option to participants at the 2022 Olympics in Beijing. When fully implemented, the e-CNY will function independently of other payment and financial-messaging systems. By offering cheaper, faster, and safer transactions, a Chinese digital currency could make the renminbi more attractive and therefore more widely accessible and liquid. Promoting the e-CNY for trade and investment could accelerate renminbi internationalization. But underlying trade and investment patterns must change before the global currency hierarchy does. Here, the China-centered Regional Comprehensive Economic Partnership, as well as China’s Belt and Road Initiative, could help internationalize the renminbi by multiplying economic interactions and encouraging renminbi use in third-country trade and investment. Still, in the medium term, renminbi internationalization is likely to encounter substantial hurdles, owing to China’s maintenance of capital controls and broader balance-of-payments constraints. Why sanctions are an unlikely tipping point for dollar dominance Following Russia’s invasion of Ukraine, geopolitical blowback is widely seen as threatening dollar dominance. To fully grasp what today’s turbulence means for the dollar system, we must however move beyond the motivations of countries targeted by sanctions. Many countries benefit from US currency coercion because they share the core principles behind US sanctions. Countries supporting sanctions on Russia have strong geopolitical incentives to continue holding and using dollars for international reserve and payment purposes. Supporting the dollar reinforces the constraining impact of the sanctions and helps ensure their future effectiveness. The economic incentives these governments previously had to diversify away from traditional currencies, particularly the US dollar must now be weighed against their geopolitical incentives to hold dollars. Together, the coalition arrayed against Russia accounts for more than ninety percent of global currency reserves, approximately eighty percent of global investment, and sixty percent of world trade and world economic output. Overcoming that dominance would be difficult even if every country that has declined to sanction Russia fell in line behind an organized anti-dollar coalition. Moreover, countries not participating in sanctions against Russia do not necessarily disagree with the goals behind them: ending the war in Ukraine and deterring future territorial aggression. The coalition behind the sanctions against Russia is broad, wealthy, and militarily powerful, and its objective of ending Russia’s barbarous war is widely shared, even by those not participating in the sanctions. Geopolitically induced dollar support is rather likely to stabilize dollar holdings. Having noted the relationship between sanctions and dollar dominance a decade ago, I am not suggesting there is no possible scenario in which sanctions threaten dollar hegemony, simply that the Russia sanctions are highly unlikely to represent such a tipping point. Sanctions should be designed to prevent the unipolar currency order from further eroding. For example, by building broad sanctions coalitions in which participation is strictly voluntary and without forcing countries to choose sides. Sanctions can be costly for third parties. Whenever possible, steps should be taken to alleviate unintended consequences. In addition, sanctions should be reserved for clear-cut cases in which the international order is under threat, as in Ukraine, and should not be used for parochial purposes, as when sanctions were reinstated against Iran in 2018, even though Iran had not broken the terms of the nuclear deal, or when the Trump administration imposed overly harsh sanctions on Cuba. Imposing sanctions to pursue narrow US interests raises legitimate fears among countries that they could be targeted next, motivating them to find alternatives to the dollar. Using sanctions to preserve the central elements of the liberal international order is a goal many countries can subscribe to, or at least tolerate, leaving the dollar as their continued currency of choice.

#### The dollar is the weapon of all future wars.

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Two days after a U.S. drone assassinated Iranian Maj. Gen. Qassem Soleimani outside the Baghdad International Airport, the Iraqi parliament approved a nonbinding resolution to expel the American military from its country. It was not Iraq’s first effort at eviction: Several times in the past few years, the Baghdad government has requested that U.S. forces leave. The State Department, though, refused to accept the parliament’s decision, and President Trump threatened to sanction Iraq over the vote. “We have a very extraordinarily expensive air base that’s there,” Trump told reporters on Air Force One, traveling back to Washington from his Mar-a-Lago estate. “It cost billions of dollars to build. We’re not leaving unless they pay us back for it.”

This was a Trumpian tack, to be sure, but also a consummately American one. To keep Iraq amenable to a U.S. presence, the State Department turned to the United States’ “dollar power”—its vast control over the supply and distribution of the dollar, the global reserve currency—and threatened to cut off Iraq’s access to its Federal Reserve account, which would effectively ~~paralyze~~ [freeze] the government’s ability to provide basic services. Faced with this threat, which according to one Baghdad official “would mean collapse for Iraq,” Iraqis have backed away from their call to banish U.S. troops. The American military looks set to remain in the country indefinitely.

Ending the U.S.’s “endless wars” has become common sense within the Democratic Party. From activists on the street to presidential candidates on the debate stage, a new consensus has emerged that the nation must shrink its military budget and restrain the executive branch’s power to launch unwinnable foreign conflicts. In an essay for The Atlantic on Monday, in which she promised to seek congressional authorization for the use force if she becomes president, Senator Elizabeth Warren wrote that “having a strong military means using it with the utmost responsibility,” adding that “we must reassess our global posture to ensure that U.S. forces are engaged in realistic missions, and that the risks and costs of military deployments must be appropriately limited.”

But in its laser focus on military restraint, the present debate about endless war largely overlooks the financial architecture of U.S. empire. As the Iraq case illustrates, the dollar is a linchpin of U.S. military dominance, motivating and enabling its expansion around the world. To curb America’s imperial adventurism—and the president’s personal ability to engage in it unilaterally—it is essential not only to draw down the nation’s enormous global military presence but to reduce the dollar’s centrality to international trade and finance.

The United States has a long tradition of leveraging its economic power to advance its foreign policy agenda. In the early twentieth century, U.S.-imposed “dollar diplomacy” traded Latin American sovereignty for American capital and control over local customs houses. President William Howard Taft, who initiated dollar diplomacy, claimed that his strategy “substitut[ed] dollars for bullets.” According to Taft, this substitution would both advance American interests and reduce violent conflict the world over.

In actuality, dollars and bullets proved complementary: The supremacy of the dollar sustained America’s imperial adventures, while the military was often deployed to protect dollar supremacy. When Nicaragua’s Liberal Party threatened U.S. control over that country’s economy, Taft dispatched 2,500 Marines to ensure that American banks continued to service Nicaraguan debt. In the decades since, the connections between dollars and imperialism have only grown tighter. As historian Stuart Schrader has persuasively argued, the “empire of bases” that the U.S. constructed after World War II “exists to protect the dollar’s exorbitant privilege.”

In the military conflicts of the new millennium, the question of the dollar’s “exorbitant privilege” is never far from view. In October 2000, Saddam Hussein moved to switch Iraq’s oil trade from the dollar, which he termed the currency of the “enemy state,” to the euro. But the U.S. invasion of 2003 set the country’s oil industry safely back into dollar denomination, and soon after the invasion, U.S. decision-makers created a Federal Reserve account for Iraq—the very same account Trump now threatens. (“We’re an oil-producing country,” one Iraqi official remarked after Trump made his ultimatum. “Those accounts are in dollars. Cutting off access means totally turning off the tap.”)

The U.S. relationship to Iran is similarly laced with monetary tension. Back in 2007, Iranian President Mahmoud Ahmadinejad called on OPEC to pursue a “credible and good currency to take over the U.S. dollar’s role” and went so far as to establish the Iranian Oil Bourse to allow for resource exchanges in nondollar denominations. In this way, Iran challenged the dollar as a key source of U.S. power. As Ahmadinejad’s OPEC ally, Venezuelan President Hugo Chávez, said in 2007, “The fall of the dollar is not the fall of the dollar—it’s the fall of the American empire.”

#### The dollar as the hegemonic currency is the foundation of U.S power.

Palley ’22 Thomas Palley, 08-2022 “Theorizing dollar hegemony, Part 1 - The Political Economic Foundations of Exorbitant Privilege”,POST-KEYNESIAN ECONOMICS SOCIETY, https://www.postkeynesian.net/downloads/working-papers/PKWP2220\_v2.pdf, TDI \*\*charts omitted

The dollar constitutes the world’s hegemonic currency. That standing increases US power and yields significant economic benefits, which former French Finance Minister Valéry Giscard d’Estaing referred to in the 1960s as “exorbitant privilege”.1 This paper revisits the theory of dollar hegemony and examines the past and present of dollar hegemony. To the extent currency hegemony is even addressed in mainstream economics, the theoretical approach can be described as “functionalist” with the hegemonic currency being largely explained in terms of delivering better on the functions of money. The paper seeks to expand that frame by adding a “structuralist” dimension whereby currency hegemony is explained as the product of political economic structure. That approach joins economics with the political science sub-discipline of International Political Economy (IPE) which has long emphasized the significance of structural factors. The principal novel analytical contributions of the paper are fourfold. First, the paper provides a simple political economic framework showing how political and economic power interact to support dollar hegemony, and how dollar hegemony feeds back to support political and economic power. A political economic frame emphasizes the role of state power. It contrasts with economists’ thinking which looks to explain dollar hegemony as a market equilibrium outcome produced by agents’ competitive pursuit of their self-interest. The economist’s market equilibrium narrative suppresses politics and state power. It is both always right and always misleading. It is always right in that in the moment market forces determine private sector behaviors and asset demands. It is misleading because private sector behaviors and choices take place within an economic structure established by state power and states also have their own demands for FX reserves. The political is therefore intrinsic to understanding economic outcomes generated by the international monetary system (IMS), as emphasized by IPE. Second, the paper re-examines the history of dollar hegemony and shows how it has had 1Cited in Eichengreen (2011, p.4). 2 a changing operational basis. The phenomenon of dollar hegemony has endured for seventy-five years, but its operational basis has changed. Power (in its various forms) is always the foundation of currency hegemony, but the way that currency hegemony operates varies with economic structure. the economic functioning of dollar hegemony in 2022 is very different from the economic functioning of dollar hegemony in the 1952. Recognizing that role of structure surfaces new theoretical explanations of how dollar hegemony operates. Third, the paper emphasizes the relational role of hegemony. Hegemonic standing is a relational construct. The implication is dollar hegemony is not made by just the US. Other countries contribute to it by policy choices and policy failures. It is easy to overlook that contribution by focusing excessively on US power. Dollar hegemony prevails in part because of choices foisted on the global economy by the US which is the system hegemon, but it also prevails because of choices made by other participants. Fourth, the paper introduces a new characterization of currency hierarchy in terms of an inverted cone. The cone contrasts with the existing currency pyramid representation. It shows how currency hegemony is associated with size and quality of asset markets, which is captured by the cone’s three dimensionality. The structure of the balance of the paper is as follows. Section 2 provides some descriptive data on dollar hegemony. Section 3 introduces the concept of the currency cone and elaborates a political economic model of dollar hegemony. Section 4 discusses some analytical implications of the model. Section 5 explores the role of market forces in manifesting dollar hegemony. Section 6 applies the theoretical model to analyze the history of dollar hegemony. Section 7 further excavates why foreign interests have 3 embraced the dollar. Section 8 concludes the paper. 2. Some data on dollar hegemony By way of beginning, this section presents some data supportive of the notion of dollar hegemony. Table 1 provides a range of financial indicators for the period 2000 - 2020. Row 1 shows the US share of global GDP which provides a benchmark for assessing the relative extent of dollar hegemony. There is a declining trend through to 2010, but the share has been flat since then. Row 2 shows the dollar share of country foreign exchange reserves, which is the classic metric of dollar hegemony. There is a declining trend, which is suggestive of diminishing dollar hegemony. Row 3 shows the ratio of the dollar FX reserve share relative to the US share of world GDP. The ratio far exceeds one (by over a factor of two) which would be the measure if the US share was equal to its share of world GDP. Furthermore, the ratio is flat, so that dollar hegemony is unchanged according to that metric. Rows 4 – 7 show the extent of dollar dominance in cross-border banking. The dollar share of cross-border banking claims and liabilities has increased slightly, as has the ratio relative to GDP share. That points to increased dollar hegemony in cross-border banking activity. Lastly, rows 8 and 9 show dollar hegemony in foreign currency debt issuance. Row 8 shows a decline in the dollar share, but row 9 shows the debt issuance share has increased relative to the US share of global GDP. Table 2 shows the extent of dollar dominance in over-the-counter currency transactions. The dollar share of such transactions has remained stable, but it has increased relative to the US share of global GDP. Table 3 shows the share of US dollar banknotes held by foreigners which has increased steadily. This metric is indicative of the dollar’s merits as a classic medium of exchange and store of value. It is also positively impacted by the size of the black economy outside the US, and negatively impacted by the decline in use of cash within the US. Table 3 shows an increase in the foreign share of dollar bank note holdings, showing that dollar notes continue to have standing with foreigners as a medium of exchange and store of value. Lastly, Table 4 shows the average annual use of the dollar for export invoicing over the period 1999-2019 in four regions of the globe. No trend can be determined as this is an average annual statistic. However, the dollar is totally dominant in all regions except Europe. The dominance is also huge relative to the US share of global GDP which averaged approximately 26 percent over the period. Thus, in all regions except Europe, the dollar export invoicing was close to three times the US share of global GDP. In sum, the evidence shows dollar hegemony is alive and well, measured by multiple different metrics. The only metric showing meaningful decline is the dollar’s share of FX reserves, and even there the share has held up when measured relative to the US share of global GDP. 3. A political economic model of dollar hegemony The next step is a theoretical model for understanding dollar hegemony. The model is termed a political economic model because political considerations and interests are inextricably present. That contrasts with the standard economic perspective which neglects those factors and focuses exclusively on market forces. The model is presented in Figure 1 and consists of four blocks: dollar hegemony, US economic power, US military power, and US international political power. The blocks echo Strange’s (1989) seminal construction of power in terms of productive power, military power, knowledge power, and financial power which provided the foundation for her conception of the US as a transnational empire. 7 The four blocks are characterized by bi-directional interaction, with all affecting each other. Moreover, every interaction is characterized by positive feedback as represented by the plus signs, which generates a reinforcing feedback loop. An increase in the scale of the components of US power increases the extent of dollar hegemony and vice-versa.2 3.1 Dollar hegemony US international political power Dollar hegemony refers to the US being the world’s dominant financial force, and it produces the pattern of empirical outcomes shown in Section 2. The dollar dominates central bank holdings of foreign exchange reserves, dominates international banking and international debt markets, dominates international trade invoicing, and is widely held as cash by foreigners. In extreme cases it may even entirely displace other currencies in their own home country, an outcome referred to as “dollarization”. Dollar hegemony is essentially a relational phenomenon that can be represented in terms of a currency hierarchy. Cohen (1998, p.116 – 118) describes that hierarchy as a “currency pyramid” which he identifies as having seven layers. Working from top to bottom, the layers are top currency, patrician currency, elite currency, plebeian currency, permeated currency, quasicurrency, and pseudo-currency. Figure 2 presents a simpler more mundane pyramid consisting of hegemonic currency, major strong currency, minor strong currency, weak currency, and junk currency. The hegemonic currency is the equivalent of Cohen’s top currency; the major strong currency corresponds to the patrician and elite currencies; the minor strong currency corresponds to the plebeian currency; the weak currency corresponds to the permeated currency; and the junk currency corresponds to the quasi-currency and pseudo currency. From a functional perspective, major strong currencies play a role in the international economy and may be held as FX reserves by central banks. Examples are the Euro and Japanese Yen. Minor strong currencies perform all the standard functions of money (unit of account, medium of exchange, store of value) in the domestic economy but have no international role. An example is the Swedish krone. The Chinese Renminbi is a minor strong currency that is transitioning to major strong currency status. The Mexican peso is a minor strong currency that was a weak currency two decades ago, but it lives permanently in the threatening shadow of the dollar owing to Mexico’s proximity to and economic dependence on the US. Weak currencies have lost some of their ability to deliver on the functions of money, with the store of value function being the one that tends to go first. Thus, a currency may initially lose its ability to be a store of value, but it is still used on a daily-basis and serves as a medium of exchange. It may also cease to be used in certain types of asset-related transactions. The Argentine peso exemplifies a weak currency. High inflation undercuts its store of value function, and it is not used in real estate purchases which are conducted using dollars. Junk currencies are those in which the currency has substantially lost its capacity to deliver on the functions of money. They remain legal tender, but another currency (e.g., the dollar) circulates widely in parallel. Parallel prices are quoted in dollars and dollars are commonly used as the medium of exchange. Of course, the currency hierarchy is a continuum so there may be judgement calls at the borders regarding which category a currency fits in. Currencies may also change categories as economic conditions and beliefs (i.e., credibility) about the currency change. Thus, a 10 currency’s standing is endogenous. 3.1.2 A currency cone rather than a currency pyramid? Currency hierarchy ordering is influenced by the forces of currency competition. Cohen (1998, p.109-113) identifies those forces as currency internationalization (CI) and currency substitution (CS). The former promotes the use of a currency in the international economic sphere, while the latter has a foreign currency supplanting domestic currency. Those forces emphasize the relative ability of currencies to perform the classic functions of medium of exchange and store of value. The argument developed in this paper is that contemporary dollar hegemony represents a form of systemic financial domination. Economic agents look to hold assets denominated in dollars, and not just use and hold dollars as money. They are drawn to dollar denominated assets owing to the US having deep liquid financial markets that offer an extensive asset menu. Those markets are part of a larger economic system which is structured to favor financial interests, and that economic system is advantaged and privileged by the network of power described in Figure 1. A systems perspective suggests an alternative representation of currency hierarchy in terms of an inverted cone, as shown in Figure 3. The base end of the cone is at the top and the point is at the bottom. The categories remain the same: hegemonic currency, major strong currency, minor strong currency, weak currency, and junk currency. The area of each segment represents the depth, liquidity, and array of assets available in each currency denomination. Thus, at the top comes the dollar which dominates asset and liability denomination in global financial markets. At the bottom come junk currencies whose asset market representation is negligible, both in volume and quality The cone representation captures the economic logic of currency substitution and currency internationalization. The hegemonic currency is advantaged by the quality of its financial markets measured in terms of market size, market liquidity, and the asset menu. Networking effects lower transaction costs, there are economies scale from spreading fixed costs over larger volumes, and the portfolio possibility span is larger. The structural financial advantage of the hegemonic currency can be thought of in terms of the ratio of cone slice surface areas. Junk and weak currencies are relatively more structurally disadvantaged against the hegemonic currency than are major and minor strong currencies, which is symbolized by their smaller cone slices. The three-dimensionality of the cone is suggestive of the multi-dimensionality of dollar hegemony, directing attention to the systemic aspect. Anticipating the rest of the paper, it is essential to realize the US financial system is embedded in an economy that favors financial interests and the economy is advantaged by the underlying power of the US. Those deeper 12 structural features work to further advantage the US financial system and can be considered the true foundation of dollar hegemony. 3.2 Economic power Economic power rests on a vector of factors including the size of a country’s economy, the country’s productivity and state of technological advance, its engagement in international trade and foreign direct investment, its accumulated net wealth, and the standing of its financial markets. That standing rests on the size of financial markets, their liquidity, the array of available assets, and the quality of governance. Moreover, everything is relative to the economic factors characterizing rivals. That relativity is intrinsic to the issue of power, about which more below. It is the vector of factors that matters. Economic power is associated with size, but size alone does not make a hegemon, which is why the renminbi is not hegemonic despite China being the world’s largest economy. Likewise, economic productivity matters but high productivity alone does not make a hegemon, which is why the Swiss franc is not hegemonic. Nor are size and productivity sufficient. In the inter-way years (1919-1939) the US was the world’s largest and most productive economy and had a high level of productivity and technological advance, yet the dollar was not hegemonic. At that time, the US still lacked the appetite for hegemony and sufficient engagement with the international economy. The lack of appetite reflected US international political withdrawal owing to the triumph of Republican foreign policy isolationism following the experience of World War I. Lack of international economic engagement reflected the continental size of the US which meant its economy could prosper without foreign economic engagement. There were plenty of internal investment opportunities as capital 13 was still scarce, a plentiful supply of natural resources and primary products reduced need for supply from international sources, and the domestic market was sufficiently large to support the economies of scale required by modern industry. After World War II, all the pieces for dollar hegemony were in place. The US was the global economic hegemon, it was politically ready to step up for a hegemonic role, and an opening (almost a vacuum) had been created by the bankrupting of the UK and the disintegration of the British Empire caused by the two World Wars. 3.3 Military power The third block is military power which refers to the size and capability of a country’s armed forces. Here, one might distinguish between “defensive” and “offensive” military capability. Offensive capability would seem the critical characteristic, being needed to project military force outside the hegemon’s country in the service of the hegemon’s interests. In the pre-1914 era of sterling hegemony, Britannia “ruled the waves” and it was the era of gunboat diplomacy. Since 1945 the US has been the unchallenged Western military hegemon, and since the end of the Cold War in 1990 it has been the unchallenged global military hegemon. China’s military has only local defensive capability. A debated issue is whether China aspires to have global offensive military capability. 3.4 International political power The fourth block is international political power which can be identified with diplomatic and “soft” power. It too consists of a vector of factors that includes economic, political, and military alliances; cultural leadership which includes global standing of a country’s institutions of higher education; and multi-national business relationships that serve to link and ally countries. The US is the undisputed international political hegemon, having been the leader of the 14 liberal international order since its establishment after World War II. It has leadership in all the institutions of the liberal order. Those include the North Atlantic Treaty Organization (NATO) military alliance, the United Nations (UN) system; the multi-lateral financial institutions (MFIs) which include the International Monetary Fund (IMF), World Bank, and the Inter-American Development Bank; and the Organization for Economic Cooperation and Development (OECD). The US leads the global trading system, being the hegemonic voice in the World Trade Organization (WTO), and it was the hegemonic voice in the General Agreement on Tariffs and Trade (GATT) system before that. It is the lead country in the Bank for International Settlements (BIS), the leader of the Organization of American States (OAS), and it has other bilateral and multilateral defense and economic cooperation agreements with multiple countries that are too numerous to list. The US higher education system is regarded as the best in the world, drawing students from around the world. Most of those students return to their countries to exercise power and influence, inculcated with US thinking and points of view. Multinational corporations (MNCs) are also a powerful source of international political power, with MNCs having influence in foreign countries and employing millions of foreign workers and executives. Those corporations have linkages into both foreign governments and the US government, with government affairs departments and trade associations being connected to the US government at the highest level. Just as MNCs can access the US government, the US government can access them. That source of soft power is symbolized by President Fox of Mexico (2000-2006) who was President of Coca-Cola 15 Mexico at one stage in his career.3 3.5 Linkages between US economic power, military power, and international political power. The outer linkages in Figure 1 are well established and accepted, but for purposes of analytical completeness they are briefly recapitulated below. US economic power positively impacts US military power, with a large technologically advanced economy capable of supporting a large technologically sophisticated military. Economic power provides the US with the resources to ring the globe with military bases and deployments, and the US spends more on defense (as of 2021) than the combined defense budgets of the next nine biggest spending countries according to the Stockholm International Peace Research institute (Siddique, 2022). Data on US military deployments and spending are provided in Figures 4 and 5. <<CHARTS OMITTED>> Likewise, the US’s large and sophisticated military has positive impacts on the economy. Cypher (1987) argues the US military has played a role as a form of surrogate industrial policy, helping the private sector develop and commercialize new technologies. Mazzucato (2015) 17 details many of the technologies produced by that military-industrial policy.4 US economic power also positively impacts US international political power. First, it provides the resources to support US soft power initiatives. That includes directly financing foreign aid, educational and cultural initiatives, and diplomatic service-related initiatives. It also includes financing and justifying the dominant US presence in the IMF, World Bank, IDB, and other multilateral financial institutions. Second, the opportunities within the US economy provide an incentive for foreign countries to ally and do business with the US, with countries wanting trade and investment access to the US market. Conversely, US international political power is good for US economic power. Thus, domination of the institutions of global governance enables the US to work them to the benefit of the US economy. Schwartz (2019) argues that has been particularly so with the new rules of global trade established under the WTO regime which have expanded intellectual property right (IPR) protections to the benefit of corporate profitability, with the US benefitting the most as it is the global leader in IP production (Soskice, 2022). Similarly, soft power connections are a form of indirect investment in the US. US institutions of higher education attract foreign talent. Scientists and high-tech engineers often remain and add to US human capital. Meanwhile, economists and MBAs are inculcated with a US-friendly intellectual perspective and return home to become business and policy leaders. Business opportunities are significantly relational so that the relationships formed generate economically beneficial opportunities. Such relationships are also fostered by diplomatic service activity and by the MNC - US government - foreign government network. Lastly, there is a positive feedback loop between military power and international political power. Cypher (2016) examines how US military power enhances US diplomatic clout. Countries may seek protection under the US military umbrella, and the presence of US military bases may even send a subtle message of threat if countries do not conform. The line between occupying force and ally can be thin. Those influences show up in extensive alliances consisting of acquiescent allies. The size of the US military means it has preeminence within NATO, thereby creating a huge network of relationships between national militaries, defense contractors, and politicians. There is a revolving door between all three components of that network which further reinforces the network. The impacts of the network also ricochet back into the economy as the military - international political power network may then generate large orders for weaponry produced by the US aerospace and defense sector, which is a critical dynamic sector of the US economy. 3.6 Linkages between dollar hegemony and the components of US power The political economic approach to dollar hegemony has been developed in the political science sub-discipline of IPE. That IPE literature is crisply engaged in a symposium in International Studies Perspectives (Norrlof and Poast, Eds., 2020, p.109-153). The model described in Figure 1 can be used to frame and organize that literature. The inner linkages within Figure 1 are the core. They show how US power augments dollar hegemony and dollar hegemony augments US power. 3.6.1 Economic power and dollar hegemony The most obvious linkage is the impact of dollar hegemony on economic power. That impact is captured by Giscard d’Estaing’s comment in the 1960s about the US enjoying an “exorbitant 19 privilege” owing to dollar hegemony generating asymmetric operation of the financial system. The notion of exorbitant privilege captures the idea that the US gets to enjoy the benefits of the international economy without sacrificing domestic macroeconomic policy capability. The US is substantially freed of an external balance of payments constraint, unlike other countries whose macroeconomic policy possibilities collide with the external constraint. That exorbitant privilege has only grown with the suspension of the Bretton Woods system in 1971 (about which more below). There are multiple economic benefits from dollar hegemony. The most commented on is seignorage resulting from the fact dollars are near costless to issue but foreigners must give over real resources to acquire them. As of 2020, foreigners held approximately 950 billion in dollar notes, which is a very nice gift. However, even larger benefits come from other financial stocks. In 2020 the dollar constituted 58.9 percent of foreign country FX reserves, 33.8 percent of marketable US Treasury debt was held by foreigners, and 60.8 percent of international foreign currency banking claims and liabilities were dollar denominated.5 Those financial stocks have a magnitude in trillions. On some (e.g., Treasury debt) the US must pay interest, albeit at a favorable rate for reasons discussed below. However, US banks receive interest on banking claims that they generate, and the resource cost of such claims is essentially zero in a world of endogenous fiat money. That constitutes a significant perpetual “golden crumb” which the US enjoys by having the dollar be the money of the international economy. Those benefits are behind Desai and Hudson’s (2021) construct of the US as a “creditocracy”. On top of the direct seignorage benefit, the US receives major financial market and 5Source: Federal Reserve Board, The International Role of the U.S. dollar, Accessible Data, October 6, 2021. 20 economic policy benefits. Being the dominant currency and having the world’s dominant financial markets, increases the attractiveness of US financial assets. That attractiveness is enhanced by the dollar having “safe haven” status. First, since the US has more macroeconomic policy space owing to its exorbitant privilege, it is better able to stabilize the macroeconomy against shocks. Second, loans to the US are dollar denominated (i.e., the US borrows in its own currency) which means there is no risk of default as the Federal Reserve can issue dollars to repay those debts. Third, the lion’s share of international lending is dollar denominated as shown in Table 1. US banks have access to the financial back stop of the Federal Reserve which can support them in the event of a financial crisis, thereby inoculating the US against financial crisis risk. The same is not true for foreign banks that make dollar denominated loans, which means foreign financial systems are more at risk.6 Fourth, dollar hegemony confers a privileged standing on dollar denominated assets. That standing increases demand for US financial assets, which lowers interest rates and increases US asset prices and wealth. That is good for aggregate demand and growth. US MNCs also have access to cheaper credit and can use their higher valued equity capital to buy foreign assets, effectively on the cheap. Hausmann and Sturzeneger (2005) invoke the playful notion of “dark matter” to explain the superior US return on FDI compared to other countries, but it may just be a product of dollar hegemony and the cost of capital/rate of return profile it creates. US corporate purchases of foreign assets results in a change of ownership which dollarizes 6That risk effect was evident in the 2008 financial crisis when the Federal reserve initiated emergency currency swap arrangements with major currency central banks as a way of channeling dollar liquidity to those banks which they could then lend to their commercial banks. Those provisions continue in the form of now de facto permanent currency swap arrangements. 21 those assets, causing an upward revaluation. The reverse holds for foreign purchases of US assets, which results in dedollarization and a downward revaluation. Caballero (2006) argues the world is short of safe assets and the US produces safe assets, which he claims explains the US trade deficit that is the result of the rest of the world seeking to acquire safe assets. That too may simply reflect dollar hegemony. The US produces safe assets because US financial markets are under the umbrella of dollar hegemony, and not because the US financial system is intrinsically better.7 Fifth, US firms benefit from lower transactions costs as they transact in their own currency, and they also avoid the cost of hedging exchange rate risk. On the downside, dollar hegemony appreciates the exchange rate by increasing demand for dollars. That is bad for manufacturing, though it also lowers import costs which benefits consumers and helps tamp down inflation. In sum, dollar hegemony confers major economic benefits that enhance US economic power. Enhanced economic power then feeds back to enhance dollar hegemony through the mechanisms discussed earlier such as increased US economic size; deeper, more liquid, more stable financial markets; and engagement of foreign nationals in dollar denominated financial activity. 3.6.2 Military power, international political power, and dollar hegemony Dollar hegemony also positively impacts military and international political power, and those impacts are examined concurrently as they involve similar mechanisms. Dollar hegemony creates the “exorbitant privilege” of fiscal space and freedom from an external economic constraint, which helps provide the US with resources for its expansive international military and 22 soft power operations (Oatley, 2015). The other side of the loop has military and international political power supporting dollar hegemony. Perhaps the clearest example of military support is the 1974 petrodollar accord with Saudi Arabia (Gwertzman, New York Times, June 9, 1974). The House of Saud committed to price oil in dollars and recycle its petrodollar trade surplus via Wall Street in return for US military protection. The agreement ensured the global oil market would be priced in dollars, thereby cementing one of the pillars of dollar hegemony. The quid pro quo was security guarantees which the US could provide because of its military power. That episode and its antecedents are examined by Croteau and Poast (2020). The literature on the security (military and international political) foundations of dollar hegemony is assessed in Norrlof (2020). Zimmerman (2002) provides details of the Cold War era tacit agreement between Germany and the US, whereby Germany held dollars and helped manage the dollar exchange rate in return for the US stationing troops in Germany that protected against the Warsaw Pact threat. US international political power also positively impacts the willingness of countries to hold dollar reserves by fostering alliances and political affinities with them. Liao and McDowell (2016) show countries that are politically distant from the US and close to China tend to hold more renminbi reserves. The above political and economic benefits of dollar hegemony are not the musings of academics. They are clearly understood within the US government. Thus, Christopher Smart, former Special Assistant to the President at the National Economic Council and National Security Council and former Deputy Assistant Secretary of the 7Palley (2012, p.112-114) offers multiple other critiques of the safe asset shortage explanation of the US trade 23 Treasury, writes: “Currency dominance has also been a linchpin in America’s efforts to shape a global order around free markets and democracy while serving as a foundation for the sustained growth of a more integrated global economy…. Issuing the world’s reserve currency offers the prospect to literally print money everyone accepts to buy guns without giving up butter. The dollar’s dominance also allows the United States to delay or shift any costs of global adjustment to other countries (Smart, 2018).” 4. Reflections on the theoretical model The theoretical model in Figure 1 explaining the basis of dollar hegemony contains several insights and implications. 1. Power. The system is about power, and power is at the heart of dollar hegemony. There is simply no way of understanding dollar hegemony without reference to the role of power – economic power, military power, and international political power. A narrowly economic market forces approach to dollar hegemony misses those foundational elements. 2. Power is both an input and an output. The elements of the system are simultaneously both inputs and outputs. The system relies on power as an input, and it produces power as an output. Economic power and military power can be viewed as goals in themselves, enhancing national well-being and national pride. They are also inputs in the pursuit of those goals, which makes them both inputs and outputs. Dollar hegemony is an input that is useful in the pursuit of those goals, and it is produced by the triptych of power elements. However, it is not a goal in of itself (which is likely also true of international political power). 3. The state and currency hegemony. The system that produces dollar hegemony intrinsically involves the state. First, state power in its different forms is at the core of the system. Second, the dollar is a state money and its use and standing in the international financial system depend on deficit. 24 the actions and standing of the state. There is simply no understanding dollar hegemony without recognition of the role of the state. Attempts to theorize currency hegemony (i.e., the currency cone) by reference to market forces alone are inevitably flawed. 4. Power and relative power. Currency hegemony is about power, and power is intrinsically a relative concept because the increased power of one party is implicitly a diminution of the power of rivals. Figure 1 focused on dollar hegemony and US power, the flipside of which is the power of other countries. That flipside is illustrated in Figure 6 which shows how dollar hegemony impacts the power of the rest of the world (ROW). The structure of the figure is the same as Figure 1, and the outer linkages have the same positive feedback loops. However, the interior feedback loops are different and are negatively signed. Thus, an increase in dollar hegemony decreases the power of the ROW, and an increase in the power of ROW decreases dollar hegemony.

#### US hegemony prevents great power war and facilitates cooperation on global issues

**Keck, 2014** [(Zachary, worked on nuclear issues across government and media. Staff Member in Congress for the House Foreign Affairs Committee, including for the Subcommittee on Nonproliferation) “America’s Relative Decline: Should We Panic?,” The Diplomat, https://thediplomat.com/2014/01/americas-relative-decline-should-we-panic/, 01/24/2014] TDI

Still, on balance, the U.S. has been a positive force in the world, especially for a unipolar power. Certainly, it’s hard to imagine many other countries acting as benignly if they possessed the amount of relative power America had at the end of the Cold War. Indeed, the British were not nearly as powerful as the U.S. in the 19th Century and they incorporated most of the globe in their colonial empire. Even when it had to contend with another superpower, Russia occupied half a continent by brutally suppressing its populace. Had the U.S. collapsed and the Soviet Union emerged as the Cold War victor, Western Europe would likely be speaking Russian by now. It’s difficult to imagine China defending a rule-based, open international order if it were a unipolar power, much less making an effort to uphold a minimum level of human rights in the world. Regardless of your opinion on U.S. global leadership over the last two decades, however, there is good reason to fear its relative decline compared with China and other emerging nations. To begin with, hegemonic transition periods have historically been the most destabilizing eras in history. This is not only because of the malign intentions of the rising and established power(s). Even if all the parties have benign, peaceful intentions, the rise of new global powers necessitates revisions to the “rules of the road.” This is nearly impossible to do in any organized fashion given the anarchic nature of the international system, where there is no central authority that can govern interactions between states. We are already starting to see the potential dangers of hegemonic transition periods in the Asia-Pacific (and arguably the Middle East). As China grows more economically and militarily powerful, it has unsurprisingly sought to expand its influence in East Asia. This necessarily has to come at the expense of other powers, which so far has primarily meant the U.S., Japan, Vietnam and the Philippines. Naturally, these powers have sought to resist Chinese encroachments on their territory and influence, and the situation grows more tense with each passing day. Should China eventually emerge as a global power, or should nations in other regions enjoy a similar rise as Kenny suggests, this situation will play itself out elsewhere in the years and decades ahead. All of this highlights some of the advantages of a unipolar system. Namely, although the U.S. has asserted military force quite frequently in the post-Cold War era, it has only fought weak powers and thus its wars have been fairly limited in terms of the number of casualties involved. At the same time, America’s preponderance of power has prevented a great power war, and even restrained major regional powers from coming to blows. For instance, the past 25 years haven’t seen any conflicts on par with the Israeli-Arab or Iran-Iraq wars of the Cold War. As the unipolar era comes to a close, the possibility of great power conflict and especially major regional wars rises dramatically. The world will also have to contend with conventionally inferior powers like Japan acquiring nuclear weapons to protect their interests against their newly empowered rivals. But even if the transitions caused by China’s and potentially other nations’ rises are managed successfully, there are still likely to be significant negative effects on international relations. In today’s “globalized” world, it is commonly asserted that many of the defining challenges of our era can only be solved through multilateral cooperation. Examples of this include climate change, health pandemics, organized crime and terrorism, global financial crises, and the proliferation of weapons of mass destruction, among many others. A unipolar system, for all its limitations, is uniquely suited for organizing effective global action on these transnational issues. This is because there is a clear global leader who can take the initiative and, to some degree, compel others to fall in line. In addition, the unipole’s preponderance of power lessens the intensity of competition among the global players involved. Thus, while there are no shortages of complaints about the limitations of global governance today, there is no question that global governance has been many times more effective in the last 25 years than it was during the Cold War.

#### US hegemony prevents nuclear war and reduces tensions

Manville, 2018 [(Brook, lead professor at Babson College, the author of eleven books) “Why A Crumbling World Order Urgently Needs U.S. Leadership,” Forbes, https://www.forbes.com/sites/brookmanville/2018/10/14/why-a-crumbling-world-order-urgently-needs-u-s-leadership/, 10/14/2018] TDI

If U.S. global leadership slides, Kagan asserts, the invisible protective bubble we’ve enjoyed since 1945 won’t just deflate. It will explode. Good-bye rules-based trade, hello shortages of food and essential products. Dictators not just threatening but using nuclear weapons. More innocents repressed or killed in civilized countries. Cross-border migrations magnitudes beyond the crises of today’s detention centers and Mediterranean rescues. Dark Forces Re-emerging The botanical metaphor in Kagan’s book title began our recent conversation. “We’ve been living in a tranquil garden of largely peaceful practices and liberal expectations across much of the world, ignoring the dark forces of jungle multiplying under the rocks. If we don’t defend civilization’s cultivation—especially American’s guarantee of peace and economic integration across the world—the toxic creatures and weeds will roar back.” Thus China’s determined military rise, Russia’s continuing aggressions, fiery authoritarians on the march in so many once democratic countries. As Kagan continued, “Trump has been damaging the system—he too seems to have forgotten what good it has delivered—but actually America’s desire for maintaining the global order has been diminishing for years. After the dissolution of the Soviet empire in the 1990s, people talked about ‘the end of history”—that America didn’t have to worry anymore about war or aggression. History doesn’t end, it simply paused. The ugliest aspects of human nature are surging again.” Vanishing Leadership, Vanishing Peace Kagan’s apocalyptic message, repeated in other recent writings, is lucid and terrifying, all the more devastating for its relentless use of history. It’s a footnoted plea that “we’ve seen this movie before.” He reminds us that Americans have frequently turned away from defending world order, with regrettably familiar outcomes: to be dragged in later at greater cost (e.g. helping to stop Hitler earlier might have prevented World War II); or, simply hoping that “the problem would go away,” to watch it get ten times worse (e.g. Obama’s policy in Syria). Kagan acknowledges that America has sometimes misstepped (e.g. Viet Nam, Iraq), but he still argues that overall our foreign engagement has produced more peace and prosperity than not. “History shows,” he summarized, “that world order has never been achieved without some constructive force to keep the peace. The relative harmony and fair play we’ve created in the modern world will vanish if the U.S. forsakes international leadership.” Can Today’s Peaceful Garden Be Saved? I turned our discussion to leadership, probing about the skills and mindsets of the people who built the postwar liberal order. So what would take to rebuild it now? His replies led to several interesting insights beyond the book per se. Four have implications for all of us who should care about keeping the garden safe--as leaders in our own right, citizens of this country, and future voters in important elections forthcoming. 1. Today’s global liberal order was built piecemeal, evolving more through continuous improvement than “grand design.” Kagan quickly listed the post-WWII building blocks of the order, led by the U.S—“first undoing the military capability of Japan and Germany, and then fostering their financial success; economic integration for them and others based on open trade and fair competition with America; creating a democratic and liberal culture among allies, guaranteed by America’s power, and our willingness to punish those who threatened it.” Yet he resisted the idea of any detailed vision. “The system emerged step by step as different American statesmen took on this or that immediate problem. How to keep Germany and Japan from causing war again? OK, next how to make it worthwhile for them and other nations to invest in trade and business, not more armies? And then, later, how to push back on Russia and Communism when they started to threaten the order?” “It wasn’t a vision but a process. As broader benefits started to accrue, allies saw the value, and with that we built further on what had been achieved. When we made mistakes—like Viet Nam—we had the strength to learn and course-correct, as Reagan led us to do.” So perhaps, I reflect, thinking of our discussion, we need to stop worrying about big theoretical frameworks, and start tackling specific problems to protect the garden we have—and just keep learning from mistakes and building on progress. 2. Today’s order emerged from “generational leadership.” Though Kagan acknowledges contributions of well-known policy makers—Dean Acheson, George Kennan, Franklin D. Roosevelt, Harry Truman et al-- he de-emphasized any “great man theory." “The legacy was created by a whole generation, people born in the 1890s, who lived through the optimism of the early 20th C., and then watched it collapse in forty years of conflict. They had a shared experience, animated by fear and memory of war, so they worked together to prevent reemergence of the same horror. American Presidents have implicitly accepted that challenge and reliably invested in the order—until recently.” And as we all join political debates and go to the polls in coming weeks, we might thus ask: has the current generation of American leaders lost touch with the risk of abandoning our global role? 3. The best leaders refuse the “either/or” choice between domestic and foreign policy investment. Kagan railed about prioritizing domestic welfare over keeping the peace abroad. “Americans have periodically shied away from foreign affairs, claiming ‘we can’t afford to maintain military bases and also take care of our own people.’ Or that our own ‘social justice’ is more important than ‘freedom in the world.’ When we turn inwards we threaten our own prosperity and even survival. The greatest advances in racial justice in this country happened while we were building the liberal world order. Our guarantees of world commerce is what allows our own economy and people to flourish. Our military leadership is what protects us from the evil actors gunning for us today.”

### 1nc – impact – global trade

#### Removal of sanctions hits global economies, affects trading relationships.

Hirsch, 2023 [(Paddy, author of a book called Man vs Markets, Economics Explained, Plain and Simple) “Why sanctions don't work — but could if done right,” NPR, https://www.npr.org/sections/money/2023/04/11/1169072190/why-sanctions-dont-work-but-could-if-done-right,04/11/23] TDI

When Sanctions Work Sanctions don't fail all the time, Demarais says, and on studying the universe of sanctions, she has observed a few rules of thumb. First, speed is everything. "Sanctions tend to work fast or never," she says. "They provoke a shock within the targeted economy. So if you're a small economy, essentially you settle your dispute with the U.S. very quickly, or you decide that sanctions are the new normal and you will adjust." Sometimes countries do succumb to sanctions: Turkey did in 2018, when it was persuaded by sanctions to release an American pastor named Andrew Brunson. But after several years, sanctions become baked into the economy. States increase domestic production, find ways to circumvent restrictions, and reduce their reliance on imports. Second rule of thumb: sanctions with a limited objective are more likely to be successful. "Targeted states need to have a very clear picture of what they need to do to get sanctions lifted," Demarais says, noting that this is exactly what happened with Iran in the run up to the nuclear deal in 2015. "Iran knew exactly what it needed to accept: curbs on its nuclear ambitions. And in return for that, it would get the lifting of sanctions." Third, multilateral support is crucial for sanctions to be effective. Napoleon's blockade of the English was a failure, even though he controlled most of Europe. He did not, however, control the rest of the world, and Britain used its navy to develop new markets. America's sanctions against North Korea have also failed to achieve their objective of regime change, because they do not involve China, with which North Korea does 90 percent of its trade, and Russia, which takes care of the rest. Demarais says the U.S. appears to have learned this lesson with regard to its sanctions of Russia over the war in Ukraine. "There's been a very high level of collaboration between the U.S. and the E.U. and other Western countries," she says. "This has been very positive because it means that sanctions are much stronger. And that there are no disputes regarding the scope and the impact of U.S. sanctions." Finally, Demarais says, successful sanctions tend to target countries with which the U.S. has close economic ties. "Sanctions must target economic partners because otherwise there will be no economic ties to cut, she says. She points again to Turkey, which is a trading partner of the U.S. and also a member of NATO. The sanctions worked in that case because there was a great deal at stake: their trading relationship. "If you target an economy that you have zero ties to, sanctions will have very little bite because if you have zero trade, zero economic relations, zero diplomatic, or military relations with the country, you can cut them off very easily. They won't feel anything, and won't have any incentive to restore these ties."

#### Global trade decline causes extinction

**Sumner ’22** [(Scott Sumner, Ralph G. Hawtrey Chair of Monetary Policy, Professor Emeritus, Bentley University, Research Fellow, Independent Institute, Ph.D., Economics, University of Chicago, M.A., Economics, University of Chicago, B.A., Economics, University of Wisconsin); “No Sanctions Without Globalization”; Econ Lib; <https://www.econlib.org/no-sanctions-without-globalization/> March 14th, 2022]

The **war in** **Ukraine** has led some **pundits** **to declare** the **end** **of globalization**. We heard that after **9/11**, after the **Great Recession**, after the **US/China** trade war, and again **after** **Covid**, and **none** **of those** predictions **have** **panned out**. Ukraine will likely be no different, as the **threat of war** actually makes the argument **for globalization** **stronger**. There are two valid arguments for . First, denying **money** and **material** to an enemy nation can **reduce** **their ability** to wage war. Second, the **threat of** **sanctions** makes countries **less likely to** **“go rogue”**. In general, I am rather skeptical of the efficacy of sanctions. I believe they are used far too often. And yet even I would not have favored allowing US firms to sell steel and oil to Germany and Japan during WWII. I don’t have strong views on what sanctions are appropriate for Russia today, except that the case for sanctions against Russia is stronger than for almost any other situation since WWII. But sanctions only work when there is globalization. If a country is an autarky, i.e., relying solely on domestic production, then sanctions are ineffective. People say, “Obviously **globalization** **doesn’t work**, as we still have **bad things** happen in the world.” Yes, the advantages of globalization have been oversold. (Recall the McDonald’s test.) But what is the **counterfactual**? Suppose we **end** **globalization** and each country becomes as autarkic as **North** **Korea**. Does that make the world **more peaceful** or **more violent?** Our best **hope** **for world peace** is to enmesh every country **so deeply** in a web of **interdependence** with its neighbors that even our dimwitted leaders will be able to **see the negative sum** nature of war. Globalization may not prevent war, but it makes **war less likely** at the margin. And **if** **war** **does** break out, economic interdependence **gives us a weapon** to use **in place** of violence. Globalization also makes the world a richer place. Economic development doesn’t guarantee peace, but greater **wealth** does make countries **more peaceful**, on average. They have **more to** **lose** from war.

#### No econ impact – countries find alternatives.

**Olson, 21** [(Stephen Olson, senior adjunct fellow at Pacific Forum, fellow at the Yeutter Institute) "Covid-19 and global tensions no match for trade’s resilience," South China Morning Post, https://www.scmp.com/comment/opinion/article/3144511/how-trades-resilience-defies-expectations-amid-coronavirus-and, 8-12-2021]

Given these sobering realities, one might have reasonably **expected to see a sharp decline** in trade. In defiance of most projections, though, trade has **held up surprisingly well.** Given the fallout from the pandemic and rising protectionism, the World Trade Organization estimated in June last year that global trade **could fall by** as much as **32 per cent** in 2020. **Yet, the** **actual** **decline was** roughly **5 per cent.** Given the broader macroeconomic environment, in which overall demand was dampened by a 3.8 per cent reduction in global GDP, trade remained buoyant. Of course, specific circumstances produced eye-catching trade reductions for individual countries. Japanese exports slumped to their lowest level in 11 years in 2020, and German exports were down 9.3 per cent. While these apparent doomsday scenarios for trade dominated the headlines, they masked the real story. Despite the headwinds, trade took a beating but kept on ticking. What explains the surprising **resilience of trade?** Bilateral tariff and non-tariff barriers have proliferated. These restrictions can sometimes be effective in accomplishing their primary objective of diminishing imports from the targeted country. But in many cases, their overall effect is to **redirect** rather than **block trade.** For instance, China has significantly increased trade **restrictions** on a variety of imports from Australia. Although this initially created painful disruptions, Australian exporters were able to adjust. Today, Australian cotton exports that are no longer welcome in China have **found** **receptive** **markets** throughout Southeast Asia. Barley shipments that previously went to China are now being unloaded in Saudi Arabia. On the other side of the equation, barley importers in China have not been left in the lurch by the loss of Australian supply. Argentina has **stepped in to fill the gap**. Argentine barley exports to China have grown so significantly that Argentine farmers plan to expand capacity by 28 per cent to meet the new demand. Neither has China’s ban on Australian coal stemmed coal imports. US coal exports to China have soared and are straining the capacity of US companies to keep up with demand. Trade restrictions that **close one door** frequently **open another.**

#### Trade wars cause extinction and collapse effective existential risk response

**Oppenheimer 21**, [(Dr. Michael F. Oppenheimer, Clinical Professor at the Center for Global Affairs at New York University, Senior Consulting Fellow for Scenario Planning at the International Institute for Strategic Studies, Former Executive Vice President at The Futures Group, Member of the Council on Foreign Relations, The Foreign Policy Roundtable at the Carnegie Council on Ethics and International Affairs, and The American Council on Germany,) “The Turbulent Future of International Relations,” in The Future of Global Affairs: Managing Discontinuity, Disruption and Destruction, Ed. Ankersen and Sidhu, pp. 23-30, <https://ibook.pub/the-turbulent-future-of-international-relations.html>, 2021]

Four structural forces will shape the future of **I**nternational **R**elations: **globalization** (but without liberal rules, institutions, and leadership)1; multipolarity (the end of American hegemony and wider distribution of power among states and non-states2); the strengthening of distinctive, national and subnational identities, as persistent cultural differences are accentuated by the disruptive effects of Western style globalization (what Samuel Huntington called the “non-westernization of IR”3); and secular economic stagnation, a product of longer term global decline in birth rates combined with aging populations.4 These structural forces do not determine everything. **Environment**al events, global **health** challenges, **internal political developments**, policy mistakes, **technology breakthroughs or** **failures**, will **intersect** with structure to **define** **our** **future**. But these four structural forces will impact the way states behave, in the capacity of great powers to **manage their differences**, and to **act collectively** to settle, rather than exploit, the **inevitable shocks** of the next decade. Some of these structural forces could be managed to promote prosperity and **avoid war**. Multipolarity (inherently more prone to conflict than other configurations of power, given coordination problems)5 plus globalization can work in a world of prosperity, convergent values, and **effective conflict management**. The Congress of Vienna system achieved relative peace in Europe over a hundred-year period through informal cooperation among multiple states sharing a fear of populist revolution. It ended decisively in 1914. Contemporary neoliberal institutionalists, such as John Ikenberry, accept multipolarity as our likely future, but are confident that globalization with liberal characteristics can be sustained without American hegemony, arguing that liberal values and practices have been fully accepted by states, global institutions, and private actors as imperative for growth and political legitimacy.6 Divergent values plus multipolarity can work, though at significantly lower levels of economic growth-in an autarchic world of isolated units, a world envisioned by the advocates of **decoupling**, including the current American president. 7 Divergent values plus globalization can be managed by hegemonic power, exemplified by the decade of the 1990s, when the Washington Consensus, imposed by American leverage exerted through the IMF and other U.S. dominated institutions, overrode national differences, but with real costs to those states undergoing “structural adjustment programs,”8 and ultimately at the cost of global growth, as states—especially in Asia—increased their savings to self insure against future financial crises.9 But all four forces operating simultaneously will produce a future of **increasing** **internal** **polarization** and **cross border** **conflict**, diminished economic growth and poverty alleviation, weakened global **institutions** and **norms** **of behavior**, and **reduced** **collective** **capacity** to confront emerging challenges of global **warming**, accelerating **technology** **change**, **nuclear** **weapons** innovation and **prolif**eration. As in any effective scenario, this future is clearly visible to any keen observer. We have only to abolish wishful thinking and believe our own eyes.10 Secular Stagnation This unbrave new world has been emerging for some time, as US power has declined relative to other states, especially China, global liberalism has failed to deliver on its promises, and totalitarian capitalism has proven effective in leveraging globalization for economic growth and political legitimacy while exploiting technology and the state’s coercive powers to maintain internal political control. But this new era was jumpstarted by the world financial crisis of 2007, which revealed the bankruptcy of unregulated market capitalism, weakened faith in US leadership, exacerbated economic deprivation and inequality around the world, ignited growing populism, and undermined international liberal institutions. The skewed distribution of wealth experienced in most developed countries, politically tolerated in periods of growth, became intolerable as growth rates declined. A combination of aging populations, accelerating technology, and global populism/nationalism promises to make this growth decline very difficult to reverse. What Larry Summers and other international political economists have come to call “secular stagnation” increases the likelihood that illiberal globalization, multipolarity, and rising nationalism will define our future. Summers11 has argued that the world is entering a long period of diminishing economic growth. He suggests that secular stagnation “may be the defining macroeconomic challenge of our times.” Julius Probst, in his recent assessment of Summers’ ideas, explains: …rich countries are ageing as birth rates decline and people live longer. This has pushed down real interest rates because investors think these trends will mean they will make lower returns from investing in future, making them more willing to accept a lower return on government debt as a result. Other factors that make investors similarly pessimistic include rising global inequality and the slowdown in productivity growth… This decline in real interest rates matters because economists believe that to overcome an economic downturn, a central bank must drive down the real interest rate to a certain level to encourage more spending and investment… Because real interest rates are so low, Summers and his supporters believe that the rate required to reach full employment is so far into negative territory that it is effectively impossible. …in the long run, more immigration might be a vital part of curing secular stagnation. Summers also heavily prescribes increased government spending, arguing that it might actually be more prudent than cutting back – especially if the money is spent on infrastructure, education and research and development. Of course, governments in Europe and the US are instead trying to shut their doors to migrants. And austerity policies have taken their toll on infrastructure and public research. This looks set to ensure that the next recession will be particularly nasty when it comes… Unless governments change course radically, we could be in for a sobering period ahead.12 The rise of nationalism/populism is both cause and effect of this economic outlook. Lower growth will make every aspect of the liberal order more difficult to resuscitate post-Trump. Domestic politics will become more polarized and dysfunctional, as competition for diminishing resources intensifies. International collaboration, ad hoc or through institutions, will become politically toxic. Protectionism, in its multiple forms, will make economic recovery from “secular stagnation” a heavy lift, and the liberal hegemonic leadership and strong institutions that limited the damage of previous downturns, will be unavailable. A clear demonstration of this negative feedback loop is the economic damage being inflicted on the world by Trump’s trade war with China, which— despite the so-called phase one agreement—has predictably escalated from negotiating tactic to imbedded reality, with no end in sight. In a world already suffering from inadequate investment, the uncertainties generated by this confrontation will further curb the investments essential for future growth. Another demonstration of the intersection of structural forces is how populist-motivated controls on immigration (always a weakness in the hyper-globalization narrative) deprives developed countries of Summers’ recommended policy response to secular stagnation, which in a more open world would be a win-win for rich and poor countries alike, increasing wage rates and remittance revenues for the developing countries, replenishing the labor supply for rich countries experiencing low birth rates. Illiberal Globalization Economic weakness and rising nationalism (along with multipolarity) will not end globalization, but will profoundly alter its character and greatly reduce its economic and political benefits. Liberal global institutions, under American hegemony, have served multiple purposes, enabling states to improve the quality of international relations and more fully satisfy the needs of their citizens, and provide companies with the legal and institutional stability necessary to manage the inherent risks of global investment. But under present and future conditions these institutions will become the battlegrounds—and the victims—of geopolitical competition. The Trump Administration’s frontal attack on multilateralism is but the final nail in the coffin of the Bretton Woods system in trade and finance, which has been in slow but accelerating decline since the end of the Cold War. Future American leadership may embrace renewed collaboration in global trade and finance, macroeconomic management, environmental sustainability and the like, but repairing the damage requires the heroic assumption that America’s own identity has not been fundamentally altered by the Trump era (four years or eight matters here), and by the internal and global forces that enabled his rise. The fact will remain that a sizeable portion of the American electorate, and a monolithically pro- Trump Republican Party, is committed to an illiberal future. And even if the effects are transitory, the causes of weakening global collaboration are structural, not subject to the efforts of some hypothetical future US liberal leadership. It is clear that the US has lost respect among its rivals, and trust among its allies. While its economic and military capacity is still greatly superior to all others, its political dysfunction has diminished its ability to convert this wealth into effective power.13 It will furthermore operate in a future system of diffusing material power, diverging economic and political governance approaches, and rising nationalism. Trump has promoted these forces, but did not invent them, and future US Administrations will struggle to cope with them. What will illiberal globalization look like? Consider recent events. The instruments of globalization have been weaponized by strong states in pursuit of their geopolitical objectives. This has turned the liberal argument on behalf of globalization on its head. Instead of interdependence as an unstoppable force pushing states toward collaboration and convergence around market-friendly domestic policies, states are exploiting interdependence to inflict harm on their adversaries, and even on their allies. The increasing interaction across national boundaries that globalization entails, now produces not **harmonization** and cooperation, but **friction** and **escalating trade** **and investment** **disputes**.14 The Trump Administration is in the lead here, but it is not alone. Trade and investment friction with China is the most obvious and damaging example, precipitated by China’s long failure to conform to the World Trade Organization (WTO) principles, now escalated by President Trump into a trade and currency war disturbingly reminiscent of the 1930s that Bretton Woods was designed to prevent. Financial sanctions against Iran, in violation of US obligations in the Joint Comprehensive Plan Of Action (JCPOA), is another example of the rule of law succumbing to geopolitical competition. Though more mercantilist in intent than geopolitical, US tariffs on steel and aluminum, and their threatened use in automotives, aimed at the EU, Canada, and Japan,15 are equally destructive of the liberal system and of future economic growth, imposed as they are by the author of that system, and will spread to others. And indeed, Japan has used export controls in its escalating conflict with South Korea16 (as did China in imposing controls on rare earth,17 and as the US has done as part of its trade war with China). Inward foreign direct investment restrictions are spreading. The vitality of the WTO is being sapped by its inability to complete the Doha Round, by the proliferation of bilateral and regional agreements, and now by the Trump Administration’s hold on appointments to WTO judicial panels. It should not surprise anyone if, during a second term, Trump formally withdrew the US from the WTO. At a minimum it will become a “dead letter regime.”18 As such measures **gain traction**, it will **become clear** to states—and to companies—that a global trading system more responsive to raw power than to law entails **escalating risk** and diminishing benefits. This will be the **end** **of economic** **globalization**, and its many benefits, as we know it. It represents nothing less than the subordination of economic globalization, a system which many thought obeyed its own logic, to an international politics of **zero-sum power competition** among multiple actors with divergent interests and values. The costs will be significant: Bloomberg Economics estimates that the cost in lost US GDP in 2019- dollar terms from the trade war with China has reached $134 billion to date and will rise to a total of $316 billion by the end of 2020.19 Economically, the just-in-time, maximally efficient world of global supply chains, driving down costs, incentivizing innovation, spreading investment, integrating new countries and populations into the global system, is being Balkanized. Bilateral and regional deals are proliferating, while global, nondiscriminatory trade agreements are at an end. Economies of scale will shrink, incentivizing less investment, increasing costs and prices, compromising growth, marginalizing countries whose growth and poverty reduction depended on participation in global supply chains. A world already suffering from excess savings (in the corporate sector, among mostly Asian countries) will **respond** to heightened risk and uncertainty with **further** **retrenchment**. The problem is perfectly captured by Tim Boyle, CEO of Columbia Sportswear, whose supply chain runs through China, reacting to yet another ratcheting up of US tariffs on Chinese imports, most recently on consumer goods: We move stuff around to take advantage of inexpensive labor. That’s why we’re in Bangladesh. That’s why we’re looking at Africa. We’re putting investment capital to work, to get a return for our shareholders. So, when we make a wager on investment, this is not Vegas. We have to have a reasonable expectation we can get a return. That’s predicated on the rule of law: where can we expect the laws to be enforced, and for the foreseeable future, the rules will be in place? That’s what America used to be.20 The **international** **political effects** will be equally **damaging**. The four structural forces act on each other to produce the **more dangerous**, less prosperous **world** projected here. Illiberal globalization represents geopolitical conflict by (at first) physically non-kinetic means. It arises from **intensifying competition** among powerful states with divergent interests and identities, but in its effects drives down growth and **fuels** **increased** **nationalism/populism**, which further **contributes to conflict**. Twenty-first-century protectionism represents bottom-up forces arising from economic disruption. But it is also a top-down phenomenon, representing a strategic effort by political leadership to reduce the constraints of interdependence on freedom of geopolitical action, in effect a precursor and enabler of war. This is the disturbing hypothesis of Daniel Drezner, argued in an important May 2019 piece in Reason, titled “Will Today’s Global Trade Wars Lead to **World War Three**,”21 which examines the pre- World War I period of heightened trade conflict, its contribution to the disaster that followed, and its parallels to the present: Before the First World War started, powers great and small took a variety of steps to thwart the globalization of the 19th century. Each of these steps made it easier for the key combatants to conceive of a general war. We are beginning to see a similar approach to the globalization of the 21st century. One by one, the **economic constraints** on **military** **aggression** are **eroding**. And too many have forgotten—or never knew—how this played out a century ago. …In many ways, 19th century globalization was a victim of its own success. Reduced tariffs and transport costs flooded Europe with inexpensive grains from Russia and the United States. The incomes of landowners in these countries suffered a serious hit, and the Long Depression that ran from 1873 until 1896 generated pressure on European governments to protect against cheap imports. …The primary lesson to draw from the years before 1914 is not that economic interdependence was a weak constraint on military conflict. It is that, even in a globalized economy, governments can take protectionist actions to reduce their interdependence in anticipation of future wars. In retrospect, the 30 years of tariff hikes, **trade wars**, and currency conflicts that preceded 1914 were **harbingers** of the devastation to come. European governments did not necessarily want to ignite a war among the great powers. By reducing their interdependence, however, they made that option conceivable. …the backlash to globalization that preceded the Great War seems to be reprised in the current moment. Indeed, there are ways in which the **current moment** is **scarier** than the **pre-1914** era. Back then, the world’s hegemon, the United Kingdom, acted as a brake on economic closure. In 2019, the United States is the protectionist with its foot on the accelerator. The constraints of Sino-American interdependence—what economist Larry Summers once called “the financial balance of terror”—no longer look so binding. And there are far too many **hot spots**—the **Korea**n peninsula, the **S**outh **C**hina **S**ea, **Taiwan**—where the **kindling** seems **awfully** **dry**.

#### Global trade collapses now---laundry list

**Rachman 22**, \*Gideon Rachman, Chief Foreign Affairs Commentator at the Financial Times; (August 29th, 2022, “The enemies of globalisation are circling”, )

A sudden retreat into economic autarky by the world’s leading trading nations would certainly cause chaos and hardship. But for all the upheaval involved, international economic ties can **break** **down** **suddenly**. Over the past two years, the pandemic and the Ukraine war have demonstrated **how vulnerable** international trade is to **unexpected** **shocks**. Covid-19 **shut down global travel** and **disrupted supply chains**. The war in Ukraine led to a **rupture** in the **west’s economic ties** with Russia. And the **combined** **political and social** **forces** that are now pushing against globalisation make it **likely** that there will be **further shocks** **to come**. A decade ago, protectionism was still a dirty word in US politics. But the Trump administration started a **trade war** with China and the Biden administration has **kept** **the** **tariffs in place**. A bipartisan consensus in the US is now pushing for policies to **reduce** **economic** **dependence** on China and to **repatriate key industries**, in particular semiconductors. India has followed the **decoupling trend**, **banning** Chinese tech companies, such as TikTok, as a response to **rising tensions** with Beijing. The Chinese themselves are **active** **participants** in this **process of** **decoupling**. Arguably, they made the first significant move, with a drive to **promote domestic production** of **key technologies**. Beijing’s “**Made in China 2025**” policy was announced in 2015, before Donald Trump’s election. When economic logic was more powerful than geopolitical rivalry, the dominant question was: where is it cheapest or most efficient to buy or produce? That led to the construction of intricate cross-border supply chains. But in a world in which **international rivalries are growing**, different questions are asked. Where it is **safest** to produce or buy? And **should we even be trading** with nations that we regard as a **threat**? The invasion of Ukraine has not just made it seem **imprudent** to **rely on political rivals** for **key economic inputs**, it has also allowed the west’s national security establishment to **seize the** **moral** **high ground** from the free-traders. Jens Stoltenberg, the secretary-general of Nato, says that “**freedom** is **more important** than **free trade**”. There are not many influential voices making the counterargument. The **political and strategic** **arguments** for **cutting trade** **ties** are **increasingly** **supplemented** by arguments about the **environment** and **social** **resilience**. After the pandemic, governments are **reluctant** to go back to a world in which the production of vaccines, say, or even rubber gloves, is **concentrated** in just **one or two countries**. Insisting on domestic production facilities, which once seemed inefficient, now looks **prudent**. As one senior industrialist puts it: “We’re moving from just in time to just in case.” The potential vulnerability that is preoccupying national security establishments everywhere is semiconductors — crucial for everything from mobile phones to missiles. According to US president Joe Biden, some 90 per cent of the world’s most advanced semiconductors are made in Taiwan by a single producer, TSMC. One senior US official says that a Chinese invasion or blockade of Taiwan would create a “semiconductor nuclear winter”. Rectifying that situation could take many years. But the drive to do just that is now under way with the passage of America’s Chips Act. The US has long had rules that can restrict inward investment on national security grounds. The Chips Act creates new rules that will restrict outward investment, discouraging US firms from making semiconductors in China. National security hawks believe that globalisation meant that the western democracies **naively sponsored** the **rise of hostile rivals** such as Russia or China. **Leftwing** **critics** associate **the “neoliberal” era** of globalisation with **widening inequality** and **environmental degradation**. There are elements of truth to both of these critiques. But the **pressure to cut trade** and investment ties is not simply a product of **rising** **nationalism** and **economic stress** — it also contributes to **both processes**. For all the discontents that hyperglobalisation has created, I suspect that, in decades to come, the period from 1989 to 2022 will come to be seen as a golden age of peace and prosperity. The world may soon discover that globalisation is the **worst possible system** — apart from all the alternatives.

#### Global free trade reversals will cause multiple existential impacts.

Arctic conflict Space conflict; Global nuclear prolif; Structural wars; Climate; Geo-engineering;

**Langan-Riekhof ’21** [(Maria Langan-Riekhof, Director of the Strategic Futures Group at the National Intelligence Council, senior analyst and manager, CIA and NIC. Chief of the CIA’s Red Cell, founder and director of the CIA’s Strategic Insight Department, and research director for the Middle East.) “Scenario Four – Separate Silos” - MARCH 2021 - #E&F - <https://www.dni.gov/files/ODNI/documents/assessments/GlobalTrends_2040.pdf>, 2021]

With the trade **and financial** connections that defined the prior era of globalization disrupted, economic and security blocs formed around the United States, China, the EU, Russia, and India. Smaller powers and other states joined these blocs for protection, to pool resources, and to maintain at least some economic efficiencies. Advances in AI, energy technologies, and additive manufacturing helped some states adapt and make the blocs economically viable, but prices for consumer goods rose dramatically. States unable to join a bloc were left behind and cut off. Security links did not disappear completely. States threatened by powerful neighbors sought out security links with other powers for their own protection or accelerated their own programs to **develop nuclear weapons**, as the ultimate guarantor of their security. Small conflicts occurred at the edges of these new blocs, particularly over scarce resources or emerging opportunities, like **the Arctic** and **space**. Poorer countries became increasingly unstable, and with no interest by major powers or the United Nations in intervening to help restore order, **conflicts became endemic**, exacerbating other problems. Lacking coordinated, multilateral efforts to mitigate emissions and address **climate** **changes**, little was done to slow greenhouse gas emissions, and some states experimented with **geoengineering** **with disastrous consequences**.

### 1nc – impact – domestic econ decline

#### Lower dollar prices are linked to the economy.

**Wiseman 24** [(Paul Wiseman, Writer for AP) “Who wouldn’t like prices to tart failing? Careful what you wish for, economists say,” AP, 2024. https://apnews.com/article/inflation-deflation-prices-economy-eggs-cars-consumers-e3c816373344d54b2e6bdb4be5ed999a, March 30, 2024] TDI

WASHINGTON (AP) — **Many Americans are in a sour mood about the economy** for one main reason: **Prices feel too high**. Maybe **they’re not rising as fast as they had been, but average prices** are still painfully above where they were three years ago. And they’re mostly heading higher still. Consider a 2-liter bottle of soda: In February 2021, before inflation began heating up, it cost an average of $1.67 in supermarkets across America. Three years later? That bottle is going for $2.25 — a 35% increase. Or egg prices. They soared in 2022, then fell back down. Yet they’re still 43% higher than they were three years ago. Likewise, the average used-car price: It rocketed from roughly $23,000 in February 2021 to $31,000 in April 2022. By last month, the average was down to $26,752. But that’s still up 16% from February 2021. Wouldn’t it be great if prices actually fell — what economists call deflation? Who wouldn’t want to fire up a time machine and return to the days before the economy rocketed out of the pandemic recession and sent prices soaring? At least prices are now rising more slowly — what’s called disinflation. On Friday, for example, the government said a key price gauge rose 0.3% in February, down from a 0.4% gain in January. And compared with a year earlier, prices were up 2.5%, way down from a peak of 7.1% in mid-2022. But those incremental improvements are hardly enough to please the public, whose discontent over prices poses a risk to President Joe Biden’s re-election bid. “Most Americans are not just looking for disinflation,’’ Lisa Cook, a member of the Federal Reserve’s Board of Governors, said last year. “They’re looking for deflation. They want these prices to be back where they were before the pandemic.’’ Many economists caution, though, that consumers should be careful what they wish for. Falling prices across the economy would actually be an unhealthy sign.

#### Bad economies spiral into recession leading to extinction

**Cochrane 22** [(John Cochrane, Reporter for Stanford University “Recesssions are difficult, but stagnant growth could prove more challenging, Stanford economist warns,” Stanford Report, 2024. https://news.stanford.edu/stories/2022/12/why-recessions-are-misunderstood#:~:text=Recessions%20often%20happen%20when%20something%20bad%20happens%20%E2%80%93,a%20boom%20has%20run%20its%20course%20%281929%2C%201999%29., Dec 7, 2022] TDI

While recessions are difficult, they are temporary, says Stanford economist John Cochrane. What is more painful is long-term economic slowdown and stagnation. While recessions are painful, they are only temporary interruptions to the economy, says [**John Cochrane**](https://www.johnhcochrane.com/), an economist at Stanford’s Hoover Institution, arguing that people should be paying more attention to long-term economic growth, which in the U.S. is currently stagnating. Here, Cochrane discusses what people, economists included, understand and don’t understand about recessions, what is over and underestimated about them, and why it’s important to look at the bigger picture. **Rather than focus on quarterly changes to growth rate**, which is how recessions are currently gauged, the long-run growth of the economy matters more. Moreover, what causes recessions is not entirely clear and a topic of debate, Cochrane said. He also addresses the relationship between inflation and recession, stagflation – a recession with inflation, the role the Federal Reserve (the Fed) plays in managing the health of the economy, and what other factors people should look at to gauge that, such as a labor force participation, **which is the number of people employed or actively seeking employment** (instead of unemployment rates, which focuses on the number of people who are not employed and looking for work).

#### De-dollarization destroy econ

**Redman, 23** [(Jamie Redman, News Lead, financial tech journalist) "Expert Predicts Looming Economic Collapse as BRICS Nations Unite Against the Dollar," Bitcoin News, <https://news.bitcoin.com/expert-predicts-looming-economic-collapse-as-brics-nations-unite-against-the-dollar/>, 02,20,2023] TDI

Expert Predicts Looming Economic **Collapse** as **BRICS** Nations **Unite Against the Dollar** Andy Schectman, CEO of Miles Franklin Precious Metals Investments, explained in a recent interview that the five leading emerging economies—Brazil, Russia, India, China, and South Africa, collectively known as BRICS nations—are “**coalescing against the dollar**.” Schectman believes that since 2022, de-dollarization “seems to be **spinning much, much faster**.” De-Dollarization and CBDCs: Monetary Historian Suggests a Great Reset Is Imminent In an interview published on Feb. 16, 2023, Miles Franklin executive Andy Schectman discussed his economic predictions with Michelle Makori, the lead anchor and editor-in-chief at Kitco News. Schectman expects a **large portion of the world** to **abandon the** U.S. **dollar** and he also predicts a “**tsunami of inflation**.” With rising inflation, Schectman suggests that the interest rate set by the U.S. Federal Reserve will continue to rise and a “**collapse**” in asset prices will soon follow. Schectman’s opinion is similar to that of Lynette Zang, chief market analyst at ITM Trading, in a recent interview with Kitco’s Makori. Like Zang, Schectman expects an **economic collapse** and suggests that it will be the time for a Great Reset to take place, with central bank digital currencies (CBDCs) being ushered in. Schectman says that the U.S. dollar was weaponized in 2022, and as a result, de-dollarization “seems to be spinning much, much faster.” The Miles Franklin executive and monetary historian believes that the BRICS nations are “coalescing against the dollar.”

#### Further, economic collapse decks U.S. Hegemony and precludes our ability to address climate change which turns the aff.

**Sitaraman 20** [Ganesh, professor of Law at Vanderbilt Law School, “A Grand Strategy of Resilience”, https://www.foreignaffairs.com/articles/united-states/2020-08-11/grand-strategy-resilience, 8/11/20] TDI

Every so often in the history of the United States, there are moments of political realignment—times when the consensus that defined an era collapses and a new paradigm emerges. The liberal era ushered in by President Franklin Roosevelt defined U.S. politics for a generation. So did the neoliberal wave that followed in the 1980s. Today, that era, too, is coming to a close, its demise hastened by the election of President Donald Trump and the chaos of the coronavirus pandemic. The *coming era* will be one of ***health crises*, *climate shocks*, *cyberattacks*, and *geoeconomic competition*** among great powers. What unites those seemingly disparate threats is that each is not so much a battle to be won as a challenge to be weathered. This year, a *pandemic* is forcing hundreds of millions of Americans to stay at home. Next year, it might be a 1,000-year *drought* that devastates agriculture and food production. The year after that, a *cyberattack* could take out the power grid or cut of critical supply chains. If the current pandemic is any indication, the United States is *woefully underprepared* for handling such *disruptions*. What it needs is an *economy*, a society, and a democracy that can *prevent these challenges* when possible and endure, *bounce back*, and adapt when necessary—and do so without suffering thousands of deaths and seeing millions unemployed. What the United States needs is a grand strategy of resilience. For psychologists who research child development, resilience is what enables some children to endure traumatic events and emerge stronger and better able to navigate future stresses. For ecologists, resilience is an ecosystem’s ability to resist, recover, and adapt to ires, loods, or invasive species. For emergency, disaster relief, and homeland security experts, a resilient system is flexible, adaptable, and can withstand an impact. The writer Maria Konnikova has summed up the concept with a single question: “Do you succumb or do you surmount?” The highest goal for American policymakers should be to preserve and defend the country’s constitutional democracy while enabling Americans to thrive regardless of their race, gender, location, or origin. A society that achieves that goal will be better prepared to face the next crisis. A more equal and more just nation is a more resilient one. Although Americans tend to think of grand strategy as an overarching foreign policy vision, any true grand strategy requires a solid domestic foundation. The United States’ Cold War policy of containment, for instance, had a domestic analog, although it is less emphasized in the foreign policy community. For a generation after World War II, Democrats and Republicans alike embraced a model of regulated capitalism, with high taxes, inancial regulations, strong unions, and social safety net programs, and thus charted a path between the totalitarian control of the Soviet Union and the laissez-faire approach that had plunged the United States into the Great Depression. Regulated capitalism and containment together were the grand strategy that deined the post–World War II era. A grand strategy of resilience, likewise, will not meet with success unless the United States addresses the many forms of inequality, fragility, and weakness that undermine the country’s preparedness from within. AGE OF CRISES “Grand strategy” is a slippery term, with perhaps as many deinitions as authors who invoke it. It can describe a framework that guides and focuses leaders and societies on their aims and priorities. Critics of the notion believe this is impossible: no paradigm, they say, can help navigate a chaotic, uncertain future, and in any case, U.S. society is too polarized to identify a consensus paradigm today. But the skeptics have it backward. Grand strategy is won, not found. It emerges from argument and debate. And it is useful precisely because it offers guidance in a complex world. Start with pandemics. For hundreds of years, quarantines have been essential to preventing the spread of infectious diseases. But today’s stay-at-home orders have exacted a devastating social, eco-nomic, and psychological toll on individuals and communities. Small businesses that are closed may never reopen. Tens of millions of people are out of work. Families are struggling to juggle childcare, homeschooling, and working from home. The **government’s goal should be to** *minimize* those *disruptions*—to build a system that can ***prevent economic disaster***, secure supply chains for essential materials, and massively scale up production and testing when needed. **Climate change could pose** an even bigger ***threat***. A *sustained drought*, akin to the one that created the Dust Bowl during the Great Depression, could **threaten the *global food supply*.** Rising *sea* levels, especially when coupled with storms, could *flood* low-lying *cities*. *Fires* already disrupt life in California every year. *Climate-induced crises* will also lead to population *migrations globally* and, with them, *social unrest and violence*. Part of the answer is aggressive action to limit increases in temperature. But in addition, the United States must be able to endure climate shocks when they arise. Consider also the country’s dependence on technology and the vulnerabilities it entails. Cyberattacks have already targeted U.S. election systems, banks, the Pentagon, and even local governments. The city of Riviera Beach, Florida, was forced to pay a ransom to cybercriminals who had taken over its computer systems; big cities, such as Atlanta and Baltimore, have faced similar attacks. *Cyberattacks* on the U.S. power grid, akin to the one that led to blackouts in Ukraine in December 2015, could “*deny large regions* of the country access to *bulk system power* for weeks or even months,” according to the National Academy of Sciences. All these challenges will *play out* at a time of growing *rivalry*—and especially geoeconomic competition—among great powers. Over the last half century, the United States has been the *world’s most powerful* *economy* and has thus been relatively *safe* from outside *economic pressures*. But as *China’s* economic strength *grows*, that is *likely to change.* The United States and other democracies have become dependent on China for essential and nonessential goods. China’s ability to exploit that dependence in a *future crisis or conflict* should be extremely *worrisome*. A strategy based on resilience would help *deter* such *coercion* and *minimize* the *disruption* if it does occur.

#### Decline in U.S. hegemony leads to a great power war with China that causes extinction

**Schmidt and Work 22**

[Eric, former CEO and chairman of Alphabet and Robert O. Work served as the 32nd U.S. deputy secretary of defense, ”How to Stop the Next World War” December 5, 2022.] TDI]

**Losing our military edge could** threaten these gains and **trigger irreversible consequences.** The rival best positioned to overtake us is the People’s Republic of China (PRC). Its military, **the People’s Liberation Army (PLA), has closely studied the American way of war for the past three decades and invested in new capabilities specifically designed to defeat us.** As the chairman of the Joint Chiefs of Staff, General Mark Milley, recently warned Congress, the **PRC is “working every day to close the technology gap with the United States and our allies.”** Milley’s predecessor General Joe Dunford issued a similar warning in 2017: **The U.S. military’s technological edge against China is eroding.** Just weeks ago, the Biden administration noted in its National Security Strategy that **China is gaining the capacity “to reshape the international order” and tilt “the global playing field to its benefit.”** Since our first meeting at the Pentagon, the character of conflict has changed dramatically. In 2016, North Korean hackers nearly succeeded in stealing all $1 billion that Bangladesh held at that time in the Federal Reserve Bank in New York. In 2020, Azerbaijani forces used advanced Turkish-made drones to destroy Armenian tanks, overturning a decades-long stalemate in the contested Nagorno-Karabakh region, and demonstrating the limits of relying on armored vehicles in the 21st century. In 2021, a drone seems to have autonomously attacked fighters for the first time. And this year, Ukrainian armed forces and civilians used internet service provided by the U.S.-based Starlink and a secure messaging app developed in Switzerland to report on Russian military movements.These changes are just the beginning. **As emerging technologies mature, particularly artificial intelligence, and as the geopolitical rivalry between the United States and China intensifies, changes in warfare will only accelerate.** **The next great-power war**—should we be so unfortunate as to experience one—**will be unlike any in history**. One key change is that **militaries will have great difficulty hiding from or surprising one another.** Sensors will be ubiquitous, and once-impenetrable intelligence will be vulnerable to quantum advances in decryption. **Highly adaptable and mobile weapons systems**—including drones, loitering munitions, and hypersonic missiles—**will largely inhibit militaries from amassing forces to invade** (though these systems may also enable surprise attacks of their own). This development might sound stabilizing, but it is more likely to be the opposite. **When one side knows what the other is about to do, it will be more inclined to attack preemptively, or risk significant losses. Similarly, the other side will feel an ever more urgent need to attack first. Such a dynamic encourages rapid escalation**, especially in the spac;e and cyber domains, where technological advances happen quickly and where international norms and red lines are largely lacking. Meanwhile, **analytic tools that help war fighters make sense of the battlefield will be fundamentally transformed by AI.** Applying AI-powered software to incoming data **will allow war fighters to process exponentially more information and share key findings instantaneously.** AI will also **enable militaries to search for patterns that humans alone cannot detect, leading to novel insights and early warnings** about adversaries’ actions and intentions. While many emerging technologies will make conflict more transparent, others will make it dangerously opaque. Deepfakes will give our adversaries the power to disseminate sophisticated falsehoods and even jeopardize military operations. The **scale and speed of cyberattacks will increase, allowing our opponents to hamper our communication networks and contaminate or manipulate data**. Even if we were able to detect an attack as it happened—a big if—we might not have time to effectively respond. **Manipulation and deception have always been part of warfare, but new technologies will supercharge them.** These changes will have enormous strategic implications, many of which we still don’t fully understand or appreciate. But some are already clear. The most significant is that **the competition between the United States and China, as well as Russia, is entering a phase of persistent conflict below the level of armed combat, marked by cyberattacks, intellectual-property theft, and disinformation campaigns aimed at our democratic institutions.** This type of conflict may not incur mass casualties, but it threatens our ability to grow economically, function as a community, and govern as a democracy. **It also heightens the risks of a hot war.** At the dawn of the **20th century, some believed** that great-power wars were a thing of the past. In 1909, Norman Angell argued in his book The Great Illusion that the **dominant nations at the time were so economically connected that none would start a war. Five years later, one of history’s most destructive wars began anyway.** The belief that economic entanglement prevents war reappeared in the aftermath of the Cold War but rings hollow now. **Russia’s territorial ambitions have overtaken any concerns it may have had about economic prosperity. China, which insists on reunifying with Taiwan—by force if necessary—is exhibiting similar tendencies.** As China’s leader, Xi Jinping, said at the recent Communist Party Congress, “Complete reunification must be realized and it can without a doubt be achieved … We will continue to strive for peaceful reunification with the greatest sincerity and utmost effort, but we will never promise to renounce the use of force.” The **growing ambitions of foreign powers, the blurring of the line between war and peace, and the emergence of disruptive technologies are all increasing the risk of a major war**. Henry Kissinger, the former secretary of state, has warned that the current period reminds him of the years leading up to World War I, except that the world “is infinitely more dangerous now than it was back then.” Not only is the likelihood of great-power war growing; so, too, is its potential impact on everyday Americans. For most of us, war happens elsewhere, in distant countries, fought by volunteer forces that can expect relatively few casualties. Today’s technologies overturn each of those assumptions. America’s adversaries can now more easily reach our homeland, whether by cyberattack, disinformation, or hypersonic missile. And they can individually target nearly every American by collecting data about our shopping habits, dating preferences, social networks, career links, and DNA profile. This has a variety of frightening applications, including tailored disinformation, psychological pressure, biological warfare, and targeted killings. Perhaps worst of all, **a great-power war in the 21st century, particularly between the United States and China, is likely to devolve into a grinding, years-long contest. Wars are sustained by will, resources, and innovation; great powers enjoy plenty of each**. Moreover, the **military technologies we have described can rapidly erode existing battlefield advantages, setting the stage for drawn-out conflicts in which neither side can sustain an advantage for long. With vital national interests and global preeminence on the line, such a war won’t end easily. Our adversaries are already preparing. After decades of closely studying our military, China has invested in a plan tailored to defeat it. Its aim is to identify and attack crucial nodes in the U.S. military’s operational systems, rendering our forces unable to observe, communicate, attack, defend, and resupply.** This is not just a theory. **China has demonstrated its ability to compromise digital infrastructure in the U.S. through repeated cyberattacks.** To protect itself from an American offensive, **the PLA has built a dense web of integrated aerial-denial and air-defense systems to challenge U.S. forces approaching Chinese shores. In 2021, more alarmingly, China tested a hypersonic missile capable of reaching any location in the United States. Given the missile’s technological sophistication, even detecting it, let alone neutralizing it, would be a challenge.** These advances are just the beginning. **The PLA is also developing plans to leapfrog U.S. military capabilities by aggressively investing in cutting-edge technologies such as artificial intelligence, big data, advanced computing, and 5G.**

### 1nc – impact – democracy promotion

#### Dollar hegemony key for democratizing nations.

Malone, 2007 [(Mary Fran, Professor, Justice Studies, Political Science and International Affairs, Women's and Gender Studies) “Can the United States export democracy?,” University of New Hampshire, https://scholars.unh.edu/discovery\_ud/25/, 2007] TDI

In some cases, the carrots have worked extraordinarily well, as nations have begun to adopt democratic institutions and procedures in response to U.S. financial incentives. Such was the case in Chile, where in a dramatic turnaround the U.S. pressured Pinochet to step down and provided financial support to pro-democracy groups challenging his reign. These financial incentives worked extraordinarily well, leading to the downfall of Pinochet and the renewal of a strong and vibrant democratic government. In South Africa, the racist regime of apartheid crumbled in the face of U.S. and international economic sanctions and boycotts. The U.S. banded together with the rest of the global community to support democracy activist Nelson Mandela as he emerged from decades of imprisonment to become the first black South African president. With international assistance and against all odds, Mandela led his country from the brink of civil war to establish the first multiracial, democratic government in South African history.

#### Democracy promotion and competition with China saves the LIO.

Beckley 22 – *Jeane Kirkpatrick Visiting Scholar at the American Enterprise Institute, associate professor at Tufts University* (Michael, March/April 2022, "Enemies of My Enemy," Foreign Affairs, https://www.foreignaffairs.com/articles/2021-02-14/china-new-world-order-enemies-my-enemy)//KH

DOUBLING DOWN ON DEMOCRACY History shows that eras of fluid multipolarity typically end in disaster, regardless of the bright ideas or advanced technologies circulating at the time. The late eighteenth century witnessed the pinnacle of the Enlightenment in Europe, before the continent descended into the hell of the Napoleonic Wars. At the start of the twentieth century, the world’s sharpest minds predicted an end to great-power conflict as railways, telegraph cables, and steamships linked countries closer together. The worst war in history up to that point quickly followed. The sad and paradoxical reality is that international orders are vital to avert chaos, yet they typically emerge only during periods of great-power rivalry. Competing with China will be fraught with risk for the United States and its allies, but it might be the only way to avoid even greater dangers. To build a better future, the United States and its allies will need to take a more enlightened view of their interests than they did even during the Cold War. Back then, their economic interests dovetailed nicely with their geopolitical interests. Simple greed, if nothing else, could compel capitalist states to band together to protect private property against a communist onslaught. Now, however, the choice is not so simple, because standing up to China will entail significant economic costs, especially in the short term. Those costs might pale in comparison to the long-term costs of business as usual with Beijing—Chinese espionage has been estimated to deprive the United States alone of somewhere between $200 billion and $600 billion annually—to say nothing of the moral quandaries and geopolitical risks of cooperating with a brutal totalitarian regime with revanchist ambitions. Yet the ability to make such an enlightened calculation in favor of confronting China may be beyond the capacities of any nation, especially ones as polarized as the United States and many of its democratic allies. If there is any hope, it lies in a renewed commitment to democratic values. The United States and its allies share a common aspiration for an international order based on democratic principles and enshrined in international agreements and laws. The core of such an order is being forged in the crucible of competition with China and could be built out into the most enlightened order the world has ever seen—a genuine free world. But to get there, the United States and its allies will have to embrace competition with China and march forward together through another long twilight struggle.

#### Primacy prevents great-power conflict — multipolar revisionism fragments the global order and causes nuclear war.

Brands & Edel, 19 — Hal Brands; PhD, Henry A. Kissinger Distinguished Professor of Global Affairs at the Johns Hopkins School of Advanced International Studies. Charles Edel; PhD, Senior Fellow and Visiting Scholar at the United States Studies Centre at the University of Sydney. (“The Lessons of Tragedy: Statecraft and World Order;” Ch. 6: Darkening Horizon; Published by *Yale University Press*; //GrRv)

Each of these geopolitical challenges is different, and each reflects the distinctive interests, ambitions, and history of the country undertaking it. Yet there is growing cooperation between the countries that are challenging the regional pillars of the U.S.-led order. Russia and China have collaborated on issues such as energy, sales and development of military technology, opposition to additional U.S. military deployments on the Korean peninsula, and naval exercises from the South China Sea to the Baltic. In Syria, Iran provided the shock troops that helped keep Russia’s ally, Bashar al-Assad, in power, as Moscow provided the air power and the diplomatic cover. “Our cooperation can isolate America,” supreme leader Ali Khamenei told Putin in 2017. More broadly, what links these challenges together is their opposition to the constellation of power, norms, and relationships that the U.S.-led order entails, and in their propensity to use violence, coercion, and intimidation as means of making that opposition effective. Taken collectively, these challenges constitute a geopolitical sea change from the post-Cold War era. The revival of great-power competition entails higher international tensions than the world has known for decades, and the revival of arms races, security dilemmas, and other artifacts of a more dangerous past. It entails sharper conflicts over the international rules of the road on issues ranging from freedom of navigation to the illegitimacy of altering borders by force, and intensifying competitions over states that reside at the intersection of rival powers’ areas of interest. It requires confronting the prospect that rival powers could overturn the favorable regional balances that have underpinned the U.S.-led order for decades, and that they might construct rival spheres of influence from which America and the liberal ideas it has long promoted would be excluded. Finally, it necessitates recognizing that great-power rivalry could lead to great-power war, a prospect that seemed to have followed the Soviet empire onto the ash heap of history. Both Beijing and Moscow are, after all, optimizing their forces and exercising aggressively in preparation for potential conflicts with the United States and its allies; Russian doctrine explicitly emphasizes the limited use of nuclear weapons to achieve escalation dominance in a war with Washington. In Syria, U.S. and Russian forces even came into deadly contact in early 2018. American airpower decimated a contingent of government-sponsored Russian mercenaries that was attacking a base at which U.S. troops were present, an incident demonstrating the increasing boldness of Russian operations and the corresponding potential for escalation. The world has not yet returned to the epic clashes for global dominance that characterized the twentieth century, but it has returned to the historical norm of great-power struggle, with all the associated dangers. Those dangers may be even greater than most observers appreciate, because if today’s great-power competitions are still most intense at the regional level, who is to say where these competitions will end? By all appearances, Russia does not simply want to be a “regional power” (as Obama cuttingly described it) that dominates South Ossetia and Crimea.37 It aspires to the deep European and extra-regional impact that previous incarnations of the Russian state enjoyed. Why else would Putin boast about how far his troops can drive into Eastern Europe? Why else would Moscow be deploying military power into the [West Asia]? Why else would it be continuing to cultivate intelligence and military relationships in regions as remote as Latin America? Likewise, China is today focused primarily on securing its own geopolitical neighborhood, but its ambitions for tomorrow are clearly much bolder. Beijing probably does not envision itself fully overthrowing the international order, simply because it has profited far too much from the U.S.-anchored global economy. Yet China has nonetheless positioned itself for a global challenge to U.S. influence. Chinese military forces are deploying ever farther from China’s immediate periphery; Beijing has projected power into the Arctic and established bases and logistical points in the Indian Ocean and Horn of Africa. Popular Chinese movies depict Beijing replacing Washington as the dominant actor in sub-Saharan Africa—a fictional representation of a real-life effort long under way. The Belt and Road Initiative bespeaks an aspiration to link China to countries throughout Central Asia, the Middle East, and Europe; BRI, AIIB, and RCEP look like the beginning of an alternative institutional architecture to rival Washington’s. In 2017, Xi Jinping told the Nineteenth National Congress of the Chinese Communist Party that Beijing could now “take center stage in the world” and act as an alternative to U.S. leadership.38 These ambitions may or may not be realistic. But they demonstrate just how significantly the world’s leading authoritarian powers desire to shift the global environment over time. The revisionism we are seeing today may therefore be only the beginning. As China’s power continues to grow, or if it is successful in dominating the Western Pacific, it will surely move on to grander endeavors. If Russia reconsolidates control over the former Soviet space, it may seek to bring parts of the former Warsaw Pact to heel. Historically, this has been a recurring pattern of great-power behavior—interests expand with power, the appetite grows with the eating, risk-taking increases as early gambles are seen to pay off.39 This pattern is precisely why the revival of great-power competition is so concerning—because geopolitical revisionism by unsatisfied major powers has so often presaged intensifying international conflict, confrontation, and even war. The great-power behavior occurring today represents the warning light flashing on the dashboard. It tells us there may be still-greater traumas to come. The threats today are compelling and urgent, and there may someday come a time when the balance of power has shifted so markedly that the postwar international system cannot be sustained. Yet that moment of failure has not yet arrived, and so the goal of U.S. strategy should be not to hasten it by giving up prematurely, but to push it off as far into the future as possible. Rather than simply acquiescing in the decline of a world it spent generations building, America should aggressively bolster its defenses, with an eye to preserving and perhaps even selectively advancing its remarkable achievements.

### 1nc – impact – resource wars

#### De-dollarization causes hyperinflation that could tear apart society; becoming a matter of national security that leads to major warfare.

Giustra, 2023 [(Frank, co-chair of the International Crisis Group and CEO of the Fiore Group, a private firm managing a broad portfolio of private equity investments and companies,) “De-dollarization: Not a matter of if, but when,” Responsible Statecraft, https://responsiblestatecraft.org/2023/05/03/de-dollarization-not-a-matter-of-if-but-when/, 05/03/23] TDI

Any sudden decrease in U.S. dollar demand could have disastrous consequences for Americans. It could potentially trigger a U.S. dollar crisis leading to very high inflation, or even hyperinflation, and initiate a debt and money printing cycle that could tear apart the social fabric of society. In short, any U.S. administration would ultimately consider any such de-dollarization moves to be matters of national security. Much of the global community is cheering, however. A lot of sovereign debt held by the global south is denominated in greenbacks, and an overpriced dollar makes debt service nearly impossible today. Additionally, because most commodities are priced in dollars, many less developed countries are importing inflation that would otherwise accrue to the U.S. That being said, BRICS nations should consider what America’s reaction to sudden shifts away from the dollar might be. History has demonstrated that it is exceptionally rare for a transfer of global economic power to take place without major warfare. Despite America’s likely opposition, de-dollarization will persist, as most of the non-Western world wants a trading system that does not make them vulnerable to dollar weaponization or hegemony. It’s no longer a question of if, but when. To break away from this hazardous trajectory, credible and inclusive dialogue regarding a new global agreement should commence now, in which major economies consent to a new monetary system (perhaps backed by gold and/or commodities) by consensus, including the U.S. This would inevitably involve substantial discomfort for the U.S., possibly to such an extent that it is politically unpalatable.

#### Hyperinflation crushes the economy and causes severe resource scarcity.

Amadeo, 2021 [(Kimberly, Over 20 years of senior-level corporate experience in economic analysis and business strategy and expert on U.S. and world economies) “Hyperinflation: Its Causes and Effects With Examples,” The Balance, (was a pdf, can’t find actual link) , 12/30/21] TDI

Causes of Hyperinflation Hyperinflation has two main causes: an increase in the money supply and demand-pull inflation. The former happens when a country's government begins printing money to pay for its spending. As it increases the money supply, prices rise as in regular inflation. The other cause, demand-pull inflation, occurs when a surge in demand outstrips supply, sending prices higher. This can happen due to increased consumer spending due to a growing economy, a sudden rise in exports, or more government spending.1 The two often go hand-in-hand. Instead of tightening the money supply to stop inflation, the government or central bank might continue to print more money. With too much currency sloshing around, prices skyrocket. Once consumers realize what is happening, they expect continued inflation. They buy more now to avoid paying a higher price later. That excessive demand aggravates inflation. It's even worse if consumers stockpile goods and create shortages. Key Takeaways • When prices soar over 50% in one month, the economy is experiencing hyperinflation. • This is can be caused by a government that prints more money than its nation’s GDP can support. • Hyperinflation tends to occur during a period of economic turmoil or depression. • Demand-pull inflation can also cause hyperinflation. Soaring prices cause people to hoard, creating a rapid rise in demand chasing too few goods. The hoarding may create shortages, and thus aggravate the rate of inflation. • Countries that have suffered horrendous inflation rates include Germany, Venezuela, Zimbabwe, and the Confederacy during the Civil War. Venezuela is still trying to cope with its hyperinflation. Effects of Hyperinflation When hyperinflation is in effect, consumer behavior adjusts. To keep from paying more for goods tomorrow, people begin hoarding today. That stockpiling creates shortages. Hoarding can start with durable goods, such as automobiles and washing machines. If hyperinflation continues, people hoard perishable goods, like bread and milk. These daily supplies become scarce, and more expensive, and the economy falls apart. People lose their savings as cash loses its value. For that reason, the elderly are often the most vulnerable to hyperinflation. Soon, banks and lenders go bankrupt, because their loans lose value. They run out of cash as people stop making deposits. Hyperinflation sends the value of the currency plummeting in foreign exchange markets. The nation's importers go out of business as the cost of foreign goods skyrockets. Unemployment rises as companies fold. Government tax revenues fall and it has trouble providing basic services. The government prints more money to pay its bills, worsening the hyperinflation.2 There are two winners in hyperinflation. The first beneficiaries are those who took out loans and find that the collapsing value of the currency makes their debt worthless by comparison until it is virtually wiped out. Exporters are also winners because the falling value of the local currency makes exports cheaper compared to foreign competitors. Additionally, exporters receive hard foreign currency, which increases in value as the local currency falls.

#### Supply chain shortages felt globally; leads to multi-actor resource war.

Martin, 2021 [(Bradley, Director, RAND National Security Supply Chain Institute; Senior Policy Researcher) “Supply Chain Disruptions: The Risks and Consequences,” RAND, https://www.rand.org/pubs/commentary/2021/11/supply-chain-disruptions-the-risks-and-consequences.html, 11/15/21] TDI

Supply Chain Disruption and Conflict Dispersed supply chains develop because actors find it's economically advantageous to seek the least-expensive and most-productive sources of supply. These dispersed chains develop for good reasons, but they create complicated interdependencies whose risks and vulnerabilities are sometimes not even understood, let alone mitigated. While the reasons for creating these chains lie largely with private interest, the effects of disruption—which can come from sources ranging from malign human action to natural disaster—are rarely localized. When shortages occur in one industry, the disruptions in one area nearly always spill into adjacent companies and sectors. Whole economies feel the impact, not isolated actors. Historically, nations have not yet resorted to war to ensure supply chain security, but it might be a mistake to assume that such action could never occur when circumstances become sufficiently dire. The impact on vulnerable populations may be particularly dire. Supply chain disruptions do not just create higher prices and shortages among high-end consumer products, such as cars. They also affect more-basic commodities such as generic drugs or energy, increasing the cost of living and the provision of basic needs. This kind of disruption can create instability more generally, promoting conditions for conflict between and within nations. For the most part, nations try to maintain access to markets and resources by peaceful means such as stockpiling, direct investment in partner nations, and use of other financial incentives. However, there is no guarantee that such competition will remain peaceful. As affluent nations and individuals can find ways to mitigate shortages, they may create blocs of “haves” and “have nots,” where some actors have enough but others cannot meet basic needs. “Haves” may find ways to more directly change distribution, most likely at the expense of other “have nots.” Or “have” nations may try to forcefully safeguard what they have gained and work to exclude competitors. In all these cases, the actors are facing shortages, occasioned by interdependence, and seeking security for themselves in ways that actually promote wider international systemic instability. Escalation of Conflict In some cases, supply chain disruptions can have an even more-direct impact than general disruption, causing shortages of commodities the nation must have to ensure national security. This kind of disruption can go beyond matters of justice, equity, and general prosperity to threatening a nation's very ability to defend itself and look after its citizens. Some examples are pharmaceuticals and personal protective equipment, energy, food, raw materials used in manufacturing, and semiconductors used in multiple different systems including military applications. Such shortages can make the need for a national government to act more dire and immediate and thus raise the risk of conflict. In some cases, particular types of raw materials only exist in certain places, so shifting to more-secure sources isn't even possible. Supply chain disruptions create both leverage for some nations and reasons for other nations to minimize leverage. For example, Taiwan currently dominates the market for semiconductors, which in some respects gives it leverage with other actors, including the mainland People's Republic of China (PRC). Semiconductors are capital-intensive—a new fabrication facility for semiconductors costs approximately $4 billion, with some estimates as high as $12 billion, and can take three or more years to build. This does not even account for the skilled labor, and points to the difficulty of readily shifting production. As a result, Taiwan gains considerable leverage over the PRC and indeed the world. However, this very dominance, plus its proximity to the PRC and its dependence on the PRC for other commodities, may in fact raise the incentive for the PRC to take aggressive military action to ensure access to a key commodity. Such action could range from a “quarantine” to military threats to an actual invasion. Aggressive action may stop well short of outright war, yet still be very dangerous for actors in the system. The problem of security vulnerability overall is complicated by the complexity and spread of supply chains across the world. A nation might not be able to successfully secure a commodity just by aggressive action against a single other nation. However, that action against another nation certainly could have the unintended effect of causing supply chains to fail in a more general manner. Aggressiveness, while understandable and probably predictable, might therefore also be extremely dangerous and unproductive. Conflict and Instability Nations have gone to war in the past over natural resource shortages or in an effort to secure key markets and labor pools. The need to secure resources and markets was an explicit premise in German and Japanese actions leading to World War II. Such conflict has occurred even during times of significant interdependence between nations, such as in the European system prior to World War I. Historically, nations have not yet resorted to war to ensure supply chain security, but it might be a mistake to assume that such action could never occur when circumstances become sufficiently dire. Interdependence does create incentives to cooperate to avoid disruption, but may offer few alternatives for some desperate nations if some part of the interdependent chain is broken.

#### Resource shortage goes nuclear.

FDI, 2012 [(Future Directions International, a Research institute providing strategic analysis of Australia’s global interests; citing Lindsay Falvery, PhD in Agricultural Science and former  Professor at the University of Melbourne’s Institute of Land and Environment) “Food and Water Insecurity: International Conflict Triggers and Potential Conflict Points,” Future Directions International, http://www.futuredirections.org.au/workshop-papers/537-international-conflict-triggers-and-potential-conflict-points-resulting-from-food-and-water-insecurity.html, 05/12/12] TDI

There is a **growing appreciation** that the conflicts in the next century will **most likely** be fought over a lack of resources. Yet, in a sense, this is not new. Researchers point to the French and Russian revolutions as conflicts induced by a lack of food. More recently, **Germany’s World War Two** efforts are said to have been inspired, at least in part, by its perceived need to gain access to more food. Yet the general sense among those that attended FDI’s recent workshops, was that the scale of the problem in the future could be **significantly greater** as a result of population pressures, changing weather, urbanisation, migration, loss of arable land and other farm inputs, and increased affluence in the developing world. In his book, Small Farmers Secure Food, Lindsay Falvey, a participant in FDI’s March 2012 workshop on the issue of food and conflict, clearly expresses the problem and why countries across the globe are starting to take note. . He writes (p.36), “…if people are hungry, especially in cities, **the state is not stable** – riots, violence, breakdown of law and order and migration result.” “Hunger feeds anarchy.” This view is also shared by Julian Cribb, who in his book, The Coming Famine, writes that if “large regions of the world run short of food, land or water in the decades that lie ahead, then **wholesale, bloody wars are liable to follow.”** He continues: “An increasingly credible scenario for World War 3 is not so much a confrontation of super powers and their allies, as a **festering**, self-perpetuating **chain** of resource conflicts.” He also says: “The wars of the 21st Century are less likely to be global conflicts with sharply defined sides and huge armies, than a scrappy mass of failed states, rebellions, civil strife, insurgencies, terrorism and genocides, sparked by bloody competition over dwindling resources.” As another workshop participant put it, people do not go to war to kill; they go to war over resources, either to protect or to gain the resources for themselves. Another observed that hunger results in passivity not conflict. Conflict is over resources, not because people are going hungry. A study by **the I**nternational **P**eace **R**esearch **I**nstitute indicates that where food security is an issue, it is more likely to result in some form of conflict. **Darfur, Rwanda, Eritrea and the Balkans** experienced such wars. Governments, especially in developed countries, are increasingly aware of this phenomenon. The UK Ministry of Defence, the CIA, the US **C**enter for **S**trategic and **I**nternational **S**tudies and the Oslo Peace Research Institute, **all identify** famine as a potential trigger for conflicts and possibly even **nuclear war**

#### Nuclear war leads to extinction.

Existential Risk Observatory, no date [“Nuclear war,” Existential Risk Observatory - The Existential Risk Observatory is a foundation under Dutch law/ <https://www.existentialriskobservatory.org/nuclear-war/>] TDI

Nuclear war was arguably the first existential risk that humanity created. It seems to be a very clear one: a full scale nuclear war leads to human extinction. However, we apply a strict definition of existential risk: only events leading to actual human extinction count. It is actually quite hard to make humanity go completely extinct with nuclear warfare. Cities can get bombed relatively easily, but places with low population density would be much harder to destroy. Therefore, complete extinction because of direct effects of nuclear war, although very important for non-existential reasons, is not the main existential threat. The main route towards extinction because of nuclear war would probably be nuclear winter. In case of a nuclear war, firestorms from targeted cities would create giant columns of smoke which rise high into the stratosphere. They might remain there for about five years, blocking sunlight. This could lead to a global temperature decrease of seven degrees during those years, after which temperatures would slowly return to normal. This fall in temperature would make growing food impossible in many of the currently most productive areas, probably leading to mass hunger. There is a possibility that nuclear war would cause extinction, but the possibility is only very slight, estimated at 0.1% for the next hundred years.

### 1nc – impact – nato-russia war

#### A decline in the dollar’s hegemony would lead to economic crises in the US.

Financhill 24, Financhill is a site dedicated to analyzing the rise and fall of stocks, “What Would Happen If the Dollar Collapses?”, Financhill, <https://financhill.com/blog/investing/what-would-happen-if-the-dollar-collapses>, ND NM 2024, TDI

The dollar is the world’s reserve currency, but what would happen if it lost that status? Most Americans can’t imagine the fallout, but history provides some clues. In the Weimar Republic, **hyperinflation wiped** out the value of the German **mark, leaving millions** of people **destitute.** In Venezuela, the bolivar has also been devalued to the point where it’s worth less than toilet paper. A weakening dollar would have a similar effect on the US economy. **Wages would fail to keep pace with asset growth, the middle class would be squeezed, and poverty would rise. Crime would also increase.** In this environment, there would **be growing support for protectionism and isolationism.** People would be less willing to trade with other countries, and the **global economy would become more fragmented.** The end of the dollar hegemony would be a major event with far-reaching consequences. It would be a challenge to the US’s global power, and it would make the world a more uncertain place.

**A financial crisis in the US would lead to a financial crisis worldwide.**

Claessen and Kose 12, Stjin Claessens and M. Ayhan Kose, Claessens is an Assistant Director for the IMF’s research department and  Kose is an Assistant to the Director in the IMF’s Research Department. "Finance & Development," Finance & Development | F&D, https://www.imf.org/external/pubs/ft/fandd/basics/recess.htm, 1 February 2012, TDI

**Simultaneous**, or synchronized**, recessions have occurred** in advanced economies **several times in the past four decades**—the mid-1970s, early 1980s, early 1990s, and early 2000s. **Because the United States is the world’s largest economy and has strong trade and financial linkages with many other economies, most** of these **globally synchronized recession episodes also coincide with U.S. recessions.**

**Worldwide financial crisis and decline would put the world at risk of nuclear war.**

Maavak 21, Matthew Maavak, "Salus Journal" Salus Journal, https://salusjournal.com/wp-content/uploads/2021/04/Maavak\_Salus\_Journal\_Volume\_9\_Number\_1\_2021\_pp\_2\_17.pdf, 31 April 2021, TDI

Various scholars and institutions regard global social instability as the greatest threat facing this decade. The catalyst has been postulated to be **a Second Great Depression** which, in turn, **will have profound implications for global security** and national integrity. This paper, written from a broad systems perspective, illustrates how emerging risks are getting more complex and intertwined; blurring boundaries between the economic, environmental, geopolitical, societal and technological taxonomy used by the World Economic Forum for its annual global risk forecasts. **Tight couplings in** our **global systems** have also **enabled risks** accrued **in one area to snowball into** a **full-blown crisis elsewhere.** The COVID-19 pandemic and its socioeconomic fallouts exemplify this systemic chain-reaction. Onceinexorable forces of globalization are rupturing as the current global system can no longer be sustained due to poor governance and runaway wealth fractionation. The coronavirus pandemic is also enabling Big Tech to expropriate the levers of governments and mass communications worldwide. This paper concludes by highlighting how this development poses a dilemma for security professionals. Key Words: Global Systems, Emergence, VUCA, COVID-9, Social Instability, Big Tech, Great Reset INTRODUCTION The new decade is witnessing rising volatility across global systems. Pick any random “system” today and chart out its trajectory: Are our education systems becoming more robust and affordable? What about food security? Are our healthcare systems improving? Are our pension systems sound? Wherever one looks, there are dark clouds gathering on a global horizon marked by volatility, uncertainty, complexity and ambiguity (VUCA). But what exactly is a global system? Our planet itself is an autonomous and selfsustaining mega-system, marked by periodic cycles and elemental vagaries. Human activities within however are not system isolates as our banking, utility, farming, healthcare and retail sectors etc. are increasingly entwined. Risks accrued in one system may cascade into an unforeseen crisis within and/or without (Choo, Smith & McCusker, 2007). Scholars call this phenomenon “emergence”; one where the behaviour of intersecting systems is determined by complex and largely invisible interactions at the substratum (Goldstein, 1999; Holland, 1998). The ongoing COVID-19 pandemic is a case in point. While experts remain divided over the source and morphology of the virus, the contagion has ramified into a global health crisis and supply chain nightmare. It is also tilting the geopolitical balance. China is the largest exporter of intermediate products, and had generated nearly 20% of global imports in 2015 alone (Cousin, 2020). The pharmaceutical sector is particularly vulnerable. Nearly “85% of medicines in the U.S. strategic national stockpile” sources components from China (Owens, 2020). An initial run on respiratory masks has now been eclipsed by rowdy queues at supermarkets and the bankruptcy of small businesses. The entire global population – save for major pockets such as Sweden, Belarus, Taiwan and Japan – have been subjected to cyclical lockdowns and quarantines. Never before in history have humans faced such a systemic, borderless calamity. COVID-19 represents a classic emergent crisis that necessitates real-time response and adaptivity in a real-time world, particularly since the global Just-in-Time (JIT) production and delivery system serves as both an enabler and vector for transboundary risks. From a systems thinking perspective, emerging risk management should therefore address a whole spectrum of activity across the economic, environmental, geopolitical, societal and technological (EEGST) taxonomy. Every emerging threat can be slotted into this taxonomy – a reason why it is used by the World Economic Forum (WEF) for its annual global risk exercises (Maavak, 2019a). As traditional forces of globalization unravel, security professionals should take cognizance of emerging threats through a systems thinking approach. METHODOLOGY An EEGST sectional breakdown was adopted to illustrate a sampling of extreme risks facing the world for the 2020-2030 decade. The transcendental quality of emerging risks, as outlined on Figure 1, below, was primarily informed by the following pillars of systems thinking (Rickards, 2020): • Diminishing diversity (or increasing homogeneity) of actors in the global system (Boli & Thomas, 1997; Meyer, 2000; Young et al, 2006); • Interconnections in the global system (Homer-Dixon et al, 2015; Lee & Preston, 2012); • Interactions of actors, events and components in the global system (Buldyrev et al, 2010; Bashan et al, 2013; Homer-Dixon et al, 2015); and • Adaptive qualities in particular systems (Bodin & Norberg, 2005; Scheffer et al, 2012) Since scholastic material on this topic remains somewhat inchoate, this paper buttresses many of its contentions through secondary (i.e. news/institutional) sources. ECONOMY According to Professor Stanislaw Drozdz (2018) of the Polish Academy of Sciences, “a global financial crash of a previously unprecedented scale is highly probable” by the mid- 2020s. This will lead to a trickle-down meltdown, impacting all areas of human activity. The economist John Mauldin (2018) similarly warns that the “2020s might be the worst decade in US history” and may lead to a Second Great Depression. Other forecasts are equally alarming. According to the International Institute of Finance, global debt may have surpassed $255 trillion by 2020 (IIF, 2019). Yet another study revealed that global debts and liabilities amounted to a staggering $2.5 quadrillion (Ausman, 2018). The reader should note that these figures were tabulated before the COVID-19 outbreak. The IMF singles out widening income inequality as the trigger for the next Great Depression (Georgieva, 2020). The wealthiest 1% now own more than twice as much wealth as 6.9 billion people (Coffey et al, 2020) and this chasm is widening with each passing month. COVID-19 had, in fact, boosted global billionaire wealth to an unprecedented $10.2 trillion by July 2020 (UBS-PWC, 2020). Global GDP, worth $88 trillion in 2019, may have contracted by 5.2% in 2020 (World Bank, 2020). As the Greek historian Plutarch warned in the 1st century AD: “An imbalance between rich and poor is the oldest and most fatal ailment of all republics” (Mauldin, 2014). The stability of a society, as Aristotle argued even earlier, depends on a robust middle element or middle class. At the rate the global middle class is facing catastrophic debt and unemployment levels, widespread social disaffection may morph into outright anarchy (Maavak, 2012; DCDC, 2007). **Economic stressors**, in transcendent VUCA fashion, may also **induce radical geopolitical realignments.** Bullions now carry more weight than NATO’s security guarantees in Eastern Europe. After Poland repatriated 100 tons of gold from the Bank of England in 2019, Slovakia, Serbia and Hungary quickly followed suit. According to former Slovak Premier Robert Fico, this erosion in regional trust was based on historical precedents – in particular the 1938 Munich Agreement which ceded Czechoslovakia’s Sudetenland to Nazi Germany. As Fico reiterated (Dudik & Tomek, 2019): “You can hardly trust even the closest allies after the Munich Agreement… I guarantee that if something happens, we won’t see a single gram of this (offshore-held) gold. Let’s do it (repatriation) as quickly as possible.” (Parenthesis added by author). President Aleksandar Vucic of Serbia (a non-NATO nation) justified his central bank’s gold-repatriation program by hinting at economic headwinds ahead: “We see in which direction the crisis in the world is moving” (Dudik & Tomek, 2019). Indeed, with two global Titanics – the United States and China – set on a collision course with a quadrillions-denominated iceberg in the middle, and a viral outbreak on its tip, the seismic ripples will be felt far, wide and for a considerable period. A reality check is nonetheless needed here: Can additional bullions realistically circumvallate the economies of 80 million plus peoples in these Eastern European nations, worth a collective $1.8 trillion by purchasing power parity? Gold however is a potent psychological symbol as it represents national sovereignty and economic reassurance in a potentially hyperinflationary world. The portents are clear: The current global economic system will be weakened by rising nationalism and autarkic demands. Much uncertainty remains ahead. Mauldin (2018) proposes the introduction of Old Testament-style debt jubilees to facilitate gradual national recoveries. The World Economic Forum, on the other hand, has long proposed a “Great Reset” by 2030; a socialist utopia where “you’ll own nothing and you’ll be happy” (WEF, 2016). In the final analysis, COVID-19 is not the root cause of the current global economic turmoil; it is merely an accelerant to a burning house of cards that was left smouldering since the 2008 Great Recession (Maavak, 2020a). We also see how the four main pillars of systems thinking (diversity, interconnectivity, interactivity and “adaptivity”) form the mise en scene in a VUCA decade. ENVIRONMENTAL What happens to the environment when our economies implode? Think of a debt-laden workforce at sensitive nuclear and chemical plants, along with a concomitant surge in industrial accidents? Economic stressors, workforce demoralization and rampant profiteering – rather than manmade climate change – arguably pose the biggest threats to the environment. In a WEF report, Buehler et al (2017) made the following pre-COVID-19 observation: The ILO estimates that the annual cost to the global economy from accidents and work-related diseases alone is a staggering $3 trillion. Moreover, a recent report suggests the world’s 3.2 billion workers are increasingly unwell, with the vast majority facing significant economic insecurity: 77% work in part-time, temporary, “vulnerable” or unpaid jobs. Shouldn’t this phenomenon be better categorized as a societal or economic risk rather than an environmental one? In line with the systems thinking approach, however, global risks can no longer be boxed into a taxonomical silo. Frazzled workforces may precipitate another Bhopal (1984), Chernobyl (1986), Deepwater Horizon (2010) or Flint water crisis (2014). These disasters were notably not the result of manmade climate change. Neither was the Fukushima nuclear disaster (2011) nor the Indian Ocean tsunami (2004). Indeed, the combustion of a long-overlooked cargo of 2,750 tonnes of ammonium nitrate had nearly levelled the city of Beirut, Lebanon, on Aug 4 2020. The explosion left 204 dead; 7,500 injured; US$15 billion in property damages; and an estimated 300,000 people homeless (Urbina, 2020). The environmental costs have yet to be adequately tabulated. Environmental disasters are more attributable to Black Swan events, systems breakdowns and corporate greed rather than to mundane human activity. Our JIT world aggravates the cascading potential of risks (Korowicz, 2012). Production and delivery delays, caused by the COVID-19 outbreak, will eventually require industrial overcompensation. This will further stress senior executives, workers, machines and a variety of computerized systems. The trickle-down effects will likely include substandard products, contaminated food and a general lowering in health and safety standards (Maavak, 2019a). Unpaid or demoralized sanitation workers may also resort to indiscriminate waste dumping. Many cities across the United States (and elsewhere in the world) are no longer recycling wastes due to prohibitive costs in the global corona-economy (Liacko, 2021). Even in good times, strict protocols on waste disposals were routinely ignored. While Sweden championed the global climate change narrative, its clothing flagship H&M was busy covering up toxic effluences disgorged by vendors along the Citarum River in Java, Indonesia. As a result, countless children among 14 million Indonesians straddling the “world’s most polluted river” began to suffer from dermatitis, intestinal problems, developmental disorders, renal failure, chronic bronchitis and cancer (DW, 2020). It is also in cauldrons like the Citarum River where pathogens may mutate with emergent ramifications. On an equally alarming note, depressed economic conditions have traditionally provided a waste disposal boon for organized crime elements. Throughout 1980s, the Calabriabased ‘Ndrangheta mafia – in collusion with governments in Europe and North America – began to dump radioactive wastes along the coast of Somalia. Reeling from pollution and revenue loss, Somali fisherman eventually resorted to mass piracy (Knaup, 2008). The coast of Somalia is now a maritime hotspot, and exemplifies an entwined form of economic-environmental-geopolitical-societal emergence. In a VUCA world, indiscriminate waste dumping can unexpectedly morph into a Black Hawk Down incident. The laws of unintended consequences are governed by actors, interconnections, interactions and adaptations in a system under study – as outlined in the methodology section. Environmentally-devastating industrial sabotages – whether by disgruntled workers, industrial competitors, ideological maniacs or terrorist groups – cannot be discounted in a VUCA world. Immiserated societies, in stark defiance of climate change diktats, may resort to dirty coal plants and wood stoves for survival. Interlinked ecosystems, particularly water resources, may be hijacked by nationalist sentiments. The environmental fallouts of critical infrastructure (CI) breakdowns loom like a Sword of Damocles over this decade. GEOPOLITICAL **The primary catalyst behind WWII was the Great Depression**. Since **history often repeats itself,** expect familiar bogeymen to reappear in societies roiling with impoverishment and ideological clefts. Anti-Semitism – a societal risk on its own – may reach alarming proportions in the West (Reuters, 2019), possibly forcing Israel to undertake reprisal operations inside allied nations. If that happens, how will affected nations react? Will security resources be reallocated to protect certain minorities (or the Top 1%) while larger segments of society are exposed to restive forces? Balloon effects like these present a classic VUCA problematic. **Contemporary geopolitical risks include** a possible **Iran-Israel war; US-China military confrontation over Taiwan or the South China Sea**; North Korean proliferation of nuclear and missile technologies; an India-Pakistan nuclear war; an Iranian closure of the Straits of Hormuz; fundamentalist-driven implosion in the Islamic world; **or** a **nuclear confrontation between NATO and Russia.** Fears that the Jan 3 2020 assassination of Iranian Maj. Gen. Qasem Soleimani might lead to WWIII were grossly overblown. From a systems perspective, the killing of Soleimani did not fundamentally change the actor-interconnection-interaction adaptivity equation in the Middle East. Soleimani was simply a cog who got replaced.

#### US-Russia nuclear war is the only nuclear scenario that leads to extinction

**Farquhar et al 2017** (Sebastian Farquhar, John Halstead, Owen Cotton-Barratt, Stefan Schubert, Haydn Belfield, and Andrew Snyder-Beattie. “Existential Risk: Diplomacy & Governance.” Global Priorities Project 2017. <https://www.fhi.ox.ac.uk/wp-content/uploads/Existential-Risks-2017-01-23.pdf>) //neth

The bombings of Hiroshima and Nagasaki demonstrated the unprecedented destructive power of nuclear weapons. However, even in an all-out nuclear war between the United States and Russia, despite horrific casualties, neither country’s population is likely to be completely destroyed by the direct effects of the blast, fire, and radiation.8 The aftermath could be much worse: the burning of flammable materials could send massive amounts of smoke into the atmosphere, which would absorb sunlight and cause sustained global cooling, severe ozone loss, and agricultural disruption – a nuclear winter. According to one model 9 , an all-out exchange of 4,000 weapons10 could lead to a drop in global temperatures of around 8°C, making it impossible to grow food for 4 to 5 years. This could leave some survivors in parts of Australia and New Zealand, but they would be in a very precarious situation and the threat of extinction from other sources would be great. An exchange on this scale is only possible between the US and Russia who have more than 90% of the world’s nuclear weapons, with stockpiles of around 4,500 warheads each, although many are not operationally deployed.11 Some models suggest that even a small regional nuclear war involving 100 nuclear weapons would produce a nuclear winter serious enough to put two billion people at risk of starvation,12 though this estimate might be pessimistic.13 Wars on this scale are unlikely to lead to outright human extinction, but this does suggest that conflicts which are around an order of magnitude larger may be likely to threaten civilisation. It should be emphasised that there is very large uncertainty about the effects of a large nuclear war on global climate. This remains an area where increased academic research work, including more detailed climate modelling and a better understanding of how survivors might be able to cope and adapt, would have high returns. It is very difficult to precisely estimate the probability of existential risk from nuclear war over the next century, and existing attempts leave very large confidence intervals. According to many experts, the most likely nuclear war at present is between India and Pakistan.14 However, given the relatively modest size of their arsenals, the risk of human extinction is plausibly greater from a conflict between the United States and Russia. Tensions between these countries have increased in recent years and it seems unreasonable to rule out the possibility of them rising further in the future.

### 1nc – impact – brics backlash

#### BRIC puts US in a headlock if they don’t release sanctions and win the favor of countries who want to undermine the US dollars

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This month's high-level global summit underscores the deepening geopolitical divides that increasingly define world politics and threaten U.S. interests. Media and observers paid close attention to the G7 and Ukraine peace summits. But in the same week, a pivotal, under-the-radar meeting took place in western Russia, as BRICS foreign ministers gathered with their counterparts from nearly two dozen Global South countries. Like the G7 and Ukraine summits, the BRICS meeting didn't result in revelatory policy initiatives. However, it showed that more and more nations are aggrieved by U.S. policy, looking for alternatives to Washington's leadership and want to be part of the de-dollarization trend. Brazil, Russia, India, and China began the BRICS project in 2006, seeking to reform international finance institutions like the IMF and World Bank. South Africa later joined in 2010. The group formed the New Development Bank in 2014 but never gathered momentum or coherence until recently. Early this year, important regional powers Iran, Ethiopia, Egypt, and the United Arab Emirates (UAE) officially joined the group. Before the June meeting, Moscow's ambassador to China said that "the number of states interested in BRICS is much bigger than this entity can absorb now," with nearly 30 countries hoping to receive an invitation. Countries like Turkey, a NATO member that has long sought admission to the European Union, and Thailand, which has historically been content to sit on the geopolitical sidelines, now want to join BRICS. One doesn't need a crystal ball to divine their motivations. The top diplomats from BRICS and the Global South spoke of the need to build new security, governance, and finance architectures to supplant the current U.S.-led systems that they believe only serve Western interests. BRICS features Global South countries' concerns and grievances front and center—this rarely happens in Western-led international fora. In fact, anti-Western grievances are the political valence that brings together BRICS members and Global South countries. BRICS states account for more than 40 percent of the world's population, 28 percent of the world's economic output, and 47 percent of global crude oil. An enlarged BRICS with more oil producers and regional powers should be particularly concerning for the U.S., as it could advance de-dollarization. One way in which the group is subverting the dollar's dominance is by encouraging "enhanced use of local currencies in trade and financial transactions between" BRICS countries, said a joint statement from their June meeting. China has been at the forefront of this effort as it seeks to internationalize its currency. Since Russia's 2022 invasion of Ukraine, China has ramped up its use of the yuan to buy Russian commodities, particularly oil, and the renminbi has overtaken the U.S. dollar as the primary currency for Chinese-Russian trade. China has been in talks with other major oil producers like Iran, Iraq, and Saudi Arabia to move toward more extensive use of the yuan to settle oil transactions. An estimated 20 percent of global oil was bought and sold in currencies other than the U.S. dollar. Countries like Iran and Russia, under heavy U.S. sanctions, are not the only ones looking to diversify. Even Brazil, the UAE, and Saudi Arabia are moving to protect themselves from the impact of Western sanctions on oil and other commodity trade. To further move away from the dollar, China is selling off its U.S. dollar assets, and China and Russia have bought record levels of gold in recent years. Exclusively Available to Subscribers Try it now for $1 This effort to undermine the dollar will have serious ramifications for the U.S. and its economy, particularly in this inflationary era. Since the 1970s, the U.S. dollar has been the primary currency—known as the petrodollar—for oil transactions. This drives demand for the dollar and helps it maintain its value and role as the world's global reserve currency. As a result, the U.S. generally has lower borrowing costs, can run deficits, and print money at its discretion, propping up Americans' standard of living. A general view of BRICS flags A general view of flags of South Africa, Brazil, Russia, India, and China during the 2023 BRICS Summit at the Sandton Convention Centre in Johannesburg on Aug. 24, 2023. But U.S. policies, particularly sanctions policy, are undermining the dollar, and by extension, the U.S. economy and Washington's global standing. U.S. sanctions cover 29 percent of the global economy and 40 percent of global oil reserves. Washington's reflexive and extensive deployment of sanctions has been an abject failure in the aggregate. The U.S. frequently deploys this tool to coerce states to change their behavior, but it rarely works—just look at Cuba. Not only are these sanctions not having their intended effect, but they are "inadvertently creat[ing] an 'Axis of Evasion'" among Russia, Iran, Venezuela, North Korea, and China, who are banding together to mitigate their limited access to Western markets. For so long, the U.S. has considered itself "the indispensable nation." However, many nations in today's multipolar world see U.S. hegemony upheld by hectoring and hypocrisy. They perceive hypocrisy in Washington's irreconcilable stances on the wars in Gaza and Ukraine and sense that the rules-based order only applies to the West's adversaries. Reports of the dollar's imminent demise are surely overblown. A unified BRICS currency will not come to fruition anytime soon. Still, the de-dollarization trend and what it signifies about perceptions of the U.S. should lead Washington to take stock of what is driving BRICS and Global South nations together to replace the dollar. The U.S. must reconsider its unyielding commitment to primacy, its knee-jerk use of sanctions, and its hypocritical stance on the "rules-based order" before it is too late. Restraint is needed as vast swathes of the world are coming together to sidestep the U.S. dollar and supplant U.S. leadership.

#### Tensions with BRICS go nucular

Uyanaev, ’23 Ph.D., leading researcher, Russia – China Centre, RAS Far East Institute, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.nkibrics.ru/system/asset\_docs/data/54cf/7415/6272/690a/8b1c/0000/original/Nuclear\_issues\_in\_the\_agenda\_of\_the\_BRICS\_grouping.pdf?1422881813. 9/23

Among the important international problems, that are included today in the agenda pursued by the young but influential group of countries known as BRICS (Brazil, Russia, India, China and South Africa), the certain place is occupied by «nuclear issues». It seems to be to be quite natural, as the strengthened non-proliferation regime, which promotes compliance with the provisions of the Nuclear Non-Proliferation Treaty (NPT) and other agreements in that area, and finally progress toward nuclear disarmament are believed to be an important instruments in leading the BRICS to their self-proclaimed goal of achieving a “fair and democratic world order”. Among BRICS countries, the nuclear issue, in its condensed form, tends to focus more on public safety, at least this is how it appears from, inter alia, certain provisions of the 2011-2012 BRICS summits, referring to the “strict adherence to the construction and operation standards of nuclear power stations.” The BRICS do not have a separate nuclear “negotiations track” (as exists for the finance ministers, etc.). However, significantly, the very first joint communique by the foreign ministers of what was then four BRIC countries (in Yekaterinburg, May 2008) touched upon disarmament and non-proliferation as two mutually complementary areas in international security. Nuclear Status and Country Approaches Two BRICS nations, Russia and China, belong to the five official members of the world’s “nuclear club” and, as such, are NPT signatories. India is one of the four nations that, although not party to the NPT, are de facto nuclear powers. Brazil and South Africa have signed the NPT as nuclear ‘have-nots,’ but they have nuclear 1 power or research reactors. Brazil, Russia and South Africa have ratified the Comprehensive Nuclear Test Ban Treaty (CTBT, 1996). China has signed it but not ratified it, and India, although altogether outside the CTBT framework, is one of the eight nations whose stance has so far made it impossible for the CTBT to take effect. Four BRICS countries (all except India) belong to the Nuclear Suppliers Group (NSG), set up to reinforce nuclear export controls. All five BRICS participate in the Geneva Conference on Disarmament and are engaged in developing, to varying extents, civilian nuclear power projects. Russia has 33 nuclear reactors, China has 16, India 20, and Brazil and South Africa have 2 nuclear reactors each. These are the status parameters that underpin the nuclear policies of each of the five BRICS. Absolute Leader Russia is the absolute leader among the BRICS both in terms of civilian and military nuclear capacity. Russia is the legal successor of the Soviet Union as one of the three NPT Depository States. Boasting effective nuclear parity with the United States, Russia has engaged with America over strategic offensive arms reduction (START). In 2010, the parties signed another bilateral agreement. Russia is a co-author of the Russia-U.S. Global Initiative to Fight Acts of Nuclear Terrorism, and the Russian-Chinese initiative to Ban the Deployment of Arms (any armaments) in Outer Space. Russia supports ( the first point of general approach) a consolidation of the NPTbased non-proliferation regime with its three fundamental constituents: nonproliferation, disarmament and the use of the atomic energy for peaceful purposes. The aim is to contain the proliferation of hazardous nuclear technologies, with absolute respect for the rights of states party to the NPT to have access to “atoms for peace” under the auspices of the International Atomic Energy Agency (IAEA), which acts as a watchdog, ensuring approved civilian technologies are not switched over to military purposes. Second, Russia supports the ultimate goal of 2 nuclear disarmament, a world free of nuclear arms, although it fully appreciates that this goal can only be achieved through a gradual disarmament process and only if subject to the principle of equitable security for all states. This approach underpins Russia’s stance on the reduction of non-strategic nuclear weapons (NSNW). Russia is not yet ready to pursue significant reductions in this area, especially considering the possibility of U.S. missile defense systems stationed close to its borders. Third, having joined the comprehensive nuclear test moratorium in 1992, Russia wants to see the CTBT put into effect as soon as possible. It actively urges those countries that have not yet signed or ratified the treaty to do so without delay. While supporting countries’ right to “atoms for peace” (as noted above, the country itself has 33 reactors at 10 nuclear power stations), equally, Russia promotes the initiative to establish a global nuclear power infrastructure, supports the strengthening of the export control systems and pursues the respective measures in the NSG. China’s Principles and the “Smiling Buddha” China’s current nuclear arsenal stands at 410 to 440 units. In size, it is comparable to those of France and the UK, but it is smaller than the US or Russian arsenals by an order of magnitude. China’s nuclear armaments fall roughly into three categories. About 140 warheads are deployed on intermediate and long-range ground- and sea-launched missiles. A similar number (about 150) are intended for use in nuclear aircraft. The other third of the warheads (about 120 to 150) are low-yield tactical nuclear bombs, artillery shells, nuclear mines and possibly short-range missiles such as the DF-15 and DF11. This information is not entirely reliable, as there are reasons to believe that China does not have purely tactical nuclear warheads, and the total number of nuclear warheads could well be smaller. 3 Beijing’s nuclear policies are based on five declared principles: promoting nuclear disarmament; not initiating a nuclear attack; consolidating the nonproliferation regime; showing respect for the nations’ right to the peaceful use of nuclear power, and taking steps to reduce nuclear risks. China’s nuclear policy involves a very specific stance on nuclear disarmament. While supporting the goal of nuclear disarmament, China never fails to note that it will only embrace reductions after the United States and Russia have reduced their arsenals to levels comparable with China’s. Another feature is its distinct emphasis on unconditional safeguards for nuclear have-nots. The central issue here is the “no-first-use” principle. China was the first country to declare, in 1964, its support for this concept. China has advocated the CTBT’s speedy entry into force, although China itself has not yet ratified it. The country has been in no hurry to leap ahead of the other seven countries (including the United States) that also need to sign or ratify it, but China has strictly observed the 1995 nuclear test moratorium. India also has a unique nuclear policy. Remaining outside the key treaties, this country did well to fit into the effective international regimes and become eligible for numerous preferences. India, which symbolically code-named its own first nuclear device, tested in 1974, the “Smiling Buddha”, has voiced its readiness to join the NPT, but only with “official nuclear state” status, something the treaty expressly disallows. In the meantime, India refuses to eliminate the fifty or so warheads it has accumulated and join the NPT as a non-nuclear state. As noted above, India never signed the CTBT, which suggests the country takes a different approach, in the nuclear disarmament context. However, while enjoying a well-deserved reputation of a “responsible nonproliferation custodian” and U.S. support due to the country’s separate 2005 nuclear agreement, India has secured certain preferences to which only NPT 4 parties have otherwise been eligible. In particular, receiving nuclear materials and equipment is allowed, subject to NSG consent. A Single Precedent As for South Africa, it is the only country that has voluntarily given up its own accumulated nuclear arsenal. In 1970, it was banned from the IAEA because of apartheid. By way of response, it produced 6-9 uranium explosive devices. However, by the early 1990, when power in the country started to shift to the black South African majority, these weapons were decommissioned voluntarily. Brazil secretly had its own “non-peaceful” nuclear project during its military rule (1964–1985), although it never produced an explosive device. In 1990, the new leadership officially announced they had stopped all military projects and research in that area. While positively assessing Brazil’s policies vis-à-vis non-proliferation (similar to South Africa, Brazil is party to the NPT, CTBT and NSG), international observers continue to believe that potentially, with its considerable technical capacity, the country is in a position to establish their nuclear arms production within three years. Is Consensus Possible? Overall, the nuclear factor impacts the policies of each of the BRICS countries, albeit to varying degrees, as well as the group’s overall agenda (even though it has little prominence). The countries share certain commonalities in their nuclear policies: • • Adherence (including India outside the NPT) to non-proliferation, nondiversion to military ends of civilian nuclear materials and dual use technologies; Respect for all states’ right to have access to “atoms for peace” (alongside non-proliferation), subject to IAEA and NSG controls; 5 • Shared perception of the threats posed by nuclear terrorism and their mitigation; • • Promotion of non-nuclear zones over increasingly large regions; Actions to support the non-deployment of arms (including nuclear weapons) in outer space. The BRICS countries can hope for further cooperation, which is also deemed necessary to strengthen Russia’s positions on the international stage and promote international security for all. The “nuclear dialogue” can realistically be expected to grow broader and deeper even without a separate track, through meetings of foreign ministers and special envoys to discuss the security agenda. The situation is more complicated when it comes to real cooperation on nuclear disarmament. Here, there is a difference between Russia’s position, on the one hand, and China and possibly India, on the other: the partners expect further steps to reduce nuclear arsenals from Russia (and the United States), and only then will they be prepared to consider their own nuclear disarmament. The positions of Brazil and South Africa are not particularly relevant here. It thus may be a bit premature to suggest engaging BRICS in the Russia-U.S. missile defense and nuclear agenda, or developing some sort of a shared “disarmament strategy”. There is a similar pattern in the BRICS countries’ views on the CTBT. Some limited cooperation may be possible, since there is a shared commitment to the universal and comprehensive ban on nuclear tests. However, the BRICS differ in their vision of how to achieve this goal. Some degree of partnership seems to be emerging, largely on the platform of UN bodies, with their capacity to help coordinate efforts, including through the relevant resolutions of the Security Council (Nos 1540, 1887 and others). Iran and Korea: Grounds for Coordination 6 Iran’s nuclear issues and those of the Korean Peninsula belong to an area in which the BRICS countries could already be acting together, as there is an apparent similarity in their approaches. The April 2012 Moscow communique by the foreign ministers of Russia, India and China (RIC) expresses confidence in the need to negotiate these issues solely on the basis of dialog. Having recognized Iran’s right to “atoms for peace,” the three RIC countries urge Teheran to comply with the UN Security Council’s resolutions and cooperate with the IAEA. They also call for moderation on the Korean Peninsula and the resumption of the sixparty talks. Brazil has an almost identical position: it supports the UN Security Council’s resolutions on Iran, but it has also stressed Iran's right to develop nuclear energy for peaceful purposes, and occasionally cast doubts on IAEA findings it deems anti-Iranian. As with North Korea, Brazil believes the best approach to Iran is one built on dialog and inclusivity. South Africa’s position is also similar. The BRICS Delhi Declaration, signed by South Africa’s president, refers to the need to avoid escalation in Iran, speaks of the “key role this country plays in the peaceful development and prosperity in the region,” of Iran’s right to “develop nuclear energy for peaceful purposes in line with its international commitments” and also of the need to resolve related concerns through political and diplomatic means. South Africa’s two-decade precedent carries particular relevance for nuclear cooperation between the BRICS states, as it offers a resolution to a complex debacle (from the non-proliferation point of view). One wonders whether this might serve as a good example of how common sense and goodwill displayed by a state mired in nuclear issues and a constructive response from the international community can yield a positive result, even in regions where this seems unrealistic today, such as the Middle East or Northeast Asia. 7 The very possibility of such cooperation was once more reminded by almost unanimous strict reaction from all the five capitals of the BRICS after the nuclear test in North Korea on February 12, 2013. As it was put in RSA, «the South African Government strongly condemns the latest nuclear test carried out by the Democratic People’s Republic of Korea (DPRK). The test is a clear violation of United Nations Security Council resolutions calling on the DPRK not to conduct any further nuclear tests». To conclude, all the BRICS countries are contributing to the various international talks on issues such as nuclear disarmament, non-proliferation and “atoms for peace.” Enhanced cooperation areas within the BRICS group at least in some of these areas, despite some differences has generally a good potential to promote international peace and security.

### 1nc – impact – structural violence

#### Dollar deprecation leads to the collapse of living standards - even a 20% decline is painful, affects the most vulnerable, and stokes chaos and social unrest.

Pilkington ’22 Philip Pilkington, 2-26-2022, "The End of Dollar Hegemony?", American Affairs Journal, https://americanaffairsjournal.org/2022/03/the-end-of-dollar-hegemony/ TDI

The Impact on American Living Standards The question now raises its ugly head: how much more expensive would imported goods become for ordinary Americans in the event of the dollar becoming just one currency amongst many? That depends on how much the dollar relies for its value on its reserve currency status. No one knows that because no one can know it. Since the dollar has always been the reserve currency in the modern, postwar era, we have no point of historical comparison. Thus, we have no idea whatsoever how much of the U.S. dollar’s value derives from its reserve currency status. “Whereof one cannot speak, thereof one must remain silent,” as Wittgenstein put it. What we can say, however, is how much various depreciations of the U.S. dollar would raise domestic prices—and erode living standards in a heavily indebted country. The table below estimates the likely impact of various dollar depreciations on both consumer prices and import prices, obtained by linear regression analysis. Before interpreting this data, we should state two points so as not to be misled by the numbers. First, the model used to derive these estimates can only capture first-order effects. Since the initial price increases will likely feed into other price increases, the actual impact on overall consumer prices could be higher—especially if these price hikes occur in an already inflationary environment. Second, while a rise in domestic consumer prices can usually be balanced out for workers through a rise in their wages, a rise in the price of imports cannot. Therefore, these estimates show a permanent hit to the living standards of the American consumer; they cannot be reversed through domestic wage hikes, as these hikes will only further drive down the value of the U.S. dollar. The American consumer will have to eat them. With that in mind, we can now discuss how bad these estimates are. A 10–20 percent decline in the value of the dollar would be painful, particularly for poor and working-class people who are more impacted by rising import prices, as cheap Chinese imports are disproportionately bought by these groups (especially relative to their budgets). The average American would rankle at a permanent loss of 3–7 percent of their purchasing power, but it would not break the bank. Anything over this, however, would be incredibly painful. A 30–50 percent decline in the value of the dollar would mean imported goods rising in price 30–50 percent and overall prices rising anywhere between 10 percent and 17 percent. That represents a permanent decline in living standards of 10–17 percent. Never in history outside of wartime have Americans felt such a shock, and never in history have they faced such a permanent shock. This would be a contraction in living standards that could easily generate chaos and social unrest. Import Substitution: A Therapeutic There is good reason to believe that the cat has been let out of the bag. Western countries have already signaled that their foreign exchange reserves can and likely will be weaponized in the future. The terms on which they will be weaponized are vague and have not been clarified. Diplomatic efforts to persuade the world otherwise would be more than welcome, and it is strongly in the interest of the Western nations to pursue this channel. But doing so will be an uphill struggle. There is no policy that could reverse the effects of the fall of the dollar reserve currency completely. But there are policies that could help ease the transition: a therapeutic, not a cure. The most promising is a policy of import substitution. This could be done simply enough. The United States—and other countries worried about their currencies—should set up an investment bank. This investment bank should have its debt backed by the central bank, which should be allowed buy this debt at a 0 percent interest rate. The debt contracts will be perpetual, and the bonds will never be redeemed. Limits should be set on the issuance of this debt according to the needs of the import substitution program, preferably on the basis of a five-year plan in order to avoid political interference. The investment bank should be staffed with economists and market analysts. They will strip down the import statistics in search of easily substitutable products that are currently imported mainly because the price of the equivalent foreign product is lower. The investment bank will then work with domestic industry to produce these goods and will subsidise the price difference between the domestic product and the foreign product. So, for example, if a Chinese-manufactured toaster costs $10 wholesale and an American equivalent costs $15 due to higher domestic labor costs, the investment bank will subsidise the American equivalent to the tune of $5 per unit. An import substitution program such as this will ease the transition away from a world dependent on the dollar reserve currency. It will also encourage high quality domestic manufacturing jobs. It can even be used as a regional development strategy. So, the investment bank can request that companies availing themselves of the subsidies build their factories in poorer regions. This could lead to a revival of the areas devasted by the flight of American manufacturing abroad. Perhaps something will change in the coming months. But it seems possible that we have reached the end of an era—one that began in 1945, shifted gears in 1971, and may now be approaching its terminus. A multipolar world is emerging before our eyes, while the unipolar power of the United States and its allies is slipping away.

#### Dollar hegemony allows the US to aid women in Afghanistan.

**USAID 22**, US-based organization that provides aid to people in need, “United States Announces $30 Million Commitment To Advance Women And Girls’ Rights In Afghanistan”, <https://www.usaid.gov/news-information/press-releases/aug-12-2022-united-states-announces-30-million-commitment-advance-women-girls-rights-afghanistan>, 12 August 2022, TDI

Today, the United States, through the U.S. Agency for International Development (USAID), announced a $30 million commitment to support gender equality and women’s empowerment in Afghanistan. This funding will be programmed through the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). The “Enabling Essential Services for Afghan Women and Girls” activity will increase Afghan women and girls’ access to social protection services; provide resources and support for women-led civil society organizations working to advance women's rights in Afghanistan; and increase women’s economic empowerment through skills and business development training and entrepreneurship support. The Taliban have sharply restricted the most fundamental human rights for Afghan women and girls. Many women and girls have been instructed by the Taliban to stay at home. Women have not been allowed to work–except in certain professions, such as health. In most provinces, girls have not been permitted to attend school beyond the sixth grade, and women attending university face significant harassment. Violence against women and girls overall has increased. Female human rights defenders and journalists are targeted and threatened by the Taliban for speaking up for their freedoms, and the Taliban has increasingly restricted the space for women-led civil society organizations to operate freely and independently. This USAID funding reaffirms the U.S. Government’s commitment to stand with Afghan women and girls as they fight to enjoy human rights and opportunities. This funding will provide direct support for Afghan women’s civil society organizations, which have been the backbone of Afghanistan’s decades-long movement for women’s rights. This funding for UN Women will provide women and girls at risk with access to community-based centers run by women, which will provide legal aid and healthcare, psycho-social support, counseling, and vocational training. The funding will also help UN Women respond to the urgent and immediate livelihoods needs of Afghan women, and help them build income security through private sector partnerships that will create job opportunities and help Afghan women launch or rebuild their micro, small or medium businesses.

#### Dollar hegemony allows small contributions from the US to greatly benefit lives in the global South.

HPN4T 24, volunteer organization helping children that suffer from humanitarian crises, “A Dollar A Day To Save A Child,” Publication, https://www.hpn4tigray.org/a-dollar-a-day-2-save-a-child/, ND, TDI

The situation in the refugee camps is devastating, as numerous children are severely malnourished. One dollar a day, or thirty dollars a month, would give families, especially single parent families, income to supplement the sorghum. They will be able to buy high-protein foods like eggs, as well as purchase essentials such as soap and wood to cook. For children to have healthy growing bodies, they need diversified food that is rich in protein, carbohydrates, and other nutrients. The children in the refugee camp are not getting food that meets the nutritional requirements for them to be healthy. Your gift would help ensure their chance to live and combat severe acute malnutrition (SAM), childhood disease, and trauma.

### 1nc – impact – kant

#### US financial hegemony secures perpetual peace.

Jervis 1, Robert Jervis has a Ph.D. from the [University of California, Berkeley](https://en.wikipedia.org/wiki/University_of_California,_Berkeley) and was awarded the [NAS Award for Behavior Research Relevant to the Prevention of Nuclear War](https://en.wikipedia.org/wiki/NAS_Award_for_Behavior_Research_Relevant_to_the_Prevention_of_Nuclear_War), American Political Science Review, “Theories of War in an Era of Leading-Power Peace Presidential Address”, pages 10 and 11, <https://ae0f863f-a-62cb3a1a-s-sites.googlegroups.com/site/textosdepoliticainternacional/realismo---neorealismo/JERVIS_2002_TheoriesofWarinanEraofLeading-PowerPeace_APSR.pdf?attachauth=ANoY7couFyApuD2HBC6NYSv1CI5pKZtsRcwG4L-NY5ynOPGxguLRc3Finw2V_1OivRJ5vMQDNgmdG9s8LR6GHXtYuwO6Kfqtfl0iQFARkx8HdEHtOhIqdBizhvnZXCVD9vYF_sKq7-8HiM5Rd1P-aCBMi-cAGrRR6VrHZy_IMSMwB92fq97xMsACRCnpvKgRa1gAPPlJeLHu8qAQLWeb1-xcjExxu-y9jWfzKlTXO2Ouwe7RR_8IQU-> C\_0FRuSkqoeq\_bdg3axX59UwR3Z079FQSCm9ULd6ZZ1ObEogxNHTDeKyq6p5LeVJC7aQnEUB54\_kKvaWghf5OmBI8eIvrjVbtAZkEMiUwMQ%3D%3D&attredirects=0, recut Interlake

In this world, the United States would share more power and responsibility with the rest of the Community than is true today. While popular with scholars (e.g., Ikenberry 2001; Ruggie 1996), at least as likely is a continuation of the present trajectory in which the United States maintains hegemony and rejects signifi- cant limitations on its freedom of action. National interests would remain distinct and the United States would follow the familiar pattern in which ambitions and perceived interests expand as power does. Consistent with the continuing concern with competitive advantages (Mearsheimer 2001), both conflicts of interests and the belief that hegemony best produces collective goods would lead the United States to oppose the efforts of others to become a counterweight if not a rival to it (Art 1996a). In effect, the United States would lead an empire, albeit a relatively benign one. But doing so would be complcated by the American self-image that precludes it from seeing its role for what it is, in part because of the popularity of values of equality and supranationalism. Other members of the Community would resent having their interests overridden by the United States on some occasions, but the exploitation would be limited by their bargaining power and the American realization that excessive discontent would have serious long-term consequences. So others might accept these costs in return for U.S. security guarantees and the ability to keep their own defense spending very low, especially because the alternative to American dominated stability might be worse.

#### Kantian frameworks rely on perpetual peace as the ideal.

Reiss 91, H. Reiss was associated with Cambridge University and Press, “Towards Perpetual Peace,” Kant: Political Writings, https://www2.hawaii.edu/~freeman/courses/phil320/21.%20Perpetual%20Peace.pdf, ND NM 1991, TDI

These convictions are evident in Kant's famous essay of 1795, Toward Perpetual Peace. Although Kant's systematic statement of political philosophy, the "Metaphysical Principles of Right" in his Metaphysics of Morals (1797), would not be published until two years after Toward Perpetual Peace, the earlier essay provides the keystone to Kant's political philosophy and makes plain Kant's conviction that the laws of nature and history, including even prudential reasoning on the part of human beings, can bring about the necessary conditions of worldwide justice, but only the free choice of human beings in a position to influence national and international affairs—"moral politicians," Kant calls them—can add the sufficient condition for the realization of such justice, which is a fundamental demand of morality. . . . As stated at the outset, Kant sees the preservation and promotion of our own freedom as our most fundamental moral obligation. In the first instance, this is the freedom to set our own ends, or choose our own paths of action—the ability that in the Metaphysics of Morals Kant holds to be the very definition of humanity. The fundamental principle of morality, which Kant expresses in the various formulations of the "Categorical Imperative" in the Groundwork for the Metaphysics of Morals, is essentially the principle that in each exercise of our freedom of choice we should choose that course of action which is most compatible with the continued exercise of our own freedom of choice and with that of all others who might in any way be affected by our actions. In Kant's view, the achievement of moral worth requires that we be motivated to adopt this principle by respect for duty as such. The public sphere of justice or politics, however, concerns only our outward compliance with requirements of morality, our external actions rather than our motivations or ends, and its "Universal Principle of Right" is only that "Any action is right if it can coexist with everyone's freedom in accordance with a universal law." Justice obtains when each member of a society can freely act to realize his or her ends, however chosen, to the fullest extent compatible with a like freedom for everyone else. Kant argues that such widespread freedom of action can exist only in a republic, by which he means a system of government that respects the rights of private property and contract, that divides legislative, executive, and judicial power, and that prohibits proprietary and hereditary rulers, that is, rulers who regard their dominion and their office as private property, to be passed on to heirs of their own rather than the people's choice and augmented or diminished as they see fit. In Toward Perpetual Peace, Kant argues that stable peace can come only when all the nations of the earth are such republics, governed by citizens who see the security of their property obtaining only under the universal rule of law rather than by proprietary rulers who can always see a neighboring state as a potential addition to their own personal property. But in Kant's view even a worldwide federation of republics cannot guarantee world peace: such a federation provides the necessary conditions for peace, but peace can only be realized and maintained by the free choice of all those politicians governing the republics—the "moral politicians"—to do so.

### 1nc – impact – us vs china & russia war

#### **Dollar hegemony collapse leads to a laundry list of impacts, like revolution.**

Cao ’23 Lan, "Currency Wars and the Erosion of Dollar Hegemony” *Michigan Journal of International Law, Volume 38, Issue 1*, Undated 2016 https://repository.law.umich.edu/mjil/vol38/iss1/2?utm\_source=repository.law.umich.edu%2Fmjil%2Fvol38%2Fiss1%2F2&utm\_medium=PDF&utm\_campaign=PDFCoverPages) TDI

We can’t have on the one hand a multipolar world and on the other a single reserve currency on a global level.”383 As noted, China has called for a reserve currency that is not issued by any one country.384 Russia too has denounced the continued use of the dollar as a reserve currency issued, ironically, by a debtor (albeit hegemonic) country: “one center of consumption, which is financed by deficit, and correspondingly, an accumulation of debt, one reserve currency that is powerful as never before, and one predominating system of evaluating risks and assets.”385 A few scholarly commentators have issued warnings about the likely consequences of dollar decline from singular currency to one among many, or from top currency to “negotiated” currency.386 As some scholars have observed, [t]he relative diminution of the dollar as an international currency to something like first-among-equals status will not only cause the United States to lose privileges it once enjoyed—its coercive power enhanced by greater autonomy and its structural power implicitly shaping the preferences of others—but it will also produce new burdens, which Americans will be singularly unaccustomed to bearing.387 The ripple effect will likely be felt in myriad ways in different areas of U.S. interests, including economic, political and security interests. The following observation accurately reflects what I have described throughout the article: [A] shift away from the dollar as a reserve currency and pricing standard for oil transactions, could be catastrophic for the United States. In the worst case scenario, a drastic drop in demand for dollar-denominated assets would cause the interest rates on Treasury Securities to skyrocket, sending ripples through the US economy as the value of the dollar plummets. . . . [The] . . . decrease in demand for US debt . . . will constrain the federal government’s ability to spend and the ability of the United States to defend itself. The United States has built its foreign policy around its vast military capability; a sudden budgetary shock and drop in military spending would leave the United States vulnerable as it scrambles to regroup in a new security environment.388 This Article has traced the evolution of the dollar and shown how it evolved from its origin in coins of gold and silver to paper “greenbacks” backed by gold to its current state–fiat money unbacked by anything of intrinsic value and issued by a debtor, albeit powerful, country. As late as the 1980s, the United States was “the world’s largest creditor and source of investment money”389 but “[b]y 2000, America’s net foreign liabilities had become larger than those of all other debtor countries combined. . . .”390 In its current incarnation, the dollar is most vulnerable to challenge–internal because of chronic deficits and external because of international rivalries and intense dissatisfaction with how the United States has managed the dollar and the effect this has created on the rest of the world. Indeed, the IMF itself issued a report warning that the staggering increase in U.S. foreign debt is a hazard to the global economy and “could play havoc with the value of the dollar and international exchange rates.”391 The dollar may be strong this year or weak last year. That is the nature of a market-based floating system. But, regardless of any momentary snapshot, various indicators show that an alternative, non-dollar system is being slowly but surely created. The Triffin Dilemma,392 combined with the global economic crisis of 2008, has triggered heated debate about the international monetary system, and because the dollar is at the centerpiece of this system, about the dollar itself. Different proposals have been put forth by governments, quasi-governmental bodies, government officials, and others to correct imbalances specifically in the dollar-based international economic system393 and more generally in the international economic legal framework itself.394 This Article has not focused on the many theoretical or policy proposals that have sprouted post-2008 because its emphasis is on concrete developments395 and concerted actions that have already been undertaken to undermine dollar hegemony. If Triffin’s observations are taken to their logical conclusion, “[t]he endgame to Triffin’s paradox is a global, wholesale dumping of the center country’s securities. No one knows in advance when the tipping point will be reached, but the damage brought about by higher interest rates and slower economic growth will be readily apparent afterward.”396 At the height of the 2008 financial crisis, Luo Ping, a director-general at the China Banking Regulatory Commission, agonized thus: “Except for U.S. Treasuries, what can you hold? Gold? . . . U.S. Treasuries are the safe haven. For everyone, including China, it is the only option . . . We know the dollar is going to depreciate, so we hate you guys, but there is nothing much we can do.”397 Undoubtedly, pressure on the dollar is continuing and cracks are increasingly apparent. Possibilities abound—instead of the dollar as the singular hegemonic currency, we could have regional currencies instead.398 Emerging markets, whether BRICS or some other combination, could establish competitive currency zones.399 “[S]udden reserve diversification, or the act of foreign governments abruptly shifting their funds from dollars to other currencies”400 is not farfetched. That disaster did not strike even after the 2008 financial crisis does not mean it will not ever strike. That there is, as of yet, no effective alternative to the dollar401 does not mean that one will not emerge. Indeed, it is reasonable to note that it is the “Eurozone phase of the global financial crisis . . . [that] . . . has provided the U.S. government with a timely respite from both domestic forces and Triffin’s endgame”402 and that what the United States got as a result was merely “a lucky break.”403 As George Soros succinctly described, “in the financial sphere the Bretton Woods institutions—the IMF and the World Bank—have lost their monopoly position. Under Chinese leadership, a parallel set of institutions is emerging.”404 Soros noted that against this context of “rival camps” with China and Russia on one side and the United States on the other, “China has begun to build a parallel set of financial institutions, including the Asian Infrastructure Investment Bank (AIIB); the Asian Bond Fund Initiative; the New Development Bank (formerly the BRICS Bank); and the Chiang Mai Initiative, which is an Asian regional multilateral arrangement to swap currencies.”405 I have focused on the New Development Bank and on a myriad of other actions, from the various ChinaRussia bilateral agreements, the historic gas deal, to demonstrate that the hegemony of the dollar is being eroded as more and more countries seek to price oil and gas in a currency other than the dollar, such as the yuan. Since the closure of the gold window, the dollar’s unique status has been maintained partly by its linkage to oil. Breaking the dollar-oil link will be a significant step toward bringing the world closer to a non-dollar-based regime. Hence, it is interesting to note that whereas Saddam Hussein moved to price oil in a currency other than the U.S. dollar,406 Iraq post-Saddam Hussein is now committed to selling oil in dollars.407 The search for hard assets such as oil, gas, gold and other natural resources has also intensified. Gold in particular remains relevant to the international economy, despite vociferous claims to the contrary. It remains relevant despite prior efforts to demote it. Take as an example the move by the IMF in January 1976 to convert the SDR “from a gold-backed reserve asset to one referencing a basket of paper currencies.”408 Take as another example the deliberate effort by the United States during the Carter administration to lower the price of gold by dumping 300 tons of it onto the international market.409 to show that dollars, rather than gold, should be the global reserve currency. China’s quest to internationalize the yuan and its recent inclusion in the IMF’s SDR basket reflect not only Chinese desire “to use financial liberalization as an engine of growth” but also its “ultimate ambition of replacing the US dollar as the dominant currency in the world.”410 It is not only China but Russia as well that has stepped up efforts to increase its own gold reserves. From 2004 to 2013, Russian reserves increased from 390 tons to over 1,000 tons.411 Through QE, massive printing of dollars has upset the complex relationship between the dollar and other currencies tied to it, such as the yuan. Dollar devaluation has resulted in inflation in other countries, contributing to economic stress and political revolutions in many parts of the world. Moreover, the drive to repatriate gold in the post-2008-financial crisis world must be seen in this context–of growing mistrust in the global financial system, in the same way that mistrust during the Cold War drove Germany and other European countries to keep its gold stored in New York rather than risk confiscation by the Soviets on the other side of the Iron Curtain. “If the United States or the U.K. suddenly deemed it necessary to confiscate foreign gold to defend its paper currency in a crisis, that gold would be conveyed from the original owners to the possession of the United States or the U.K.” As there is mistrust in paper money such as the dollar, there is an increasing demand to accumulate gold as a reserve asset. As Mario Draghi, head of the European Central Bank declared in 2013, “I never thought it wise to sell [gold] because for central banks this is a reserve of safety. It’s viewed by the country as such. In the case of non-dollar countries, it gives you a fairly good protection against fluctuations of the dollar.”413 This Article has connected seemingly disparate dots in the international economic system to warn about the dangers that lie beneath the dollar’s apparent strength. Before any serious efforts to defend the system can be mustered,414 the first task is to realize that positive snapshots, a rallying stock market, a strong dollar, a robust economic recovery, or a slowdown in China’s economy 415 may in fact be deceiving because what lies beneath are fault lines that pose fundamental danger to the post World War II international economic regime.

#### US – China War Escalates

**Talmadge, 2019** [(Caitlin, is associate professor of security studies in the Edmund A. Walsh School of Foreign Service at Georgetown University, and a nonresident senior fellow in the Foreign Policy program at the Brookings Institution. Her research and teaching focus on deterrence and escalation, nuclear strategy, civil-military relations, emerging technologies, defense policy, and U.S. military operations and strategy, particularly in Asia and the Persian Gulf.) “The US-China nuclear relationship: Why competition is likely to intensify,”Brookings, https://www.brookings.edu/articles/china-and-nuclear-weapons/, 9/2019]

The deteriorating U.S.-China bilateral relationship has heightened concern about the consequences of intensified military competition between the two states. Although some analysts have emphasized that conflict is far from inevitable, others have warned of the growing possibility of clashes or even war in the East or South China Seas, or over Taiwan. Much of this work has rightly emphasized the conventional dimensions of such conflict. Yet the United States and China both possess nuclear weapons, and their potential role in a more rivalrous relationship merits close attention as well. Like the United States, China is undergoing a significant, decades-long modernization of its nuclear forces. Currently, this effort does not appear to constitute a shift away from China’s long-standing No First Use (NFU) policy. Rather, the improvements in China’s small and relatively vulnerable nuclear forces appear largely oriented toward improving survivability. In other words, China is seeking a more secure second-strike capability—a force that can guarantee an unacceptable level of nuclear retaliation against any state that launches a first strike against China, and thereby deter such an attack from being launched. That a country with China’s resources would seek a more robust nuclear force is unsurprising, especially given the much larger U.S. and Russian nuclear arsenals. Yet despite the fact that Chinese nuclear modernization does not appear to presage a new, more ambitious nuclear doctrine, the effort is provoking anxiety in Washington. This is because the United States is highly resistant to the idea of acknowledging a state of mutual nuclear vulnerability with China. Even during the Obama administration, the United States avoided describing the nuclear relationship as one of mutually assured destruction (MAD). In MAD, there is no meaningful way for either side to avoid suffering unacceptable damage in a nuclear war, no matter who strikes first. Instead of accepting MAD with China—a country that possesses intercontinental ballistic missiles (ICBMs) that can reach the continental United States—the United States has sought capabilities that could be used for damage limitation. The most recent U.S. Nuclear Posture Review in fact explicitly highlights the longstanding U.S. pursuit of damage limitation, which is a nuclear mission distinct from deterrence. Deterrence tries to convince an adversary not to launch a nuclear attack by threatening him with nuclear retaliation if he does so. Damage limitation, by contrast, is not about imposing costs on the adversary; it is about meaningfully reducing the costs to oneself in an all-out nuclear war. The United States pursues damage limitation through counterforce capabilities, which can enable the United States to find, destroy, or disable adversary nuclear forces; missile defenses, which can intercept adversary nuclear launches; and civil defense measures. It is important to note that the pursuit of damage limitation does not mean that the United States intends to start a nuclear war or that it believes it could emerge from a nuclear war unscathed. Rather, the likely U.S. objective is to make China to worry that if China starts a crisis or conflict that raises risks of nuclear escalation, the United States will have a higher tolerance for bearing these risks than China will, because of the United States’ relatively greater ability to limit the damage the United States would suffer in a nuclear exchange. Were this effort successful, U.S. nuclear capabilities could theoretically deter China from initiating any conflict in the first place, or could endow the United States with bargaining advantages in any effort to coerce China if a crisis or war did break out. Again, the idea is not that the United States would relish fighting a nuclear war. It is that when nuclear weapons began to cast their inevitable shadow over any tense U.S.-China interaction—even well below the nuclear threshold—the United States probably would be less likely to back down over escalation fears than China. China’s awareness of this fact could thus give the United States an important advantage in what strategist Thomas Schelling famously characterized as a “competition in risk-taking.” Rightly or wrongly, this is likely why the United States perceives China’s ongoing improvements to survivability as threatening, even though these improvements do not appear to constitute a shift away from NFU. The concern is that improvements in China’s nuclear arsenal, even if intended only to improve survivability, will reduce the U.S. ability to limit damage—or at least reduce China’s perception of the U.S. ability to limit damage, which is what counts. In the worst-case scenario, the shift could even embolden a revisionist, highly resolved China to behave aggressively, especially toward U.S. allies and partners. Amidst growing bipartisan concern about China’s broader strategic intentions, and a conventional balance that is also becoming less favorable, the United States therefore tends to view any erosion of its perceived position of nuclear advantage as cause for alarm. Understandably, however, China is also very unlikely to stop seeking a more survivable arsenal, even if its strategic aims are limited and its nuclear doctrine remains static. As a result, nuclear competition between the United States and China is almost certain to intensify.

### 1nc – impact – iran & noko war

#### Dollar heg solves war, specifically NoKo and Iran. And solves global public goods, climate change and disease.

**Zoffer** **20**, [(Joshua, Investor at Cove Hill Partners, Fellow at New America, JD Candidate at Yale University Law School, AB from Harvard University) “To End Forever War, Keep the Dollar Globally Dominant,” The New Republic, https://newrepublic.com/article/156417/end-forever-war-keep-dollar-globally-dominant]

In early 2016, Obama Treasury Secretary Jack Lew cautioned that the dollar’s dominance as a global currency rested, in part, on the U.S. government’s reluctance to fully weaponize it. If foreign markets and governments “feel that we will deploy sanctions without sufficient justification or for inappropriate reasons,” he warned, “we should not be surprised if they look for ways to avoid doing business in the United States or in U.S. dollars.” Lew’s case stemmed from the more fundamental view that the dollar’s international role is “a source of tremendous strength for our economy, a benefit for U.S. companies and a **driver** of U.S. **global** **leadership**”—in other words, a role **worth keeping**. This view is emblematic of American financial governance since the Second World War. U.S. economic analysts, especially at the Treasury, have jealously guarded the dollar’s role and the many benefits it offers: the ability to run large deficits at low cost and disproportionate influence over the structure of the global economy, among others. Yet in their recent article in The New Republic, David Adler and Daniel Bessner argue the U.S. should abandon these advantages. In their view, the dollar’s role has encouraged American militarism and should be relinquished to curb such behavior. Dollar hegemony is not without cost, but to renounce it would be a **profound mistake**. Adler and Bessner’s view neglects the sizable economic benefits the dollar’s role confers on the U.S., as well as its possible use as an **antidote** to **military adventurism**. It ignores the **enormous good** that can be done with **deficit spending**, much of which has gone to the American military but could instead **fund** **progressive** **programs**. And it elides the **inability** of the U.S. and its global trading partners to **shift away** from dollar dominance without **creat**ing **worldwide** **financial** **distress**. Adler and Bessner are right that the U.S. has misused its privilege, but Washington should not abandon it; rather, American leaders should seek to transform it. Generations of American policymakers have been right to protect the dollar’s key currency role for economic reasons. Most notably, dollar hegemony affords the U.S. the ability to run large and prolonged budget and balance-of-payments deficits. The dollar represents 62 percent of allocated foreign exchange reserves, is used to invoice and settle roughly half of world trade, and accounts for 42 percent of global payments. Because governments, banks, and businesses worldwide need lots of dollars, the world market always stands ready to absorb new U.S.-dollar-denominated debt without charging higher interest rates. Adler and Bessner correctly point out that the rest of the world considers the dollar’s role as the world’s reserve currency to be an “exorbitant privilege,” a term coined in the 1960s by then French Finance Minister Valéry Giscard D’Estaing. The ability to spend beyond its means has enabled the U.S. to fund its impressive military might, whether one views that power as the fountainhead of Pax Americana or the source of illegitimate military adventurism. But these economic benefits go beyond just deficits. The demand for dollars also pushes up the dollar’s value against other currencies, enhancing American purchasing power and offering consumers access to imports on the cheap. The dollar’s role also means American firms rarely need to do business in foreign currencies, reducing transaction costs and exchange-rate risks. More broadly, America’s central economic role gives it outsize influence at crucial moments. At the height of the financial crisis that began in 2008, the Federal Reserve was able to inject vital liquidity into the global financial system by selectively offering dollar swap lines to trusted foreign central banks. Dollar hegemony enabled the U.S. to act swiftly, effectively, and on its own terms. In addition, the **dollar**’s role offers a **potent** **alternative to** **kinetic** **military action** as a means of pursuing foreign policy objectives. The dollar’s broad use means access to dollar liquidity—which in turn requires access to the U.S. financial system—is **essential** for foreign governments and businesses. For foreign banks, especially, being cut off from dollar access is essentially a **death sentence**. That **makes** **sanctions** **that do so a** **powerful** **tool** in the international arena. In 20**05**, for example, the U.S. used the dollar to strike a devastating blow against **North Korea** without firing a single shot or even formally enacting sanctions. Using authority provided by Section 311 of the Patriot Act, the Department of the Treasury crippled Banco Delta Asia, a bank accused of facilitating illegal activity by the North Korean government, by merely threatening to cut off its access to the American financial system. Deposit outflows began within days; within weeks the bank was placed under government administration to avoid a full collapse. Pyongyang was hit hard, as other banks ceased their business with it to avoid meeting the same fate. Similarly, though the Trump administration has worked hard to undo it, the **J**oint **C**omprehensive **P**lan **o**f **A**ction with **Iran** to limit the development of **nuclear weapons** was made possible, in part, by painful **dollar sanctions** that **brought Iran to the table**. Far from being a proximate cause of military conflict, the dollar’s central global role has often been used to **contain adversaries** without **military** **intervention**. Still, skeptics are right to point out that the dollar’s role has indirectly funded American interventionism and that dollar sanctions have been overused, provoking the ire of American allies. But these facts suggest we should use our dollar power to forge a more progressive U.S. order, not abandon the advantage altogether. America’s exorbitant privilege need not **fund** warships and missiles: The same low-interest borrowing could be used to fund a new **universal** **health care** system, expand access to higher education, or pursue any number of large-scale social policy objectives, including financing **global public goods** that **no other country** or consortium of countries is prepared to fund, such as **climate** **change** **mitigation**.

### 2nr – a2 alternatives to dollar heg

#### No better alternative; sanctions have mostly preserved dollar dominance without friction

Chorzempa, 2023 [(Martin, Senior Fellow at the Peterson Institute for International Economics.) “Overuse of financial sanctions risks dollar’s role,” East Asia Forum, <https://eastasiaforum.org/2023/06/29/overuse-of-financial-sanctions-risks-dollars-role/>, 06/29/23] TDI

Even if there is widespread agreement that overuse is occurring, it is not clear that the costs and risks of future sanctions justify creating an alternative to the well-oiled global dollar machine. One exception would be the risk of sanctions that the United States might impose on mainland China in the case of a military action related to Taiwan—as it and a coalition of countries imposed sanctions on Russia in the wake of its invasion of Ukraine—which would force countries to choose between connecting with the global dollar system or with China. Countries may try to build alternatives to the US dollar system to avoid being forced to make such a choice—whether or not they would succeed. US sanctions apply beyond its borders, leading most firms to abandon sanctioned entities rather than risk being sanctioned themselves. Despite a flood of sanctions on Russia in 2022, it is hard to see much of a dent in dollar dominance. The dollar is near its historical peak—88 per cent of foreign exchange transactions involve the dollar on one side. The RMB’s jump from 4 per cent to 7 per cent in the past three years has come at the expense of other currencies, not by eroding the dollar’s share. Almost 58 per cent of global reserves were held in dollars at the end of 2022, nearly the same as before the Russian invasion of Ukraine. Powerful network effects mutually reinforce the dollar’s role. Trade in dollars and borrowing in dollars means that actors want to accumulate dollar reserves to ensure that even on a rainy day, they can afford their imports and interest payments. The United States has the deepest capital markets in the world, accessible through an open capital account. China is less reliable due to controls that keep capital within its borders. For most countries, the US dollar’s liquidity means that it is often cheaper, safer and more efficient to handle trade in US dollars. The ecosystem around the dollar means that risks to exposure can be easily hedged and there are plenty of good assets in US dollars to invest in before they are needed. Despite the US debt ceiling mess and other issues with US institutions, the US treasury market is considered a ‘risk-free’ asset. Sanctions are the textbook example of ‘weaponised interdependence’ when the central node of a network exploits that position for its own interests. But it is difficult to say how weaponised sanctions really are. The impacts of different sanctions vary widely and not all sanctions create frictions that make others question use of the dollar. Cases like North Korea and Syria have involved a high degree of international consensus. But US unilateral action in other cases have created friction, even with allies. When the United States backed out of the Iran nuclear deal and reimposed sanctions, European countries were furious that Washington could stop their firms from doing business with Iran. And, despite strong political will, efforts to create a sanction-proof financial institution for business with Iran proved fruitless. Daniel McDowell’s book on sanctions and the US dollar, Bucking the buck, concludes that ‘dollar dependence remains the reality, even for sanctioned regimes’. Sanctions on Russia send a mixed message. They seem to weaken the US dollar, leading countries who fear future sanctions to diversify their currency choices. While many countries have not joined the sanctions, the major reserve currency issuers have, even Switzerland. Countries that fear sanctions may learn from Russia’s case that diversification away from the US dollar does not provide the protection they might hope. Barry Eichengreen and others have found that while reserves are gradually being diversified away from the US dollar, only a small share has gone into RMB. Throughout Asia, countries are developing more ways to trade and invest using their own currencies, but that trade tends to be small and expensive. Though the People’s Bank of China sees a future with directly connected central bank digital currencies, these are in their infancy. It is not clear whether they can reduce dollar use enough to be impervious to sanctions. Even if Washington shelved sanctions, currency diversification would continue because it is largely driven by other concerns like the global impact of US monetary policy. One can liken the thinking on currency to the global discussion on supply chains, where there is an increased willingness to incur costs to reduce excessive reliance on one supplier or country. While not unique to US dollar transactions, concerns about global financial infrastructures like the SWIFT messaging system, which, though located outside the United States, ejects sanctioned entities from its network, have not led to viable alternatives. China’s Cross-Border Interbank Payment System is not a real substitute for SWIFT and relies on SWIFT for much of its messaging. The greatest threat to the global currency system is the possibility of sanctions on China, a dog that mostly has not barked so far in the US–China trade and technology war. While many of China’s top technology companies—like Huawei—find themselves on export control and investment ban lists, the US treasury department has declined to put them on the sanctions list. Being sanctioned would make them radioactive for global business and spark a backlash from countries suddenly unable to service their networks. Some countries might disagree, but current US policy has rightly been careful to avoid using excessive unilateral sanctions, especially on China. Such sanctions might make building and moving to a real alternative to the US dollar actually worthwhile. Large-scale China sanctions would be far costlier and less likely to enjoy the widespread international support that the Russia sanctions have. US policymakers need to be very clear-eyed that broader China sanctions would prove an important risk to the international role of the dollar.

#### The U.S dollar system remains the world’s best reserve currency; alternatives are failing.

Shalal, 2024 [(Andrea, reports on the White House, global trade and economics, the IMF and the World Bank, for Reuters.) “US dollar's dominance secure, BRICS see no progress on de-dollarization -report,” Publication, https://www.reuters.com/markets/currencies/us-dollars-dominance-secure-brics-see-no-progress-de-dollarization-report-2024-06-25/,06/25/24] TDI

WASHINGTON, June 25 (Reuters) - The U.S. dollar remains the world's primary reserve currency, and neither the euro nor the so-called BRICS countries have been able to reduce global reliance on the dollar, a new study by the Atlantic Council's GeoEconomics Center shows. The group's "Dollar Dominance Monitor", opens new tab said the dollar continued to dominate foreign reserve holdings, trade invoicing, and currency transactions globally and its role as the primary global reserve currency was secure in the near and medium term. Dollar dominance — the outsized role of the U.S. dollar in the world economy — has been strengthened recently given the robust U.S. economy, tighter monetary policy and heightened geopolitical risks, even as economic fragmentation has strengthened a push by BRICS countries to shift into other international and reserve currencies. The Atlantic Council report said Western sanctions on Russia imposed by the Group of Seven advanced economies after Moscow's invasion of Ukraine had accelerated efforts by the BRICS countries to develop a currency union, but the group had been unable to make progress on its de-dollarization efforts. BRICS is an intergovernmental organization made up of Brazil, Russia, India, China, South Africa, Iran, Egypt, Ethiopia, and the United Arab Emirates. The council said China's Cross-Border Interbank Payment System (CIPS) added 62 direct participants in the 12 months to May 2024, an increase of 78%, bringing the total to 142 direct participants and 1,394 indirect participants. Negotiations around an intra-BRICS payment system were still in the nascent stages, but bilateral and multilateral agreements within the group could form the basis for a currency exchange platform over time. However, these agreements were not easily scalable, since they were negotiated individually, the report said. It noted that China has actively supported renminbi liquidity through swap lines with its trade partners, but the share of renminbi in global foreign currency reserves dropped to 2.3% from the peak of 2.8% in 2022. "This is possibly because of reserve managers’ concern about China’s economy, Beijing’s position on the Russia-Ukraine war, and a potential Chinese invasion of Taiwan contributing to the perception of the renminbi as a geopolitically risky reserve currency," the report said. The euro, once considered a competitor to the dollar's international role, was also weakening as an alternative currency, with those looking to reduce their risk exposure turning to gold instead, the report said. It said Russian sanctions had made it clear to reserve managers that the euro was exposed to similar geopolitical risks as the dollar. Concerns around macroeconomic stability, fiscal consolidation, and the lack of a European capital markets union also hurt the euro’s international role, it said.

### 2nr – a2 – dollar heg useless

#### US dollar hegemony is an important foreign policy tool; necessary for preventing default.

Lahiri, 2023 [(Upamanyu, Policy Analyst on the Economic Policy Project at the Bipartisan Policy Center (BPC), focussing on fiscal and tax policy.) “The Future of Dollar Hegemony,” Council on Foreign Relations, <https://www.cfr.org/blog/future-dollar-hegemony>, 08/22/23] TDI

Exorbitant Privilege The U.S. dollar has dominated global financial markets since the end of World War II. Almost 60 percent of global foreign exchange reserves are held in dollars, with the euro a distant second at around 20 percent. Around 90 percent of transactions in foreign exchange markets are invoiced in dollars, as is half of international trade. Reinforcing the dollar’s standing is its status as a safe haven currency during times of crisis. For example, during the Great Recession of 2008 and the Covid-induced financial crisis in 2020, investors sought U.S. dollars, expecting them to retain their value through the crises. The U.S. government, economy, and citizenry reap huge benefits from the dollar’s “exorbitant privilege,” as a former French finance minister called it, in global financial markets. Because of the strong global demand for U.S. dollars and dollar-backed securities such as U.S. treasury bonds, the United States can borrow at far lower interest rates than other countries. The U.S. government and firms are also able to borrow from foreign creditors in dollars rather than foreign currencies, so the value of the debt does not change with fluctuations in exchange rates. A high demand for the dollar also strengthens its value vis-à-vis other currencies, leading to cheaper products for U.S. consumers—although, on the flipside, it also makes U.S. exports less competitive. The global hegemony of the U.S. dollar also gives the United States government the power to impose far-reaching and effective sanctions on its adversaries, a powerful foreign policy tool. However, despite its continued dominance, domestic and international challenges to the U.S. dollar are mounting. Ironically, in part because of its extremely low borrowing costs, the United States has accumulated a staggeringly high amount of debt, at $32.11 trillion, that is unsustainable in the long term and could undermine confidence in the U.S. dollar. Politically, it is difficult for leaders to address the issue of spiraling debt. Though the American public supports reducing debt and spending, specific steps to do so—such as tax increases and reforming entitlement programs like Social Security and Medicare—are unpopular, especially among older Americans. Renewing America Ideas and initiatives for renewing America’s economic strength. Email Address View all newsletters > The ceiling on the amount of debt that the United States can legally hold is a more immediate threat. This rather unusual mechanism is a limit not on actual spending, but rather a limit on the Treasury’s ability to borrow to pay off debt it already owes, which cannot be raised without authorization from Congress. The United States is one of few countries in the world with such a debt ceiling. Breaching the debt ceiling would lead to default. That is why, since it was first instituted in World War I, the debt ceiling has been raised dozens of times by Congress. However, as demonstrated yet again recently, rising political polarization has made default a real possibility. Whenever the time comes to raise the debt ceiling every few years, one or both parties initiate a game of political brinkmanship to extract concessions from the other side. A default would be catastrophic and could severely undermine confidence in the U.S. dollar and its status as a safe haven. The credit rating of the United States would be downgraded drastically, thus ending the exorbitant privilege of the dollar. Even coming close to it can have consequences. In 2011, Standard and Poor’s downgraded the country’s credit rating when it got two days away from hitting the debt ceiling. More recently, Fitch Ratings did the same, despite the last-minute agreement between President Joe Biden and House Speaker Kevin McCarthy averting a default. The debt limit does not even help address rising debt, as evidenced by the national debt’s continued growth despite numerous debt ceiling standoffs in recent years. International Challenges The dollar’s global hegemony gives the U.S. government power to impose crippling sanctions and wage other forms of financial warfare against adversaries. Since 9/11, it has used this power with increasing frequency. In 2022, more than twelve thousand entities were under sanction by the Treasury Department, a more than twelve-fold increase since the turn of the century. U.S. sanctions have not had the best record in changing regimes’ behaviors, but they do ensure that targeted adversaries pay a significant price for continuing to engage in actions the United States opposes. Often, their usage is noncontroversial, as in the case of the sanctions on Russia for its invasion of Ukraine. However, if used excessively, they can make countries, including allies, want to move away from the dollar-based financial system. For example, European countries opposed the United States’ unilateral withdrawal from the Iran nuclear deal. However, due to the secondary sanctions, which were a part of the “maximum pressure” campaign on Iran, they were forced to cut off trade with Iran. This made them consider developing an alternative to the SWIFT and dollar-based systems. While this proposal went nowhere, if even U.S. allies have considered alternatives to the dollar-based system, then it is unsurprising that adversaries like Russia and China have been attempting to undermine the dollar’s hegemony. Additionally, given the dollar’s global reserve status, the effects of the Federal Reserve’s monetary policies are not restricted to U.S. borders. For instance when the Federal Reserve hiked interest rates to fight inflation over the past year, it led to money supply decreasing, and investors moving funds from developing countries to the “safe haven” of U.S. treasury bonds, thus leading to massive capital outflows. This influx also leads to the exchange rate appreciation of the U.S. dollar vis-à-vis other currencies, and an increase in the dollar-denominated debt held by developing countries. Unsurprisingly, this impacts highly indebted countries more. The Latin American debt crisis of the 1980s was caused in part by the Fed’s aggressive rate hikes to control inflation. While the Fed may not be expected to take this into account when combatting inflation, it should still be noted that emerging markets could diversify their reserve holdings to a more multi-currency portfolio to have more autonomy over their monetary and fiscal policies. A Move Away from the Dollar Due to the domestic and international factors highlighted above, international appetite to diversify from the dollar-based global reserve system is high. Have those factors led to a decline in the dollar’s power? Russia, unsurprisingly, has been forced to ditch the dollar as it looks to evade Western sanctions, but China, which has long pushed for internationalization of its currency, is the country at the forefront of efforts to weaken the dollar’s power. China recently expanded its currency swap agreement with Argentina. China also recently reached an agreement with Brazil, with which its annual trade is $150 billion, to trade in their own currencies instead of the U.S. dollar. In isolation, it may not seem much, but China is pursuing similar agreements with other countries. If they succeed, it would present a challenge to the U.S. dollar as the world’s default currency of trade given China’s dominance in global commodities trade. Global reserves have seen a gradual movement away from the U.S. dollar, too. The dollar’s share of global foreign-exchange reserves stood at slightly below 60 percent in the last quarter of 2022, down from over 70 percent in 1999. China, the largest overseas holder of U.S. treasuries, has cut its holdings of dollars as its relations with the United States have nosedived. Its current holdings are at their lowest point since May 2009. Despite all this, it is important to remember that the U.S. dollar remains dominant in global foreign-exchange reserves mostly because there is no clear alternative. Despite China’s efforts, the renminbi accounts for a mere 2.7 percent of global reserves. Due to the strict capital controls and limited convertibility to other currencies, fully challenging the dominance of the dollar remains unlikely. However, the United States should be cognizant of the domestic and international challenges to the status of the U.S. dollar, and act to quell doubts internationally so that it can retain its status even if a credible alternative emerges. Those steps could include tackling the United States’ public debt, and additionally, either eliminating the debt ceiling or linking it to congressional authorization of spending to promote good faith debates about spending increases or cuts without risking default. The United States should also use sanctions more judiciously. Sanctions are an essential tool of U.S. economic statecraft, and their usage is often justified, but they should not be used excessively. The dollar has stood strong for over seven decades. Its decline, if it happens, should at least not be due to the United States’ own missteps.

## aff

### 1ar – uq overwhelms link – dollar decline impossible

#### In our lifetime we will never see the end of dollar hegemony; too much of the world orbits the US dollar

Wade ’23 [(Robret, Professor of Global Political Economy at the London School of Economics and Political Science. He was awarded Leontief Prize for Advancing the Frontiers of Economic Thought in 2008) “Is Dollar Hegemony Ending,” Oxford Global Society, https://oxgs.org/2023/11/30/is-us-dollar-hegemony-ending/] TDI

The world is awash with claims about “the end of dollar hegemony”, “the end of American financial supremacy”. “De-dollarization”, ugly though it is, could be candidate for “word of the year 2023” (WOTY). Some of this has been prompted by unease and outrage at the US government’s overt “weaponization” of the dollar and the dollar payments system in the past few years, to sanction enemies like Iran, Cuba, Venezuela, Afghanistan, North Korea, China. The US took weaponization to a new level when it used the dollar payments system to freeze Russia’ s access to $300 bn in liquid foreign exchange reserves in the wake of Russia’ s invasion of Ukraine in February 2022. Now influential voices are urging the US government to go further and appropriate those reserves (not just freeze them) and give them to the government of Ukraine for post-war reconstruction.[[1]](https://oxgs.org/2023/11/30/is-us-dollar-hegemony-ending/#_ftn1) Those who think their states might be subject to the same punishment have started to search anxiously for ways to escape dollar dominance. Confidence is an indispensable requirement for a currency, and beyond a certain point of weaponization the US undermines international confidence in the dollar as the world currency and accelerates states’ search for dollar alternatives. The BRICS countries, unsurprisingly led by Russia, are discussing how to escape dollar dominance. Even the European Union has shown signs of wanting to escape dollar dominance. The German foreign minister has called for a new EU-based payments system independent of the US and of the SWIFT payments system that would not involve dollar payments. The Brazilian finance minister in 2022 called for a South American international currency, beginning with Brazil and Argentina, and President Lula and President Albert Fernandez discussed the proposal enthusiastically. The proposal has gone nowhere so far. But the urge to reduce a country’s exposure to the dollar is due to much older causes than the recent US resort to weaponization. In particular, the mandate of the US central bank, the Federal Reserve, requires that it takes account only of domestic conditions in designing monetary policy, not effects on the rest of the world, even though the Fed’s decisions affect the rest of the world much more than those of any other central bank. When I taught at Princeton University, my colleague down the corridor was Paul Volcker. President Carter appointed him chair of the Federal Reserve in 1979, when the US experienced high inflation. Overnight Volcker hiked up central bank interest rates. Meanwhile Latin American states had borrowed heavily from US banks at adjustable interest rates. Overnight their repayment burdens lept. This tipped many into financial fragility and then into financial crisis, ushering in the “two lost development decades” in Latin America. Knowing this, I asked Volcker one day over lunch, “How much analysis did you at the Fed do about impacts of the interest rate hike in 1979 on Latin America?” “None.” (He was a man of few words.) “Why not?” “We didn’t have the capacity.” And he went on to explain that the lack of capacity reflected the Fed’s mandate. And quite apart from damaging effects of US monetary policy on other regions prompting interest in finding ways to reduce exposure to those effects, people have been forecasting the end of dollar hegemony for half a century and more, for reasons to do with the inherent difficulties for the US central bank to balance supplying enough dollars for global transactions and few enough dollars to sustain confidence in the value of the dollar. This issue led economist Robert Triffin in 1960 to warn of an “imminent threat to the once-mighty US dollar” (his argument came to be known as “the Triffin Dilemma”). Charles Kindleberger declared in 1976 that “the dollar is finished as international money”. Yet here we are almost 50 years after Kindleberger, and the dollar is not at all finished as international money. Forecasts of imminent dollar decline continue. President Putin forecast the “beginning of the end” for the dollar in June 2023. Former president of Brazil, Dilma Rousseff, current chair of the New Development Bank, pledged to “find ways to avoid … being dependent on a single currency”. My conclusion is that the talk of de-dollarization has run far ahead of the current or medium-future reality. The dollar’s hegemony is ailing but remains a long way from ending. The short explanation is that most of the world simply has no alternative to the US dollar. I suggest six reasons why the role of the dollar is unlikely to be significantly reduced in the foreseeable future. Together they make the case that large-scale alternatives face huge difficulties, and their emergence will stretch over decades. ***Quantitative dominance of the dollar and dollar payments system*** The first reason is the sheer quantitative dominance of the dollar and dollar payment system today. According to the Bank for International Settlements’ latest triennial survey, the dollar remains the most used international currency by far (as of 2022): it is part of 88% of all international transactions. Strikingly, that percentage is only slightly lower than it was in 1989, testimony to the resilience of dollar dominance. Meanwhile, the euro accounts for 31% of international transactions, the yen 17%, the pound 13%, the RMB only 7%, up from 4% in 2019. As for share of global foreign exchange reserves, the dollar accounts for around 60%, down from 72% in 2000. Over this period the RMB share grew from 0% to 2.6%. ***Incumbency advantages*** The second reason is that this dollar dominance rests on incumbency advantages – institutions which give the dollar system huge economies of scale and network externalities, such that the more users the more people need to use it. The institutions include Wall Street and US multinational corporations, which still dominate in the world system, and they have no incentives to de-dollarize. The US has well protected property rights; a court system and central bank vested with high confidence around the world; the world’s deepest, most liquid, most open financial markets, which function in dollars; and effective macroeconomic management most of the time, producing low inflation. Beyond US direct control is an institution crucial to the dollar payments system, namely SWIFT (Society for Worldwide Interbank Financial Telecommunication). Established half a century ago, it is the nerve center of the global financial network, the message system through which all major banks transfer all major currencies. It carries over five billion financial messages a year. It does not actually move money; it simply tells one bank to debit an account and credit another. A Shanghai bank wanting to send funds to a Sydney bank has to go through SWIFT. Kicking a country off SWIFT constitutes a severe national blow. In 2012 the US – the European Union went along – kicked Iran off SWIFT, which meant Iran could not receive hard currencies for its oil exports. The blow was severe enough, coupled with a change in government plus a change in US policy on nuclear enrichment, for Iran to come to the bargaining table in 2015 and agree with the US to restrain its nuclear program. The US kicked Russia off SWIFT after its early 2022 invasion of Ukraine; or to be more exact, kicked 10 of the largest Russian financial institutions off SWIFT. The irony is that the US government has no ownership rights over SWIFT. It is a cooperative society, headquartered in Belgium, overseen by a board comprised of the European Central Bank and the central banks of the G10 countries, of which the US Federal Reserve is one. It is owned not by board members but by shareholders, who number some 3,500 financial institutions. In practice, the US can make SWIFT do what it wants when it makes an effort to do so. So despite annoyance at having to comply with US regulations, including as translated into SWIFT, and fear of being potentially subject to US punishment, most of the world complies. In particular, most banks globally have no choice, because they cannot afford to let go of correspondent banking relationships with US banks. The dollar also has geopolitical underpinnings. The US has some 700 overseas military bases spread over 80 countries, and a military budget greater than the military budgets of the next 10 countries put together. This is especially relevant to the case of Middle East oil and its pricing in dollars (see later, Saudi Arabia). China does not have the military capacity to persuade US allies in the Gulf to switch sides. ***Limits on bilateral trade agreements in national currencies*** The third reason has to do with limits on bilateral trade agreements to use national currencies. These agreements are increasing and could speed up de-dollarization. But so far, they remain mostly at cosmetic scale. In early 2023 Beijing and Brasilia announced they would encourage transactions in Brazilian reals and Chinese RMB. Soon after, Delhi and Kuala Lumpur announced they would conduct trade in rupees, India’s currency. France now conducts a fifth of its trade with China in renmimbi (RMB). Saudi Arabia warrants attention. It seems to be issuing threats to make oil contracts in non-dollar currencies as part of a multipronged bargaining strategy with the US. When the Saudi finance minister announced in January 2023 (at the Davos World Economic Forum meeting) that his country was open to using currencies other than the dollar in oil contracts, he could not have expected the intense media attention. His remark ran against the decades-long implicit agreement that the US would supply Saudi Arabia with military support and Saudi Arabia would use the US dollar in its oil sales – and also invest a large portion of its dollar revenues in US government bonds (Habibi 2023).[[2]](https://oxgs.org/2023/11/30/is-us-dollar-hegemony-ending/#_ftn2) The Saudi finance minister’s announcement went with Saudi normalization negotiations with Iran under Chinese mediation and the resumption of normal diplomatic relations between the two countries. Also, with expanding bilateral ties between Saudi Arabia and China. And with close cooperation with Russia in OPEC since Russia’s invasion of Ukraine in early 2022, to prop up oil prices. The BRICS summit in August 2023 invited Saudi Arabia and five other nations to join the organization. In response the US began to be more positive towards Saudi Arabia, which was probably the Saudis’ objective. Saudi Arabia has said it will study the terms of membership of the BRICS before accepting the offer of membership, presumably waiting to see what the US offers it not to join – and not price its oil sales in currencies other than the US dollar. As noted, these bilateral transactions in national currencies could speed up de-dollarization. But they are inherently limited by the fact that there are surplus and deficit countries in these exchanges. Surplus countries accumulate monetary assets in the currencies of the deficit countries and may be wary of doing so because of the risk of inconvertibility and depreciation. Deficit countries may worry that surplus countries will dump their currencies in international currency markets in the search for safer assets.[[3]](https://oxgs.org/2023/11/30/is-us-dollar-hegemony-ending/#_ftn3) ***Limits on the use of the IMF’s Special Drawing Rights (SDRs)*** Fourth, the only asset already in existence which could plausibly be upgraded to function as an international currency (without also being a national currency) is the IMF’s (SDRs). The SDR represents a unit of account coordinated by the IMF. It could play a role similar to the international currency (bancor) Keynes proposed at the Bretton Woods negotiations in 1944. The IMF could then be upgraded to a world central bank, similar to Keynes’ proposed International Clearing Union to manage the international currency. But any such move would require wholesale reforms at the IMF, including to boost the share of votes held by developing countries, including China. The US has a veto over such changes and is unlikely to agree. The Europeans fiercely defend their over-representation in the governance of the IMF. Also, only governments and multilateral development banks can hold SDRs, so countries will always end up converting their SDRs into a particular currency to make use of them, and that currency will be whatever is most useful for borrowing and for trade invoicing – for example, convert to US dollars to service US debt and to buy food, fuel, etc. So the SDR does not substitute for the use of a national currency, most likely to be US dollars. ***Proposed BRICS*** currency The fifth reason relates to the proposed BRICS currency. Within the BRICS coalition, Russia – shocked by the US’s freezing of some $300 bn of its liquid international reserves after its invasion of Ukraine — has taken the lead in designing a BRICS international currency, initially as a unit of account in transactions between the BRICS, so that the prices in these transactions would not fluctuate with the dollar. The intention is to get the unit of account up and running before taking steps to add the two other essential functions of a currency, a store of wealth and a medium of exchange. The plan for a BRICS currency was discussed at the BRICS summit in August 2023, under the name of the R5 ( the currencies of all five BRICS begin with “r”). On the eve of the summit India’s foreign minister voiced opposition to the plan, for unclear reasons. The reasons may reflect India’s tensions with China, and India wanting to ally more closely with and boost its trade with the US. Also, the foreign minister, ignorant of finance, may have missed the point that initially the “currency” is to be limited to the more modest unit of account function, and could stop there if the parties did not want it to go further. So the Leaders’ Declaration endorsed the general merit of de-dollarization but made no mention of a common currency. For example, the declaration stressed the importance of encouraging the use of national currencies in trade and finance between the BRICS. And it sanctioned the expansion of the BRICS Think Tank Network for Finance (established in 2022), as a forum for financial discussions. Apart from the Leaders’ Declaration, President Lula announced that the leaders had “approved the creation of a working group to study the adoption of a reference currency of the BRICS”, which “will increase our payment options and reduce our vulnerabilities”. Russia is said to be forming a group of experts to concretize the R5, separate from the above-mentioned BRICS Think Tank. China has supported the project publicly in a low-key kind of way. The New Development Bank (based in Shanghai, created by the BRICS) would have a key role in promoting the creation of the new currency. First, to move its own assets and liabilities out of dollars, and to issue bonds and make loans in the national currencies of its member countries. Second, to become a center for research and advocacy for the new currency. Third, to help bring the new currency into existence by issuing loans and bonds denominated in R5 and payable in it. There is some chance that by the BRICS Summit in 2025 in Brazil, the leaders will be able to announce concrete steps to the creation of the R5 (Nogueira Batista Jnr. 2023). But the very real competing national interests and priorities have to be navigated en route – all the more so since August 2023 when six very disparate nations were invited to join the BRICS: Argentina, Egypt, Ethiopia, Iran, United Arab Emirates, Saudi Arabia. How this expanded group will reach agreement on anything is an open question. As though the existing high tensions between China and India were not enough, some of the newcomers are fighting proxy wars with each other. Compared to the BRICS+, the G7 and NATO seem like models of harmony! The vice president and CFO of the New Development Bank, Leslie Maasdorp, said in July 2023 that although there are no current plans to create a common currency it remains a “medium- to long-term ambition”. But as noted, the mutual confidence needed to create a common currency would be hard to sustain among such a diverse set of countries in the expanded BRICS. Also, the US would fight to undermine the viability of a currency directly oppositional to the dollar – which the Americans would likely construe as a “sanctions-evading currency”. Many other states and private firms would hesitate to transact with the R5 for fear they may be placed on a US/EU sanctions list and be knocked out from transacting in dollars or with US and EU banks, which would be a financial death sentence as long as the US and the EU remain the world’s largest consumer economies. ***The uncertain prospects for the RMB*** The sixth reason why serious de-dollarization is a long way in the future relates to the RMB’s prospects for becoming a significant international currency. It is widely assumed that the US reaps an “exorbitant privilege” from having its currency also function as the international currency. But some analysts, including Michael Pettis, argue that the dollar is now an “exorbitant burden” to the US. The US has to issue floods of US dollar assets to provide the world with the liquidity it needs, and other countries’ demand for these safe assets tend to fuel speculative bubbles in the US, such as mortgage-backed securities, notably the sub-prime mortgage securities in the run-up to the Great Crash of 2008. To the extent that Beijing realizes these downsides, it may not want to come near the “exorbitant burden” that would be likely to accrue if the RMB became a major international currency. As leader of the “global South” it may still criticise dollar hegemony, while acting to support dollar hegemony for the most part, de-dollarizing and promoting RMB internationalization only at the margins. It is striking that China is following US-led sanctions against Russia, to the extent that the Asian Infrastructure Investment Bank (AIIB), led by China and based in Beijing, and the New Development Bank (NDB), formerly the BRICS Development Bank, also with China having a decisive say behind the scenes, have both cut off Russia’s dollar financing. And the evidence suggests that China has not given any Russia military assistance in its war on Ukraine, despite all the fraternal talk of their common pursuit of a “post-western polycentric world”. Significant internationalization of the RMB would depend on a far-reaching re-set of US-China relations. For US firms to buy up large quantities of RMB securities they would have to judge the risk of US sanctions on China – such as US freezing of China’s liquid reserves, never mind appropriating those reserves as voices are calling for with respect to Russia – as very low. Those risks would not be low if and when China invades Taiwan, as President Xi has many times declared China must be prepared to do. Also, China’s RMB could be used on a significant scale as an international currency only if China opened its capital account and established deep capital markets beyond state control. Beijing has good domestic political as well as economic reasons for not doing so anytime soon. It is striking that most of China’s lending for Belt Road Initiative projects throughout the global South (around $1 trillion since 2013) is in dollars, to be repaid in dollars. Assuming the US government continues to want to protect the dollar as the international currency and that there is no collapse in American global leadership (despite a second Trump presidency), we can forecast that the probability of the RMB becoming a significant international currency is low. Still, all this said, it is worth remembering that it took some five decades from when the US surpassed Britain as a global economic power in the late nineteenth century to when it became the dominant financial power and the dollar the dominant international currency. Beijing may be thinking of a similar “slow but steady” internationalisation of the RMB, like feeling the stones when crossing the river.

#### existing de-dollarizing thumps

**The Economist 20**, [“America’s aggressive use of sanctions endangers the dollar’s reign,” The Economist. <https://www.economist.com/briefing/2020/01/18/americas-aggressive-use-of-sanctions-endangers-the-dollars-reign>, 01.18.2020] TDI

Ever since the dollar cemented its role as the world’s dominant currency in the 1950s, it has been clear that America’s position as the sole financial superpower gives it extraordinary influence over other countries’ economic destinies. But it is only under President Donald **Trump** that America has **used** its **powers** routinely and to their full extent, by engaging **in financial warfare**. The results have been awe-inspiring and shocking. They have in turn **prompted** other **countries to** seek to **break free of** American **financial hegemony.** In 2018 America’s Treasury put legal measures in place that prevented Rusal, a strategically important Russian aluminium firm, from freely accessing the dollar-based financial system—with devastating effect. Overnight it was unable to deal with many counterparties. Western clearing houses refused to settle its debt securities. The price of its bonds collapsed (the restrictions were later lifted). **America** now **has** **over** **30** active financial- and trade-**sanctions** programmes. On January 10th it announced measures that the treasury secretary, Steven Mnuchin, said would “cut off billions of dollars of support to the Iranian regime”. The State Department, meanwhile, said that Iraq could lose access to its government account at the Federal Reserve Bank of New York. That would restrict Iraq’s use of oil revenues, causing a cash crunch and flattening its economy. America is uniquely well positioned to use financial warfare in the service of foreign policy. The dollar is used globally as a unit of account, store of value and medium of exchange. At least half of cross-border trade invoices are in dollars. That is five times America’s share of world goods imports, and three times its share of exports. The dollar is the preferred currency of central banks and capital markets, accounting for close to two-thirds of global securities issuance and foreign-exchange reserves. The world’s financial rhythm is American: when interest rates move or risk appetite on Wall Street shifts, global markets respond. The world’s financial plumbing has Uncle Sam’s imprint on it, too. Most international transactions are ultimately cleared in dollars through New York by American “correspondent” banks. America has a tight grip on the main cross-border messaging system used by banks, swift, whose members ping each other 30m times a day. Another part of the us-centric network is chips, a clearing house that processes $1.5trn-worth of payments daily. America uses these systems to monitor activity. **Denied access** **to this infrastructure, an** **organisation becomes** **isolated and**, usually**,** **financially** crippled [**unstable**]. Individuals and **institutions across the planet are** **thus** **subject to American** **jurisdiction—and vulnerable to** **punishment.** America began to flex its financial muscles after the terrorist attacks of September 11th 2001. It imposed huge fines on foreign banks for money-laundering and sanctions-busting; in 2014 a $9bn penalty against bnp Paribas shook the French establishment. Mr Trump has taken the weaponisation of finance to a new level (see chart). He has used sanctions to throttle **Iran, North Korea, Russia, Turkey** (briefly), **Venezuela** and others. His arsenal also includes tariffs and legal assaults on companies, most strikingly Huawei, which Mr Trump accuses of spying for China. **“Secondary” sanctions** target other **countries’ companies that trade with blacklisted states.** After America pulled out of a nuclear deal with Iran in 2018, European firms fled Iran, even as the eu encouraged them to stay. swift quickly fell into line when America threatened action if it did not cut off Iranian banks after the reimposition of sanctions in 2018. Using the dollar to extend the reach of American law and policy fits Mr Trump’s “America first” credo. Other **countries view it as** **an** **abuse** **of power.** That includes adversaries such as China and Russia; Russia’s president, Vladimir Putin, talks of the dollar being used as a “political weapon”. And it includes allies, such as Britain and France, who worry that Mr **Trump** risks undermining America’s role as guarantor of orderliness in global commerce. It may eventually **lead to** **the demise** of America’s **financial hegemony**, as other countries seek to dethrone its mighty currency. The new age of international monetary experimentation features the **de-dollarisation of assets, trade workarounds using local currencies** and swaps, and new bank-to-bank payment mechanisms and digital currencies. In June the **Chinese and Russian** presidents said they would expand settlement of bilateral trade in their own currencies. On the sidelines of a recent summit, leaders from **Iran, Malaysia, Turkey and Qatar** proposed using cryptocurrencies, national currencies, gold and barter for trade. Such activity **marks an “inflection point”**, says Tom Keatinge of rusi, a think-tank. **Countries that used** **merely** **to gripe** **about America’s financial might** **are now pushing back.** **Russia has gone furthest.** It has designated expendable entities to engage in commerce with countries America considers rogue, in order to avoid putting important banks and firms at risk. State-backed Promsvyazbank pjsc is used for trade in arms so as to shield bigger banks like Sberbank and vtb from the threat of sanctions. Russia has also been busy de-dollarising parts of its financial system. Since 2013 its central bank has cut the dollar share of its foreign-exchange reserves from over 40% to 24%. Since 2018 the bank’s holdings of American Treasury debt have fallen from nearly $100bn to under $10bn. Russia’s finance ministry recently announced plans to lower the dollar share of its $125bn sovereign-wealth fund. **“We aren’t aiming to ditch the dollar,”** Mr Putin has said. **“The dollar is ditching us.”** Elvira Nabiullina, Russia’s central-bank governor, says the move was partly **motivated by** American **sanctions** (which were imposed after Russia’s annexation of Crimea in 2014), **but** also by **a desire to diversify currency risk.** “I see a global shift in mood,” she says. “We are gradually moving towards a more multi-currency international monetary system.” Ms Nabiullina echoes Mark Carney, the governor of the **Bank of** **England**, who **said** in August that **the dollar-centric system “won’t hold”.** Russia’s debt is being de-dollarised, too. New issuance is often in roubles or euros, and the government is exploring selling yuan-denominated bonds. Russian companies have shrunk their foreign debts by $260bn since 2014; of that, $200bn was dollar-denominated. Conversely, Russian firms and households retain a fondness for dollars when it comes to holding international assets: they have $80bn more than they did in 2014. Dmitry Dolgin of ing, a bank, finds this “puzzling”, but suspects it could be that the interest rates on dollar assets, higher than on euro equivalents, outweigh the perceived risk from sanctions. Dasvidaniya, dollar ING expects 62% of Russia’s goods and services exports to have been settled in dollars in 2019, down from 80% in 2013. Its trade with China was almost all in dollars in 2013; now less than half is. Trade with India, much of it in the sanctions-sensitive defence sector, shifted from almost all dollars to almost all roubles over that period. One reason for this shift, say Russian officials, is that it speeds trade up, since dollar payments can be delayed for weeks as financial intermediaries run sanctions checks. Energy and commodities firms are among Russia’s most active de-dollarisers. The greenback is the global benchmark currency for oil trading, and escaping its grip is hard. “The key thing to understand is that risk management, the entire derivatives complex, is in dollars,” explains the boss of a global energy firm. “So if you want to have risk management—as an oil trader, buyer or producer—you have to have contact with the dollar system.” Nonetheless Rosneft, a state-backed producer that accounts for over 40% of Russia’s crude output, has denominated its tender contracts in euros. Surgutneftegas, another producer, still prices in dollars but has added a clause to contracts saying they can be switched to euros at its request—“a back-up plan in case Trump throws shit at the fan”, says a trader. Last March Gazprom priced a natural-gas shipment to western Europe in roubles for the first time. The cost of switching out of dollars is modest, says an executive at a global oil-trading firm: “an extra person in the finance department and a bit more currency risk.” Will China follow the trail blazed by Russia? Mr Trump has exposed China’s profound vulnerability to the dollar-centric financial system. America’s ability to blacklist or hobble Chinese tech firms, such as Huawei, ultimately rests on punishing suppliers and other counterparties who do business with them through the dollar-based banking and payments system. An American legal case against a senior Huawei executive, who is fighting extradition from Canada, reportedly relies in part on evidence from an American-appointed overseer at hsbc, an Asia-centric bank run from London. In October America sanctioned eight cutting-edge Chinese tech firms for alleged human-rights abuses in Xinjiang province. The administration has threatened to block listings by Chinese firms in New York and restrict purchases by American investors of Chinese shares. China’s first attempt to bypass the dollar was bungled. After the financial crisis in 2007-09 it promoted the international use of the yuan and pressed for it to become part of the imf’s “Special Drawing Rights”, in effect receiving the fund’s imprimatur as a reserve currency. China set up currency swap deals with foreign central banks (it has done over 35). There was heady talk of the yuan challenging the dollar for the top spot by 2020. Then came a stockmarket panic in 2015 and the government clumsily tightened capital controls. The yuan’s share of global payment by value has stayed at about 2% for several years. Zhou Xiaochuan, a former governor of China’s central bank, has said that yuan internationalisation, which he promoted while in office, was “a premature baby”. America’s display of financial firepower and new technologies are changing the calculus again. China has some of the building blocks to become more autonomous. It has its own domestic payments and settlement infrastructure, called cips. Launched in 2015, it has so far complemented swift (which it uses for interbank messaging). It is tiny, processing less in 2018 than swift does each day. But it simplifies cross-border payments in yuan, giving banks lots of nodes for settlements. Reports suggest that China, India and others may be exploring a jointly run swift alternative. A will and a Huawei Parts of the world’s consumer-finance system are coming under China’s sway thanks to its digital-platform firms, which have globalised faster than its conventional banks. Payments through Alibaba (and its affiliate Ant Financial) are accepted by merchants in 56 countries. The Alipay logo is, in some places, as common as Visa’s. In capital markets, in 2018 China introduced a yuan-denominated crude-oil futures contract on a Shanghai exchange. Known as the “petroyuan”, it is seen by some as a potential rival to the dollar in pricing oil. China has encouraged important firms listed in America to list their shares closer to home as well. On November 26th Alibaba, China’s most valuable company, which in 2014 floated in New York rather than in Hong Kong or Shanghai, completed a $13.4bn additional listing in Hong Kong (the funds were raised in Hong Kong dollars). “As a result of the continuous innovation and changes to the Hong Kong capital market, we are able to realise what we regrettably missed out on five years ago,” said Daniel Zhang, Alibaba’s chief executive. China’s central bank is reported to be working on a new digital currency, though details are sparse. Some speculate that it wants to get a head-start on America in building whatever international system emerges for managing payments in central bank-issued digital currencies. It discussed creating a common cryptocurrency with other brics countries (Brazil, Russia, India and South Africa) at a recent summit. China may end up doing Bitcoin with an authoritarian twist: instead of anonymity it may want all data to be trackable and centrally stored. That America’s geopolitical rivals want to escape the dollar’s dominance is no surprise. Perhaps **more striking is that its** **allies are flirting with it, too.** In her manifesto for 2019-24, Ursula von der Leyen, the new president of the European Commission, said: “I **want to** **strengthen** the international role of **the euro**.” Jean-Claude Juncker, her predecessor, has called the dollar’s dominance in European energy trade an “aberration” (when just 2% of imports come from America). The commission is working on a new action plan, part of which involves encouraging eu countries to eliminate “undue reference” to the dollar in payments and trade invoicing, according to a staffer. So far the **eu’s** **main initiative has** **involved Iran**. It has tried to create a way for its banks and firms to trade with it, while shielding them from America’s wrath. But Instex, a clearing house created for this purpose by Britain, France and Germany, with the commission’s support, is crude and limited. It is essentially a barter mechanism and does not cover oil sales (it is limited to non-sanctioned humanitarian trade). It was structured to allow firms to engage in commerce without resort to the dollar or swift. But **they have** **stayed away for fear of** **incurring** **secondary sanctions.** The stuttering performance of Instex reflects the sheer scope of America’s reach. As Adam M. Smith, a sanctions expert at Gibson Dunn, a law firm, points out, **America can claim jurisdiction** if a transaction has any American “nexus”, even if it is not denominated in dollars. This includes transactions that rely on banks under American jurisdiction, or where a foreign counterparty relies on American nationals to approve, facilitate or process the transaction, or where one party uses a back-end payment, accounting or email system that is stored on servers in America. Despite this, some European officials remain optimistic. On November 29th six more eu states said they planned to join Instex. “It’s a ten-to-twenty-year thing, and hopefully not only covering Iran. You can’t undo decades of policy in a year,” says a French official. And, if Europe manages to reform the inner workings of the euro, its financial reach will expand. “We need to complete the project first: banking union, fiscal integration, genuine capital-markets union, and so on,” another French official says. European powers are likely to play a leading role in central-bank efforts to create a global electronic currency. Last year Mr Carney floated the idea of a network of central-bank digital monies that could serve as a global invoicing currency. If it happens America may not be invited.

#### Dollar dissatisfaction is already bubbling over

**Cao 16** – (Lan Cao, Fowler School of Law, Chapman Universit, Betty Hutton Williams Professor of International Economic Law at Chapman University, JD from Yale (Lan, “CURRENCY WARS AND THE EROSION OF DOLLAR HEGEMONY”, Michigan Journal of International Law, 09.12.16)

Although the dollar had been devalued by its severance from gold, devaluation had strategic benefits given growing trade deficits with Germany and Japan.196F 197 And despite devaluation, there was still faith in the U.S. dollar. Holding reserves still meant holding dollars. OPEC continued to price oil in dollars, despite talks about pricing oil in a basket of currencies.197 F 198 If there was dollar depreciation, it was because other currencies appreciated, not because central banks sold their dollar holdings.198 F 199 Currency crises did arise, but they were for the most part nondollar crises – the 1991 sterling crisis, the 1994 Mexico peso crisis, the 1997 East Asia-Russia crisis. The nondollar crises strengthened the dollar as it was viewed as a safe haven. “It seemed as though it would take either a collapse in growth or the rise of a competing economic power – or both – to threaten the supremacy of the dollar.”199 F 200 In 2010, the perfect storm occurred as the factors identified above converged, deepening and widening preexisting cracks. III. CURRENT CURRENCY WARS Today’s financial crisis is not just one in which one currency is devalued against another or against gold. The risk is, rather, a massive loss of confidence in paper currencies altogether and a flight in the long run towards safe havens such as commodities or other hard assets. Part III connects the dots – it looks at the causes of the financial crisis, the U.S. response, international reaction and its impact on the dollar-based system. When countries, separately or concertedly, take certain measures to increase their gold or hard commodities, or to repatriate gold holdings stored elsewhere back home, or when they enter into agreements to engage in regional trade using a currency other than the U.S. dollar, these developments constitute a challenge to the U.S. dollar. Despite U.S. trade deficits and budget deficits throughout the 1980s and onward, the dollar perversely maintained its top dog status. This irony prompted Otmar Emminger, the former President of the Bundesbank, to declare in awe and frustration that the “the more the American budget deficit and trade deficit increased, the higher rose the dollar. . . . What would have made all other currencies weak seemed to have strengthened the dollar.”200 F 201 Even with the closure of the gold link, the dollar did not become a “normal currency like all the others”2 01F 202 but rather, retained “its unique role as a world currency.”202 F 203 Nonetheless, Emminger cautioned that the “overpriced dollar will sooner or later have to decline to a more normal level. The crucial question is whether this will become a ‘soft landing’ or a ‘crash landing.’”203 F 204 In the 1980s, the dollar had no rival. **Not so now**. Despite economic troubles in Greece and the Euro zone and the 2015 economic slowdown in China, things are different today. The U.S. budget deficit which ballooned because of tax cuts and increased war spending **continues without solution in sight**. Even in 2003, Alan Greenspan had warned, “‘Far more urgent than tax cuts . . . was the need to address the threat posed by the soaring new deficits.’”204 F 205 At the same time, the combined GDP of the U.S., the European Union and China together constitute almost 60 percent of global GDP. Hence it is not surprising that there are currently three major currencies in the world: the dollar, the Euro, and the yuan.205 F 206 Part A looks at dollar-yuan rivalry and explores how this dysfunctional relationship has serious implications for the international economic system. Part B looks at challenges to the dollar’s singular reserve status. A. Dollar-yuan Rivalry This section focuses on the currency war between the dollar and the yuan (rather than the euro) for several reasons. First, unlike Western European countries, China is a rival, not an ally of the U.S. Second, China is a rising global power with global ambitions, political, economic and monetary. Third, China has by word and deed taken steps to dethrone the dollar. Moreover, it is not possible to understand fully the 2008 financial crisis and how it deepened the cracks in the system unless one understands the dysfunctional relationship between the yuan and the dollar. Even as early as the 1980s, when export was a relatively small part of Chinese GDP, the yuan was deemed to be undervalued.206 F 207 Partly to protect its rule as a response to Tiananmen Square protests, the Communist Party had placed primary importance on political stability,207 F 208 and consequently on job creation, which meant the adoption of a robust export sector and correspondingly a devalued yuan. China embraced six rounds of devaluations over a ten year period,208 F 209 succumbing to U.S. pressure for an upward revaluation only in the administration of George W. Bush.209 F 210 As incisively noted, “[f]or the Communist Party of China, the dollar-yuan peg was an economic bulwark against another Tiananmen Square.”210 F 211 In a surprising move on August 11 and 12, 2015, after a long period of pegging the yuan to the dollar at about 6.1-to-1, the Chinese government allowed the yuan to fall steeply, with the Chinese currency dropping 1.8 percent, then an additional 1.6 percent against the dollar.211 F 212 This move prompted additional angst in the U.S. as American officials viewed the depreciation as an attempt by China yet again to boost its exports to gain an unfair trade advantage.21 2F 213 China shrugged off criticism, arguing that it was anticipating IMF inclusion of the yuan in the SDR in late 2015 and was merely allowing the yuan to be “freely usable.” China’s devaluation this time was done under the convenient cover of market forces. The devalued yuan has had a significant impact on U.S. monetary policy. In 2002, then Fed Chairman Alan Greenspan began a sustained period of extremely low interest rate, adopting a 4.75 percent cut from July 2000 to July 2002,213F 214 to accomplish several objectives. Certainly one of the objectives was to offset the technology bubble collapse in the U.S. But another objective was to counteract China’s monetary policy, which critics charged included exporting its deflation to the world through its steady supply of cheap labor.214 F 215 A devalued yuan, resulting in cheap export goods and falling prices, can result in entrenched deflation as businesses and consumers postpone spending, hoping prices will fall further.215F 216 To spur American spending, the Fed kept rates low. But Greenspan’s low rate policy created conditions that contributed to the 2008 financial crisis and to the subsequent massive printing of U.S. dollars by the Fed. Predictably, a policy of sustained low interest rates meant that even marginal borrowers would be able to finance dubious deals. It also meant that institutional investors would seek higher yield and higher returns (and venture into the realm of the higher risk instruments) than those offered in risk-free government securities,216 F 217 resulting in an explosion of subprime residential and commercial loan originations and securitizations. These two linked factors, marginal borrowers and the housing market bubble, are two factors that were at the crux of the 2008 financial crisis. 217F 218 Conversely, low interest rates and the U.S. government’s antidote to the 2008 financial crisis – creating new money – also contributed to the financial crisis to China and elsewhere. This is because the yuan’s exchange rate has been pegged to the dollar.2 18F 219 This means that China does not allow the yuan to trade freely on international exchange markets in the same way that convertible currencies such as the dollar, euro, sterling, or yen do. The PBOC tightly controls the use of the yuan as a means for settling transactions. For example, because the dollar is the world’s reserve currency, a Chinese exporter would likely be paid in dollars by purchasers of their export goods or services. The Chinese exporter cannot exchange those dollars for the yuan on its own but must hand over those convertible currencies to the PBOC in exchange for yuan, at a fixed official (pegged) rate. Conversely, when an exporter needs euros or dollars to pay for imports, it can get them via the PBOC, but just what is needed to pay for the imports. Historically, as Chinese exports grew and China received dollars as payment, the PBOC in turn began buying dollars and dollar assets to achieve several objectives. As widely noted, the Chinese “central bank is a major purchaser of U.S. assets, largely because of its exchange rate policy. In order to mitigate the yuan’s appreciation against the dollar, China’s central bank must purchase U.S. dollars”21 9F 220 because boosting the dollar makes the yuan weak in comparison. Alternatively, intervention to achieve yuan depreciation is important because a low yuan makes Chinese exports competitive, and thus fits into China’s policy of export promotion. Third, the government saw the accumulation of dollar reserves as an important cushion against the kind of economic havoc wreaked by the 1997-1998 Asian currency crisis.220 F 221 For those reasons, the PBOC has embarked on a path of dollar accumulation. However, the picture is more complicated because a strategy of dollar accumulation itself required an ancillary strategy of yuan printing. This is because “the PBOC did not just take the surplus dollars, but rather purchased them with newly printed yuan. This meant that as the Fed printed dollars and those dollars ended up in China to purchase goods, the PBOC had to print yuan to soak up the surplus. In effect, China had outsourced its monetary policy to the Fed, and as the Fed printed more, the PBOC also printed more in order to maintain the pegged exchange rate.”221 F 222 PBOC acquisition of dollars resulted in even more dollar exposure for China. Once the PBOC held those newly acquired dollars, it also needed to invest these dollar reserves22 2F 223 and given its traditionally conservative orientation, it preferred to invest in highly liquid securities issued by the U.S. Treasury. Consequently, China possessed a massive quantity of U.S. Treasury obligations, which was estimated by some sources as early as 2011 as $950 billion U.S. dollars.223F 224 Chinese appetite for dollar assets was a double-edged sword. It was good for the U.S., as it ensured that American bond yields could remain low because a highly desirable U.S. debt market meant that the U.S. could command lower interest rates. As a Congressional Research Service report observed, “[b]ecause of its low savings rate, the U.S. borrows to finance the federal budget deficit and its capital needs . . . . It therefore depends on countries with high savings rates, such as China, to invest some of its capital in the U.S..”224 F 225 Any sign that China may reduce its purchase of dollar-based assets and diversify into other debt instruments would be worrying because “**China could use [its dollar holdings] as a political tool against the United States**.”225 F 226 But economists Ferguson & Schularick described as dysfunctional this “world economic order that combined Chinese export-led development with US over-consumption.” 226 F 227 Ben Bernanke argued that a “‘glut’ of savings from emerging markets was a key factor in the decline of U.S. and global real-long term interest rates . . . .”227F 228 Low interest rates allowed Americans to consume more and “**worsened the imbalance** between savings and investment.”228 F 229 Others observed that without “Chinese willingness to fund America’s consumption and real estate speculation habit, long-term interest rates in the U.S. would almost certainly have been substantially higher, acting as a circuit breaker for the housing bubble.”229 F 230 When the financial crisis hit the U.S. in 2008, it was clear that urgent action was needed. The traditional approach to strengthening a weak economy in the U.S. has been to increase consumer spending. U.S. GDP was $14.9 trillion in 2011, with 71% coming from consumer consumption, 12 percent from investment, 20 percent from government spending, and minus 3 percent from net exports, which means that the consumer has always played a vital economic role.230F 231 Interestingly, this picture is the mirror image of the GDP composition of China, where consumption was only 38 percent of the Chinese economy, net exports a positive 3.6 percent and investment 48 percent. Consumption remained low in China because its social safety net is weak, forcing individuals to save for their own health care and retirement.231 F 232 For the U.S., the usual recipe to invigorate consumer spending has been a “combination of low interest rates, easier mortgage terms, wealth effects from a rising stock market and credit card debt,”232 F 233 but with an overstretched consumer, high unemployment, mortgage default, and business reluctance to invest,233 F 234 the Bush and Obama administrations turned to government spending. However, faced with vociferous Tea Party resistance, the Obama administration looked to export, aiming to double U.S. exports in five years to spur growth.234F 235 Export could be a strategy if China would agree to rebalance and focus more on consumption – by importing from the U.S.. The IMF was summoned by the G20 to support the “rebalancing,” agenda which the IMF described as playing “a critical role in promoting global financial stability and rebalancing growth.”235 F 236 But despite persistent IMF and U.S. pressure,2 36F 237 China did not allow the yuan to appreciate. By June 2009, the U.S., its patience wearing thin, adopted a different currency strategy some called “a secret weapon”237F 238 – QE. As in 1971, when the U.S. acted unilaterally to weaken the dollar, starting in 2009 the U.S. was able to increase the money supply and increase asset prices via QE. “Instead of reducing the price of money - that is, cutting interest rates - the Fed increases the quantity of money. It does that by going into the financial markets to buy assets and it creates new money to pay for them.”238 F 239 “The new money swells the size of bank reserves in the economy by the quantity of assets purchased—hence ‘quantitative’ easing.”239 F 240 As John C. Williams, who became the president of the Federal Reserve Bank at San Francisco in 2011 explained, “if the Fed buys significant quantities of longer-term Treasury securities or debt,”232 F 233 but with an overstretched consumer, high unemployment, mortgage default, and business reluctance to invest,233 F 234 the Bush and Obama administrations turned to government spending. However, faced with vociferous Tea Party resistance, the Obama administration looked to export, aiming to double U.S. exports in five years to spur growth.234F 235 Export could be a strategy if China would agree to rebalance and focus more on consumption – by importing from the U.S.. The IMF was summoned by the G20 to support the “rebalancing,” agenda which the IMF described as playing “a critical role in promoting global financial stability and rebalancing growth.”235 F 236 But despite persistent IMF and U.S. pressure,2 36F 237 China did not allow the yuan to appreciate. 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Williams, who became the president of the Federal Reserve Bank at San Francisco in 2011 explained, “if the Fed buys significant quantities of longer-term Treasury securities or exports, which in turn made American exports more competitive. 245 F 246 In many ways, for China, inflation induced by QE is worse than revaluation. China could control revaluation, choosing when to revalue. But inflation would be harder to control – it “could have huge behavioral impacts and start to feed on itself in a self-fulfilling cycle as merchants and wholesalers raised prices in anticipation of price increases by others.”24 6F 247 As proof of QE success for the U.S. economy, Bernanke pointed to the 25% increase in U.S. equity prices, which began from the beginning of QE2 in August, 2010, to the end of February, 2011.247F 248 For the U.S., this was a good development – “the Fed intended for the ‘excess’ liquidity to push up asset prices, probably hoping that the “wealth effect” of higher asset prices would spur economic activity in the U.S.”248 F 249 But for other countries, “the impact of QE on commodities and the food and energy inflation that it may have inadvertently, or perhaps purposefully, engendered”2 49F 250 have created havoc. Thus, when the Fed lowered interest rate to zero and pursued QE, its action had cross-border effects not just because more dollars flooding the market devalues the dollars, causing energy and commodities that are often priced in dollars to cost more (because it requires more dollars to buy them). Rather, inflation can also occur when large capital inflow fuels those economies, driving up demand for resources or further spurring speculation in commodities, increasing demand and prices.250 F 251 Moreover, U.S. interest rate at zero means that U.S. investors seek higher returns elsewhere – in emerging markets – and in the process drive up the value of many of the currencies even as QE drives down the value of the dollar. In 2010 the Brazilian Finance Minister, Guido Mantega, called this combustible situation of commodity inflation a “currency war” unleashed by U.S. QE. Indeed, “Brazil was stuck between the rock of currency appreciation and the hard place of inflation.”251F 252 Emerging countries have few options. Like China, they can peg their currency to the dollar, protecting their export markets but suffering inflation in the process. The PBOC’s money printing to maintain the yuan-dollar peg quickly led to increased prices there with China importing inflation from the U.S. (as opposed to having exported its deflation to the U.S. previously).252 F 253 Inflation can have **serious consequences** in emerging economies. Indeed, it was one of the catalysts of the 1989 Tiananmen Square protests. Trade surpluses and hot money in search of higher yields meant dollar inflows into many emerging economies, causing disruption in South Korea, Brazil, Indonesia, Thailand, Vietnam and elsewhere.253 F 254 Although the Fed has denied that its actions, particularly QE2, are a driver of protests and revolutions abroad and admittedly, commodity prices are influenced by a multiplicity of factors (desertification or drought, for example), commentators have connected the dots between the prices of food and purchase of U.S. Treasuries by the Fed.254 F 255 Data showed that “the food price index broadly stabilised through late 2009 and early 2010, then rose again from mid-2010 as quantitative easing was re-started (QE2) . . . with prices rising of about 40% over an eight month period.”255 F 256 As in Tiananmen Square, a rapid rise in food prices also contributed to disturbance and revolution in the Middle East.256 F 257 The Middle East and North Africa, more than other regions, heavily depend on imported food; in Egypt, for example, local food prices rose 37%.257F 258 In Jordan and Syria, food prices rose 59 percent.258 F 259 “When a peasant lives on $3,000 per year, rising food prices are the difference between eating and starving, between life and death. The civil unrest, riots and insurrection that erupted in Tunisia in early 2011 and quickly spread to Egypt, Jordan, Yemen, Morocco, Libya and beyond were as much a reaction to rising food and energy prices and lower standards of living as they were to dictatorships and lack of democracy.”25 9F 260 It is thus not surprising that Mohamad Bouazizi, the Tunisian whose self immolation triggered the Arab Spring protests, was a food vendor. Hence even as China hangs on to its export model and its purposely devalued yuan, and even as the U.S. continues to “inflate away China’s export cost advantage,”260 F 261 inflation could not be confined “only” to China. To put China’s dollar holdings into historical perspective, if the Bretton Woods system were still anchored to gold, one could safely assume that China would have opted to cash in some of its Treasury securities for U.S. gold held in reserves. A redemption of $100 billion of Treasury notes at the 2008 gold price of $1000 per ounce would have equaled 35 percent of the entire official gold supply of the U.S.; and a full redemption of all U.S. government securities held by China would have wiped out all of the U.S. gold supply.26 1F 262 The question is how China can protect its own dollar holdings and still diversify from its dollar-based assets. When “the U.S. government announced a $1.5 billion budget deficit and the Federal Reserve decided to buy hundreds of billions of government and agency debt” in 2009, China **quickly questioned the continued use of the dollar as an international reserve** **currency**. 262 F 263 Some have warned about the looming currency wars.263 F 264 After the 2008 financial crisis and the “‘unprecedented explosion of financial credit,’”264 F 265 concern about the prevalence of paper money became **even more pronounced**. “[P]aper currencies, not backed by any commodity standard, had facilitated unprecedented credit expansion.”265F 266 And as some have observed, “paradoxically, the paper which had been responsible in large part for the explosive increase in credit was now seen to provide the solution.”266F 267 At present, **dangerous fault lines** exist beneath the dollar-based international economic system. Part B connects the dots, so to speak, to highlight seemingly disconnected events which demonstrate dissatisfaction with the way the U.S. handles the dollar. It also examines actions being pursued by China and other countries to chip away at dollar dominance and to create alternatives to the status quo. PART B. NEW NON-DOLLAR BASED SYSTEMS This Part examines three main developments that signal not just global disillusionment with the dollar generally but concrete actions to create alternatives to the dollar-based system particularly. Some are a particular reaction to U.S. initiated currency wars and others reflect a general disillusionment with the dollar: 1) the historic 2014 multi-billion dollar gas deal between Russia and China which should be seen as one of many efforts to diminish the dollar’s role in oil and gas pricing, that is, to eradicate the dollar’s privilege as a currency backed by oil; 2) the establishment of a development bank by BRICS to challenge the Western dominated World Bank and IMF; 3) the search for commodities of intrinsic value such as gold to challenge fiat money such as the dollar. First, as noted in the Introduction, the U.S. itself has unleashed financial warfare against Iran and its currency, the rial. The U.S. severed Iran from the international banking and payments system, barring Iran from receiving dollars for oil exports and sending dollars out to pay for needed imports. Iranian merchants faced with dollar shortage turned to the black market, exchanging rials for dollars at astronomically depressed rates. Depositors rushed to withdraw their rials to purchase hard assets and dollars or other hard currencies. To prevent a bank run, the government had little choice but to raise interest rates to induce depositors to keep their money in the banks. One of Iran’s largest crude oil buyers, India, capitulated to U.S. pressure and shut down its primary financing facility used to pay for Iranian oil.267F 268 Iran has turned to China for financing help with ambitious projects and for trade when faced with Western sanctions. Iran and China have started on building a new Silk Road and China is now Iran’s largest trading partner.268 F 269 Iran also sells its oil to China, taking care to avoid violating American banking laws by using Russian and Chinese banks and by bartering.26 9F 270 It entered into an oil-for-gold swap with India, whereby India would buy gold and swap it with Iran for oil. Iran would in turn swap the gold with Russia or China for food and other goods. Iran is also selling crude oil to China, taking yuan as payment.270F 271 It has also pursued a gold strategy, expanding its gold trading with Afghanistan, the UAE, and Turkey. 271 F 272 To keep the U.S. from freezing its dollar balances, it dumped dollars and bought gold. In July, 2013, to deal with Iranian circumvention of American banking sanctions, the U.S. banned gold sales to Iran; gold traders in other countries who flouted this regulation would risk American penalties, including expulsion from the U.S. precious metals market.272 F 273 Any movement away from the oil for dollar system – either by using gold or a non-dollar currency – will be a serious threat to dollar hegemony. Dissatisfaction with dollarization of the international oil market has been **bubbling for** **many** **years**. For example, before the U.S. invasion of Iraq, Saddam Hussein made the switch from the dollar to the euro for oil trading, in a move intended as both retribution for U.S. sanctions and as encouragement of Europeans to challenge such sanctions.273F 274 Representative Ron Paul asserted a controversial and scantily noticed link between the invasion of Iraq and Hussein’s rejection of the dollar: “Saddam Hussein demanded Euros for his oil. His arrogance was a threat to the dollar; his lack of any military might was never a threat…. I doubt it was the only reason, but it may well have played a significant role in our motivation to wage war.”274 F 275 Others have asserted a similar link between the ouster of Gaddafi and his plan to refuse the dollar as payment for oil, insisting instead on a new currency, the gold dinar. “Gaddafi suggested establishing a united African continent, with its 200 million people using this single currency. During the past year, the idea was approved by many Arab countries and most African countries.”275 F 276 In a little noticed 2002 speech to OPEC, Javad Yarjani, a senior Iranian oil diplomat, floated the possibility that oil could be priced in euros.276 F 277 Since then it is establishing an oil bourse that will trade oil in currencies other than the dollar.277F 278 The former U.S. Ambassador to Saudi Arabia, Chas Freeman, testified before a congressional committee that “One of the major things the Saudis have historically done, in part out of friendship with the U.S., is to insist that oil continues to be priced in dollars. Therefore, the US Treasury can print money and buy oil, which is an advantage no other country has. With the emergence of other currencies and with strains in the relationship, I wonder whether there will not again be, as there have been in the past, people in Saudi Arabia who raise the question of why they should be so kind to the United States.”278 F 279 The dollar faces serious threats from rivals. “Whether in yuan or roubles, non-dollar trading – which enables countries to bypass U.S. claims to legal jurisdiction – will transform the prospects facing Iran and Syria, particularly in the field of energy reserves, and deeply affect Iraq which is situated between the two.”279 F 280 As Russia faced sanctions over its actions in Crimea and Ukraine, President Putin of Russia announced in August 2014 that Russia will aim to sell its oil and gas for rubles globally to bypass dollar monopoly in energy trade. “We should act carefully. At the moment we are trying to agree with some countries to trade in national currencies,” Putin said during his visit to Crimea, annexed from Ukraine in 2014.280F 281 There are reports of **secret meetings** being held among ministers and central bank governors in Russia, China, Japan and Brazil to work on a new arrangement in which oil will no longer be priced in dollars but instead will be tied to a basket of currencies, including the Japanese yen and Chinese yuan, the euro, gold and a new, unified currency planned for nations in the Gulf Cooperation Council, including Saudi Arabia, Abu Dhabi, Kuwait and Qatar.281F 282 In the meantime, according to Chinese banking sources, the transitional currency in the move away from dollars is likely to be gold.282 F 283 Interestingly, analysts in the oil and gas industry find diversification away from petrodollars to be a natural development given the reality of trade. One reason might simply be that many countries such as China, Russia and those in the Middle East already have large dollar holdings and wish to diversify into other currencies.28 3F 284 Moreover, as bilateral trade between China and other countries grows, or as China and Russia trade oil, “‘why would they want to do that solely in dollars?’”284F 285 And indeed, movements are underway between China and Russia to carve an alternative natural-resource universe denominated in a non-dollar currency, most likely the yuan. The newest linkage between China and Russia – barely two months after Russia’s annexation of Crimea in March 2014, is an historic $400 billion gas agreement for the construction of a pipeline and the transportation of natural gas from Russia to Western China over the next several decades.285 F 286 The cost of construction and processing facilities is estimated at $70 billion, although it will be partially offset by a multi-billion loan from China in exchange for a discount in the purchase price.286 F 287 China is “the largest energy consumer and producer in the world. Rapidly increasing energy demand, especially for petroleum and other liquids, has made China influential in world energy markets.”287 F 288 The gas deal cements “the two partners as a counterhegemonic bloc to the West.”288F 289 Analysts “predict that the oil exports would mean Chinese yuan being exchanged directly, into the Russian ruble. Thus the two countries would **bypass the U.S. dollar** - the traditional currency used in oil trades and considered to be the international reserve currency of choice.”2 89F 290 Russia’s willingness to accept yuan as payment for its oil has made it the number one oil supplier for China.290F 291 Although as noted,291F 292 China’s stock market and currency fluctuated wildly in early 2016, it would be wrong to see the yuan as a weakened currency. It has been included in the SDR basket as a global reserve. Thus, the yuan will be more international and its value will appreciate as central banks increase their yuan holdings,292 F 293 following signals by the central banks of Korea, Philippines and Indonesia that they plan to increase their own yuan reserves.29 3F 294 As early as 2010, Nigeria, anticipating greater yuan internationalization, announced that it would put a tenth of its reserves, or $ billion, into yuan.294 F 295 This past December 2015, Zimbabwe announced it would make the yuan the official legal tender of the country.29 5F 296 Russian willingness to accept the yuan has been further reinforced by Western sanctions against Russia for its conduct in the Ukraine and Crimea. Although Western sanctions explicitly permitted the use of the dollars and euros as payment for Russian oil and gas, “the sanctions triggered alarm among Russian executives, who viewed the measures as a sign that the west was willing to use currency as a weapon.”296 F 297 Consequently, Russian officials and executives have begun the shift from the U.S. dollar to the yuan as part of the Kremlin’s “pivot to Asia.”297F Gazprom Neft, Russia’s third largest oil producer and the oil arm of the state-owned Russian gas company Gazprom, announced that since the beginning of 2015, it had been selling its oil to China for yuan.298 F 299 Russian and Chinese monetary linkages have grown in other areas as well. For example, VTB, Russia’s second biggest bank, entered into an agreement with the Bank of China to pay each other in their respective domestic currencies.299 F 300 The two countries have also announced that in bilateral trades, they will no longer use the U.S. dollar but will use their respective domestic currencies instead. 300 F 301 Trade between Russia and China is already nearly $90 billion, and it is expected that using more local currencies will speed up trade, which is scheduled to reach $200 billion in the next six years.301 F 302 Cooperation between Russian and Chinese banks is also increasing, as China’s state-owned Import Export Bank, has agreed to help Russian banks cut off from Western capital markets as a result of Western sanctions.302 F 303 Although there have been other attempts to isolate the dollar – for example, agreements between China and India and China and Brazil303F 304 and China-Russia yuan-ruble swaps,304F 305 the gas deal is in a different league altogether. Because the deal is so huge, involves the world’s largest energy importer, China, and the world’s largest energy producer, Russia, it “**threatens the global petrocurrency status of the U.S. dollar**. . . . In other words, the growing importance of Russia and China in the global energy picture – and their phasing out of dollar usage for trading energy commodities – would **marginalize the status of the dollar**”3 05F 306 and threaten its unique status. The U.S. Treasury market would be weakened, which would in turn make it difficult for the U.S. to continue financing its chronic dollar-denominated debt of more than $17.5 trillion. 306F 307 Consequently, what we now have is “[a] profound transformation of the global monetary system . . . driven by a perfect storm: the need for Russia and Iran to escape Western sanctions, the low interest rate policy of the U.S. Federal Reserve to keep the American economy afloat and the increasing demand for Middle East oil by China.”30 7F 308 As discussed later,308 F 309 hoarding gold is thus becoming not just an investment strategy but also a financial weapon.3 09F 310 The China-Russia gas deal should also be viewed in a yet broader context – the establishment of not just different reserve currencies to challenge the dollar but also of an alternative system to challenge Bretton Woods. In 2014, exactly seventy years after the Bretton Woods summit, the governments of Brazil, Russia, India and China held a conference in Fortaleza, Brazil to mark the establishment of a development bank that, “whatever diplomatic niceties are put on it, is intent on competing with the IMF and World Bank.”310 F 311 There are many reasons why the NDB was erected. BRICS, especially China, has pushed for voting reform at the IMF to no avail, arguing that voting powers are skewed in favor of Western Europe even though economic conditions, as measured by population growth, foreign currency reserves, and economic output, have changed significantly since the founding of the IMF. As Joseph Stiglitz explained,311F 312 the NDB fills a need. It provides additional investment in trillions of dollars per year; and second, because it reflects the increasing power of BRICS, it corrects the democratic deficit currently of the IMF and the World Bank.3 12F 313 Regardless, BRICS was also established to challenge the dollar-based system, or as euphemistically put, to “support the reform and improvement of the international monetary system, with a broad-based international reserve currency system providing stability and certainty. We welcome the discussion about the role of the SDR in the existing international monetary system including the composition of the SDR’s basket of currencies.”313 F 314 As Russian Prime Minister Dimitri Medvedev said in 2014, the efficacy of the Bretton Woods system had to be questioned after the 2008 financial crisis.314F 315 “This is when we started wondering whether the Bretton Woods system was enough, whether one powerful currency - the US dollar - and several reserve currencies such as the euro, the pound and others can support the entire global financial system.”3 15F 316 With China and Russia renouncing the dollar in their bilateral trade316 F 317 and leading the charge, the BRICS countries, which collectively hold over 50 percent of global currency, established a $100 billion development bank as a “first concrete step toward reshaping the Western-dominated international financial system.”3 17F 318 BRICS leaders also signed another agreement setting up a Contingent Reserve Arrangement (CRA) which is a reserve currency pool with $100bn in initial capital.318 F 319 The NDB, formally launched in 2015, will start with an initial paid-in-capital of $50 billion, with each BRICS country contributing $10 billion. The initial capital contribution of each participant to the CRA will reflect each country’s stake in global GDP319F 320 and the paid in capital, or reserves, are planned to be denominated in each country’s currency. 320 F 321 The NDB, will finance infrastructure and sustainable development projects (like the World Bank), and the CRA, will provide assistance to members in financial difficulty (like the IMF).321 F 322 Countries can also minimize dependency on the dollar-based system – protecting themselves from sanctions and asset freezes – “by converting paper wealth to gold,”322 F 323 an option China and a few others have been pursuing aggressively. China and India, Iran and Russia, among others, have used their monetary reserves to increase their gold positions.323F 324 Gold plays an important role in China’s quest to internationalize the yuan and position it as a preeminent reserve currency. One way to accomplish this is to have it included in the IMF’s SDR basket, which China achieved in November 2015 when the IMF deemed it a major exporter with a “freely useable currency” increasingly driven by market forces. 324 F 325 Another step China has taken to acquire elite status for its currency and to challenge dollar dominance in trade involves the acquisition of gold. Gold still functions as a credible alternative and hence challenge to the dollar’s elite status. Even though gold is no longer used to back paper money, central banks still hold gold as part of their bank reserves, with the IMF alone holding 2814 tons.325F 326 Since 2010 when China became the world’s second largest economy, the government has “stepped up efforts to make the yuan a viable competitor to the dollar. That’s led to speculation the government has stockpiled gold as part of a plan to diversify $3.7 trillion in foreign-exchange reserves.”326F 327 In July 2015, China reversed years of secrecy and reported that it has purchased 604 tons of gold since 2009, an amount second only to Russia.327F 328 With this purchase representing a 60 percent increase in its reserves since 2009,328F 329 China displaced Russia as the world’s fifth-largest holder of gold.329 F 330 “The purchases show how China is seeking to diversify its reserves away from the US dollar at a time when the price of gold has fallen to near its lowest price since 2010.”330 F 331 Unlike other big gold holders such as Germany and Russia which update gold holdings monthly, 331 F 332 China does not regularly disclose data on its gold reserves.332 F 333 The PBOC’s report of its addition of slightly more 600 tons of gold showed up, surprisingly, (or perhaps not) as one single entry in June 2015.333F 334 Such a huge purchase is difficult to accomplish in one transaction unless it is prearranged between central banks or the IMF; as there was no record of such arrangement, “[t]he conclusion is inescapable that China is actually accumulating gold in smaller quantities over long periods of time, and reporting the changes in a lump sum on an irregular basis.”334 F 335 The Chinese decision to reveal its gold holdings in 2015 might have been timed to showcase openness and transparency, a gesture meant to impress the IMF as it considered including the yuan in the SDR.335 F 336 In addition, by adding a lot of gold to its reserves and disclosing the latest numbers, China demonstrated that its currency is supported by hard assets336 F 337 in amounts sufficiently large for it to be deemed a big player. However, commentators doubt the accuracy of these numbers because information about the country’s gold holding is considered a state secret in China,337 F 338 and because of the PBOC’s history of false reporting.33 8F 339 But China’s covert accumulation may also make financial sense because any large buyer may wish to disguise its intention to minimize market impact and price hike. Moreover, China may not wish to trigger a loss of confidence in dollars, due to its continuing substantial dollar holdings.3 39 F 340 Thus, Chinese purchases are done through “secret agents and direct purchases from mines,”3 40F 341 many located in China and others in southern Africa and western Australia. By 2007, China surpassed South Africa as the world’s largest gold producer, 341 F 342 mining 437 tonnes in 2013 alone. 342F 343 To cast one-kilo gold bullions, gold ore from Chinese-owned mines, in and outside of China, is transported to refineries in China, Australia, South Africa and Switzerland and then shipped to vaults in Shanghai, thus bypassing the London market, minimizing market impact and keeping the exact amount of gold China actually has a secret.3 43F 344 China is also the world’s largest consumer of gold and as well, the largest importer of gold.3 44F 345 Reports indicate that China has increased gold imports since 2009, so that from 2010 to May 2015, Chinese gold imports through Hong Kong were well over 3,300 tons.345F 346 Moreover, it also has gold imports through Shanghai, but this amount is undisclosed.346F 347 Investors have noted that “[w]hile gold imports from Hong Kong provide a directional sense of China’s demand, they offer incomplete data because additional shipments come into China through Shanghai and Beijing as well.”3 47F 348 Some estimate that China actually possesses as much as 3,510 metric tons, suggesting that China could be underreporting its gold holdings by 1,850 tons.348F 349 If numbers from China’s own gold mining production and imports, whether through Hong Kong or Shanghai, are not reflected in PBOC disclosures, where is the gold? The private sector. China has outpaced India with private sector gold purchases accounting for 26 percent of the world’s total gold purchases in 2013.349F 350 The World Gold Council, the market development organization for the gold industry, reported that by encouraging “‘domestic absorption of gold’” by the private sector . . . [,] these ‘reserves’ held by the population could always be called upon by the state,”350 F 351 and subject to Chinese state control. Chinese gold can also be held in a myriad of other state owned banks other than the PBOC, such as the Agricultural Bank of China, Bank of China, the China Investment Corporation, a sovereign wealth fund responsible for managing the country’s foreign exchange reserves,351F 352 and/or the State Administration of Foreign Exchange, and these holdings would not need to be reported as part of official central bank reserves.3 52F 353 Whenever the government wishes to report a higher figure, it can do so by moving the gold into the PBOC. The continuing importance of gold in the face of uncertainty is further corroborated by the growing number of countries seeking to repatriate their gold. In May 2015, Austria’s central bank announced plans to repatriate £3.5bn of its gold reserves currently stored in Britain, constituting 80% of its entire stocks after auditors warned against storing gold in a foreign country.353 F 354 The Austrian National Bank will spend the next five years flying gold bullions from London to Vienna, a move reminiscent of Germany’s plan in 2013 to repatriate 300 tons of its gold stored in New York to ensure at least 50 percent was safe in Germany by 2020.35 4F 355 In November 2014, the Dutch central bank announced that it had repatriated 122.5 tons of gold from New York to Amsterdam, claiming the move should ““have a positive effect on public confidence.”35 5 F 356 Belgium too has initiated gold repatriation,356 F 357 and a similar call to audit and repatriate French gold back to France is also taking place.357 F 358 The rush to repatriate is in sharp contrast to the post-World War II and Cold War days when European countries stored their gold as far from the Communist bloc as possible in case of a Soviet invasion. Despite the fall of the Iron Curtain, much of European gold is has been kept in financial centers like New York and London, as “[i]t remains the one currency that is accepted everywhere. In the event of a currency crisis, the gold could be quickly deployed in financial markets to help restore confidence.”358F 359 New York especially has been a favorite because The New York Fed stores gold without charge because the “presence of foreign gold supports the dollar’s status as the global reserve currency.”3 59F 360 Interestingly, the movement to take gold back for safekeeping is led by Northern European countries that form the core of the “haves” within the EU.360F 361 Again, one returns to the trust issue – that is, “**building trust with citizens frustrated by years of easy-money policies**.”361 F 362 Analysts have offered different reasons for this trend. Some explain the repatriation frenzy as “an indication that financial Armageddon, in the guise of runaway inflation, is approaching.”362 F 363 Others view it “as a symbolic way for central banks and governments to make a show of strength in nervously uncertain economic times.”363F 364 The continuing financial crisis has heightened anxieties in many countries about fiat money and “the safety of their gold reserves abroad.”3 64F 365 Moreover, the financial crisis “marks a **deeper anxiety** amongst tax payers and savers for the monetary system to have a more solid base than QE (quantitative easing) and zero rates . . . .”365F 366 Gold remains “a highly liquid asset that is easily exchanged for other currencies.”3 66F 367 The repatriation “is especially pronounced in Europe, where central banks face public pressure to buy more gold or bring back home what they hold in vaults overseas.”367 F 368 Additionally, given the financial crisis facing Greece and other European countries, the notion that the EU is splittable is not far-fetched.36 8F 369 Southern European countries such as Greece, Spain, Portugal, Italy, and Cyprus are mired in a recession that has required bailouts by the euro area’s northern countries, leading to prediction that the euro system will be dismantled.369F 370 Economic distress has brought into stark contrast the economic disparity and cultural differences between the poorer periphery euro zone countries and the richer core euro zone ones.370F 371 “For the great many Germans who still rue the day they had to trade their marks for euros, there has been at least one consolation. If the common currency did not work out, Germany still had huge reserves of the hardest currency of all: gold.”371 F 372 Moreover, the so-called Nordic bloc of countries – Germany, Belgium, Austria, and the Netherlands have not only the highest rated credits but also a combined gold reserve of 4000 tons. “These four countries with reserves of 4,000 tons will have the ability to set up a northern or “Nordic euro” … especially if China revalues gold and resets the world’s financial system . . . .”372 F 373 Thus, the discovery by Germans that their gold was not physically in their own country resulted, as discussed, in calls to repatriate it back to Germany – even as the Bundesbank vociferously denied that repatriation reflected any lack of trust in the New York Fed.373F 374 Nonetheless, the fact remains that “[t]he system, of course, is built upon trust – that the New York Fed won’t suddenly be taken over by people with no respect for [other] nations’ property rights and seize it for their own use, and that the central banks won’t lie about how much gold is in their vaults.”374 F 375 Even if some economic experts do not see “pending doom in the repatriation schemes and the shopping sprees by Moscow and Beijing,”375 F 376 those actions are still highly significant because they **trumpet “a desire to challenge a rival**. . .”376F 377 and in the case of the Chinese and the Russians, to broadcast the fact “that they’re unhappy with the dollar or that they want to become a global player . . . . ”377 F 378 CONCLUSION The dollar’s exorbitant privilege is being challenged by allies and rivals alike. Like his predecessor Charles De Gaulle, who was resentful of the dollar’s unique status, French President Nicolas Sarkozy proclaimed in the midst of the 2008 financial crisis that “We need a new Bretton Woods. We can’t have on the one hand a multipolar world and on the other a single reserve currency on a global level.”378 F 379 As noted,379F 380 China has called for a reserve currency that is not issued by any one country. 380 F 381 Russia too has denounced the continued use of the dollar as a reserve currency issued, ironically, by a debtor (albeit hegemonic) country: “one center of consumption, which is financed by deficit, and correspondingly, an accumulation of debt, one reserve currency that is powerful as never before, and one predominating system of evaluating risks and assets.”38 1F 382 A few scholarly commentators have issued warnings about the likely consequences of dollar decline from singular currency to one among many, or from top currency to “negotiated” currency.382 F 383 “The relative diminution of the dollar as an international currency to something like first-among-equals status will not only cause the United States to **lose privileges it once enjoyed**—its coercive power enhanced by greater autonomy and its structural power implicitly shaping the preferences of others—but it will also produce new burdens, which Americans will be **singularly unaccustomed to bearing**.”383 F 384 The ripple effect will likely be felt in myriad ways in different areas of U.S. interests, including **economic**, **political** and **security** interests. The following observation accurately reflects what I have described throughout the article: “[A] shift away from the dollar as a reserve currency and pricing standard for oil transactions, could be **catastrophic** for the United States. In the worst case scenario, a drastic drop in demand for dollar-denominated assets would cause the interest rates on Treasury Securities to skyrocket, sending **ripples through the US economy** as the value of the dollar plummets. . . . [The] . . . decrease in demand for US debt . . . will constrain the federal government's ability to spend and the ability of the United States to defend itself. The United States has built its foreign policy around its vast military capability; a sudden **budgetary shock and drop in military spending would leave the United States vulnerable** as it scrambles to regroup in a new security environment.”384 F 385 This Article has traced the evolution of the dollar and shown how it evolved from its origin in coins of gold and silver to paper “greenbacks” backed by gold to its current state – fiat money unbacked by anything of intrinsic value and issued by a debtor, albeit powerful, country. As late as the 1980s, the United States was “the world’s largest creditor and source of investment money”385 F 386 but “[b]y 2000, America’s net foreign liabilities had become larger than those of all other debtor countries combined . . . .”386F 387 In its current incarnation, the dollar is most vulnerable to challenge – internal because of chronic deficits and external because of international rivalries and intense dissatisfaction with how the U.S. has managed the dollar and the effect this has created on the rest of the world. Indeed, the IMF itself issued a report warning that the staggering increase in U.S. foreign debt is a hazard to the global economy and “could play havoc with the value of the dollar and international exchange rates.”387F 388 The dollar may be strong this year or weak last year. That is the nature of a market-based floating system. But regardless of any momentary snapshot, various indicators show that an alternative, non-dollar system is being slowly but surely created. The Triffin Dilemma,388F 389 combined with the global economic crisis of 2008, has triggered heated debate about the international monetary system, and because the dollar is at the centerpiece of this system, about the dollar itself. Different proposals have been put forth by governments, quasi-governmental bodies, government officials and others to correct imbalances specifically in the dollar-based international economic system389F 390 and more generally in the international economic legal framework itself.390 F 391 This Article has not focused on the many theoretical or policy proposals that have sprouted post-2008 because its emphasis is on concrete developments391F 392 and concerted actions that have already been undertaken to undermine dollar hegemony. “The endgame to Triffin’s paradox is a global, **wholesale** **dumping of** **the center country's** **securities**. No one knows in advance when the tipping point will be reached, but the damage brought about by higher interest rates and slower economic growth will be readily apparent afterward.”392 F 393 At the height of the 2008 financial crisis, Luo Ping, a director-general at the China Banking Regulatory Commission, agonized thus: “Except for U.S. Treasuries, what can you hold? Gold? You don't hold Japanese government bonds or UK bonds. U.S. Treasuries are the safe haven. For everyone, including China, it is the only option . . . . We know the dollar is going to depreciate, so we hate you guys, but there is nothing much we can do.”393 F 394 Undoubtedly, pressure on the dollar is continuing and cracks are increasingly apparent. Possibilities abound – instead of the dollar as the singular hegemonic currency, we could have regional currencies instead.394 F 395 Emerging markets, whether BRICS or some other combination, could establish competitive currency zones.395F 396 “[S]udden reserve diversification, or the act of foreign governments abruptly shifting their funds from dollars to other currencies”396 F 397 **is not farfetched**. That disaster did not strike even after the 2008 financial crisis does not mean it will not ever strike. That there is, as yet, no effective alternative to the dollar397F 398 does not mean that one will not emerge. Indeed, it is reasonable to note that it is the “eurozone phase of the global financial crisis . . . [that] . . . has provided the U.S. government with a timely respite from both domestic forces and Triffin’s endgame”398 F 399 and that what the United States got as a result was merely “a lucky break.”399 F 400 As George Soros succinctly described, “in the financial sphere the Bretton Woods institutions— the IMF and the World Bank—have lost their monopoly position. Under Chinese leadership, a parallel set of institutions is emerging.”40 0F 401 Soros noted that against this context of “rival camps” with China and Russia on one side and the U.S. on the other, “China has begun to build a parallel set of financial institutions, including the Asian Infrastructure Investment Bank (AIIB); the Asian Bond Fund Initiative; the New Development Bank (formerly the BRICS Bank); and the Chiang Mai Initiative, which is an Asian regional multilateral arrangement to swap currencies.”4 01F 402 I have focused on the New Development Bank and on a myriad of other actions, from the various China-Russia bilateral agreements, the historic gas deal, to demonstrate that the hegemony of the dollar is being eroded as more and more countries seek to price oil and gas in a currency other than the dollar, such as the yuan. Since the closure of the gold window, the dollar’s unique status has been maintained partly by its linkage to oil. Breaking the dollar-oil link will be a significant step bringing the world closer to a non-dollar-based regime. Hence, it is interesting to note that whereas Saddam Hussein moved to price oil in a currency other than the U.S. dollar,402F 403 Iraq post-Saddam Hussein is now committed to selling oil in dollars.403F 404 The search for hard assets such as oil, gas, gold and other natural resources has also intensified. Gold in particular remains relevant to the international economy, despite vociferous claims to the contrary. It remains relevant despite prior efforts to demote it. Take as an example the move by the IMF in January 1976 to convert the SDR from a gold-backed reserve to one consisting only of a basket of paper currencies.404 F 405 Take as another example the dumping of 300 tonnes of gold by the U.S. during the Carter administration to depress the price of gold405F 406 and to show that dollars, rather than gold, should be the global reserve currency. China’s quest to internationalize the yuan and its recent inclusion in the IMF’s SDR basket reflect not only Chinese desire “to use financial liberalization as an engine of growth” but also its “ultimate ambition of replacing the US dollar as the dominant currency in the world.”406 F 407 It is not only China but Russia as well that has stepped up efforts to increase its own gold reserves. From 2004 to 2013, Russian reserves increased from 390 tonnes to over 1,000 tonnes.407 F 408 Through QE, massive printing of dollars has upset the complex relationship between the dollar and other currencies tied to it, such as the yuan. Dollar devaluation has resulted in inflation in other countries, contributing to economic stress and political revolutions in many parts of the world. Moreover, The drive to repatriate gold in the post-2008-financial crisis world must be seen in this context – of growing mistrust in the global financial system, in the same way that mistrust during the Cold War drove Germany and other European countries to keep its gold stored in New York rather than risk confiscation by the Soviets on the other side of the Iron Curtain. “If the U.S. or the U.K. suddenly deemed it necessary to confiscate foreign gold to defend its paper currency in a crisis, that gold would be conveyed from the original owners to the possession of the U.S. or the U.K.”40 8F 409 As there is mistrust in paper money such as the dollar, there is an increasing demand to accumulate gold as a reserve asset. As Mario Draghi, head of the European Central Bank declared in 2013, “I never thought it wise to sell [gold] because for central banks this is a reserve of safety. It’s viewed by the country as such. In the case of non-dollar countries, it gives you a fairly good protection against fluctuations of the dollar.”4 09 F 410 This Article has connected seemingly disparate dots in the international economic system to warn about the dangers that lie beneath the dollar’s apparent strength. Before any serious efforts to defend the system can be mustered,410 F 411 the first task is to realize that positive snapshots, a rallying stock market, a strong dollar, a robust economic recovery, or a slowdown in China’s economy411 F 412 may in fact be **deceiving** because what lies beneath are fault lines that pose fundamental danger to the post World War II international economic regime.

### 1ar – nuq – dollar decline already happening

#### The world order is already abandoning the USD

Bambrough 23 [(Billy, journalist) “U.S. Dollar ‘Demise’—Iran And Russia Suddenly Abandon The Dollar As It Charts Worst Year Since 2020 Amid A $1.6 Trillion Bitcoin And Crypto Price Boom” <https://www.forbes.com/sites/digital-assets/2023/12/30/us-dollar-demise-iran-and-russia-suddenly-abandon-the-dollar-as-it-charts-worst-year-since-2020-amid-a-16-trillion-bitcoin-and-crypto-price-boom/>, Dec 30, 2023] TDI

The U.S. dollar is set to end 2023 with its first yearly loss since 2020 thanks to the Federal Reserve's dovish pivot—triggering predictions of a surprise "Biden bailout." The bitcoin price has rocketed higher as the U.S. dollar has sunk this year, riding the Fed rally and as Wall Street giant BlackRock quietly opens the door to a "trillion-dollar plus" game-changer. Now, with some predicting former U.S. president Donald Trump will spark a bitcoin price boom in 2024, Iran and Russia have signed a deal to trade in their local currencies instead of the U.S dollar, with one economist warning the "demise of the U.S. hegemony is really upon us.""Banks and economic actors can now use infrastructures including non-Swift interbank systems to deal in local currencies," Iran's state media [reported](https://en.irna.ir/news/85335790/Iran-Russia-agree-to-ditch-dollar-trade-in-national-currencies) this week. Russia and **Iran**, both subject to strict U.S. sanctions, have been working to **remove their dependence** **on** the U.S. dollar in recent years, undermining global dollar dominance. The group of countries known as Brics—Brazil, Russia, India, China, and South Africa—have led efforts to escape U.S. dollar hegemony, with Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates due to join them as five new member states from the beginning of 2024. As a result, some think **the world order is shifting away from reliance** on the U.S. dollar, with countries looking to cleave from from the U.S.-led global financial system. "They are not buying Treasury bonds anymore and they are diversifying [away from] our dollar into gold, into oil, and strategic resources," economist Stephanie Pomboy, the founder of MacroMavens, told Tucker Carlson on X. "And they’re starting to trade in local currencies. They don’t have to transact in dollars. The demise of the U.S. hegemony is really upon us, and the Biden administration and so many in Washington are just sleeping right through it." China, with the development of its bitcoin-inspired digital yuan central bank digital currency (CBDC), has increased its share of international payments to a record high in 2023, making it the fourth most used currency in November, according to data from the Swift Financial System. The U.S. dollar's share of global currency reserves shrank slightly in the third quarter, according to International Monetary Fund (IMF) data out earlier this month showing the dollar slipped to 59.2% of global central bank reserves, down from 59.4% in the three months prior. Wall Street bets against the U.S. dollar going into 2024 have increased in recent weeks as Fed chair Jerome Powell stuck a surprisingly dovish tone thanks to the fall in inflation this year. Fed officials forecast 75 basis points in rate reductions for 2024 at its December policy meeting though the market is now pricing in 150, according to swaps data reported by *Bloomberg*. The Fed has also come under pressure to cut interest rates due to its soaring interest bill, something that some think could risk the return of inflation—and helping gold and the bitcoin price rally. "The U.S. latest annual fiscal deficit was $1.7 trillion in the year to September 2023, the third-worst number on record, and the annualised interest bill has hit $1 trillion, or 20% of tax income," Russ Mould, investment director at brokerage AJ Bell, said in emailed comments. "The U.S. cannot afford to keep interest rates where they are for long and there is a risk that the Fed has to cut rates to keep the burden manageable and take risks with inflation. This may be why gold (and bitcoin, for that matter) are on a roll. Markets are pricing in five rate cuts from the Fed in 2024, but because inflation is cooling and growth benign, not because debt is a problem and interest costs are squeezing economic growth." The bitcoin and crypto price boom this year has pushed the crypto market to around $1.6 trillion, double where it started 2023 and reaching highs not seen since early 2022.

#### The dollar is already waning under pressure from other currencies - it’s still widely used but waning.

Burrows ’23 Rubert Burrows, 4-18-2023, "US Dollar: The King is Dead – Long live the King", RankiaPro, https://rankiapro.com/en/insights/us-dollar-king-dead-long-live-the-king/ TDI

Is the dollar losing its status as the King of currencies? Dollar hegemony refers to the dominance of the United States dollar as the world’s primary reserve currency, which has been in place since the end of World War II. The dollar has been the world’s reserve currency for decades, meaning that countries around the world hold large quantities of U.S. dollars to facilitate international trade and finance. The global dominance of the U.S. dollar has given the United States enormous economic and political power. The U.S. has been able to print money and borrow at low-interest rates because other countries have been willing to hold U.S. dollars in their reserves. This has enabled the U.S. to finance its large trade deficits and military spending, which have been central to its global power. However, the dollar’s hegemony now faces increasing challenges, and its importance is waning. The rise of China and the European Union has led to the growing use of alternative currencies, which has weakened the dollar’s global dominance. Declining Global Trade Dominance The U.S. has seen its share of global trade decline over the past few decades. While the U.S. economy is still the world’s largest, other countries, particularly China, are quickly catching up. As a result, the dollar is becoming less important in international trade. For example, China is now the largest trading partner of many countries worldwide. Many of those countries are increasingly conducting trade in their own currencies rather than using the U.S. dollar. The European Union is also a significant trading bloc, with the euro now a major international currency. Reduced Confidence in the U.S. Economy Another factor contributing to the decline of the dollar’s hegemony is the reduced confidence in the U.S. economy. The 2008 financial crisis and subsequent recession significantly impacted the global economy, and many countries lost confidence in the U.S. financial system. This has led to a shift towards alternative currencies, such as the euro and the Chinese yuan, as investors seek more stable and diversified assets. Once again, debt ceiling concerns are coming into focus. As always, in the U.S., the opposition party will attempt to extract concessions from the other party, pushing negotiations to the limits. The two political parties are increasingly intransigent, and the possibility of a miscalculation is not unthinkable. U.S. Sanctions and Geopolitical Tensions Finally, U.S. sanctions have also contributed to the decline of the dollar’s hegemony. The U.S. has used its position as the world’s primary reserve currency to impose economic sanctions on countries that it disagrees with, such as Iran and Russia. This has led to those countries seeking alternatives to the U.S. dollar and conducting trade in other currencies. Economic considerations Dollar strength feeds inflation pressures abroad. When a country’s currency weakens against the dollar, the price of imports increases, resulting in inflationary pressures. With commodities like oil, gas, metals, and food priced in dollars, any dollar strength will increase costs. This is particularly problematic for emerging markets as these costs comprise a large part of consumption. The Rise of Digital Currencies The rise of digital currencies, such as Bitcoin, also challenges the dollar’s hegemony. These currencies are in theory, decentralized and operate independently of any government or financial institution, making them an attractive alternative to traditional currencies. For example, Bitcoin has become a popular way to conduct international transactions, particularly in countries with high inflation rates or weak currencies. While digital currencies are still a relatively small part of the global financial system, their rise represents a significant challenge to the dominance of the U.S. dollar. Countries the world over are attempting to suppress this alternative system. Examples of transactions outside of the dollar are on the up. Most recently, France completed its first yuan transaction for Liquefied natural gas (LNG), and Brazil has announced an agreement to trade directly with China. Conclusion In conclusion, the dominance of the U.S. dollar as the world’s primary reserve currency is waning. While the dollar is still the most widely used currency for international trade and finance, alternative currencies such as the euro and the Chinese yuan are becoming more important. In addition, the rise of digital currencies and geopolitical tensions are also contributing to the decline of the dollar’s hegemony.

#### The collapse of dollar hegemony is a question of when not if

**Hedges 2/4** (Chris Hedges a Pulitzer Prize-winning journalist, a New York Times best-selling author, a professor in the college degree program offered to New Jersey state prisoners by Rutgers University. 04 February 2019. "Goodbye to the Dollar". Truth Dig.https://www.truthdig.com/articles/goodbye-to-the-dollar/

When George W. Bush unilaterally invaded Iraq, defying with his doctrine of preemptive war international law and dismissing protests from traditional allies, he began the rupture. But Trump has deepened the fissures. The Trump administration’s withdrawal from the 2015 Iranian nuclear agreement, although Iran had abided by the agreement, and demand that European nations also withdraw or endure U.S. sanctions saw European nations defect and establish an alternative monetary exchange system that excludes the United States. Iran no longer accepts the dollar for oil on international markets and has replaced it with the euro, not a small factor in Washington’s deep animus to Teheran. Turkey is also abandoning the dollar. The U.S. demand that Germany and other European states halt the importation of Russian gas likewise saw the Europeans ignore Washington. China and Russia, traditionally antagonistic, are now working in tandem to free themselves from the dollar. Moscow has transferred $100 billion of its reserves into Chinese yuan, Japanese yen and euros. And, as ominously, foreign governments since 2014 are no longer storing their gold reserves in the United States or, as with Germany, removing them from the Federal Reserve. Germany has repatriated its 300 tons of gold ingots. The Netherlands repatriated its 100 tons. The U.S. intervention in Venezuela, the potential trade war with China, the withdrawal from international climate accords, leaving the Intermediate-Range Nuclear Forces (INF) Treaty, the paralysis in Washington and disruptive government shutdown and increased hostilities with Iran bode ill for America. American foreign and financial policy is hostage to the bizarre whims of stunted ideologues such as Mike Pompeo, John Bolton and Elliott Abrams. This ensures more global chaos as well as increased efforts by nations around the globe to free themselves from the economic stranglehold the United States effectively set in place following World War II. It is only a question of when not if the dollar will be sidelined. That it was Trump, along with his fellow ideologues of the extreme right, who destroyed the international structures put in place by global capitalists, rather than socialists these capitalists invested tremendous resources to crush, is grimly ironic.

#### Collapse of dollar heg is impossible to predict – but it *will* inevitably happen

**Hedges 2/4** (Chris Hedges a Pulitzer Prize-winning journalist, a New York Times best-selling author, a professor in the college degree program offered to New Jersey state prisoners by Rutgers University. 04 February 2019. "Goodbye to the Dollar". Truth Dig.https://www.truthdig.com/articles/goodbye-to-the-dollar/

“Ultimately, we will have reserve currencies other than the U.S. dollar,” the Bank of England Gov. Mark Carney announced last month. Sixty-one percent of foreign currency reserves are in dollars. As these dollar currency reserves are replaced by other currencies, the retreat from the dollar will accelerate. The recklessness of America’s financial policies will only exacerbate the crisis. “If unlimited borrowing, financed by printing money, were a path to prosperity,” Irwin M. Stelzer of the Hudson Institute said recently, “then Venezuela and Zimbabwe would be top of the growth tables.” McCoy explains what a world financial order untethered from the dollar would look like: For the majority of Americans, the 2020s will likely be remembered as a demoralizing decade of rising prices, stagnant wages, and fading international competitiveness. After years of swelling deficits fed by incessant warfare in distant lands, in 2030 the U.S. dollar eventually loses its special status as the world’s dominant reserve currency. Suddenly, there are punitive price increases for American imports ranging from clothing to computers. And the costs for all overseas activity surges as well, making travel for both tourists and troops prohibitive. Unable to pay for swelling deficits by selling now-devalued Treasury notes abroad, Washington is finally forced to slash its bloated military budget. Under pressure at home and abroad, its forces begin to pull back from hundreds of overseas bases to a continental perimeter. Such a desperate move, however, comes too late. Faced with a fading superpower incapable of paying its bills, China, India, Iran, Russia, and other powers provocatively challenge U.S. dominion over the oceans, space, and cyberspace. The collapse of the dollar will mean, McCoy writes, “soaring prices, ever-rising unemployment, and a continuing decline in real wages throughout the 2020s, domestic divisions widen into violent clashes and divisive debates, often over symbolic, insubstantial issues.” The deep disillusionment and widespread rage will give an opening to Trump, or a Trump-like demagogue, to lash out, perhaps by inciting violence, against scapegoats at home and abroad. But by then the U.S. empire will be so diminished its threats will be, at least to those outside its borders, largely meaningless. It is impossible to predict when this flight from the dollar will take place. By the second half of the 19th century, the U.S. economy had overtaken Britain, but it was not until the middle of the 20th century that the dollar replaced the pound sterling to become the dominant currency in international trade. The pound sterling’s share of currency reserves among international central banks fell from around 60 percent in the early 1950s to less than 5 percent by the 1970s. Its value declined from more than 4 dollars per pound at the end of WWII to near-parity with the dollar. The British economy went into a tailspin. And that economic jolt marked for the British, as it will for us, the end of an empire.

#### Collapse of dollar hegemony *cannot be stopped*

Shea 5/28 (Rainer Shea, a political jounalist for multiple companies, uses the written word to construct establishment propaganda to promomte meaningful political actions. 28 May 2019. "It May Not Be Fully Visible, But We’re in the Final Years of the American Empire"https://ghionjournal.com/it-may-not-be-fully-visible-but-were-in-the-final-years-of-the-american-empire/)

But reality will catch up with the empire’s attempts to halt its own unraveling. America’s great undoing will be the collapse of the dollar—an eventuality which the U.S. has been trying to stave off by intervening in Iran and Venezuela due to their rejection of America’s currency. If the U.S. were to conquer both of these countries, it still wouldn’t be able to halt the transition away from American trade dominance that nations around the world are making. With Bush’s unilateral invasion of Iraq, the U.S. lost the respect of many nations around the world, and Trump’s trade wars and rejections of international agreements like the Paris climate accord have accelerated this rupture between the U.S. and the rest of the world. America’s global dollar reserves are being replaced by other currencies. And as this process continues, it’s going to combine with the country’s internal financial mismanagement to create a 21st century Great Depression. By the end of the 2020s, the U.S. may be so economically crippled that it will have to withdraw its global military forces en masse. This will represent the final death of the American empire, which historian Alfred McCoy has predicted will come around the year 2030. At that point, writes McCoy, the country will be experiencing “soaring prices, ever-rising unemployment, and a continuing decline in real wages throughout the 2020s, [as] domestic divisions widen into violent clashes and divisive debates, often over symbolic, insubstantial issues.” The decline of the dollar, as well as potential wars with Iran, Russia, and China, are going to be the “stress test” that Orlov anticipates will end America as we know it. This collapse can’t be stopped. The question is what will happen after American dominance goes under. This question will be decided by those who make the choice between whether they’ll continue to support capitalism, or fight for a world that isn’t controlled by fascistic governments and powerful multinational corporations. After the U.S. loses its power, the corporatocracy will use the private armies of mercenary companies like Blackwater to carry out its regime change projects. Already, Blackwater is aiming to cash in on American desires for continued military involvement by becoming part of the wars in Afghanistan and Syria. This privatization of the empire will be an unprecedented corporate takeover, and it will be facilitated by a collection of world powers that have embraced ethno-nationalism and authoritarianism. It’s entirely possible that The European Union will work as one of these authoritarian powers; its recent efforts to control information and exert police power over the populations of its member countries show that the EU could soon become an instrument for social control within its region. This will be paralleled by a plethora of countries which are quickly shifting towards despotism and ethnic nationalism, with America having some of the greatest potential for falling into tyranny.

#### Too many alt causes -- dollar heg will inevitably collapse

Palley 06 (Thomas Palley, Palley runs the Economics for Democratic and Open Societies Project, and is the former chief economist of the US-China Economic & Security Review Commission. He is the author of “Plenty of Nothing: The Downsizing of the American Dream and the Case for Structural Keynesianism” (Princeton University Press, 1998), "Why Dollar Hegemony is Unhealthy", 6/20/06, https://yaleglobal.yale.edu/content/why-dollar-hegemony-unhealthy)

Conventional theory says the dollar will only lose its dominance when countries become saturated with dollar holdings. At that stage they will cease buying and may even sell dollars, causing the currency to fall. The problem with this story is that countries have no incentive to sell dollars, as this would kill the golden goose of export-led growth. The buyer-of-last-resort story suggests a different take. One reason the dollar could topple is if countries finally manage to develop their own consumption markets. Countries in the Euro zone are most capable of doing this, but for the moment they are gripped by policymaking that is obsessed with inflation and afraid of growth. China needs to improve its income distribution in a way that links income distribution to productivity. Unions are the natural way to do this, but are blocked by China’s totalitarian political system that fears such organization. An alternative source of collapse is if American consumers reduce spending because they feel overextended, the Fed raises interest rates too high or American banks tighten lending standards. In this event, the US economy would stall and the dollar could fall owing to diminished economic prospects in the US. All three theories have merit, but in today’s economic environment the buyer-of-last-resort theory is especially relevant. As long as other countries fail to generate sufficient demand in their own markets, they will be compelled to rely on the US market and pay dollar tribute. However, none are well served by this co-dependence. Other countries resent the special situation that exempts the US from trade-deficit discipline. Side by side, the long-term economic prospects of the US are undermined by the erosion of the manufacturing sector, while US workers face wage and job pressures from imports that are advantaged by the dollar’s overvaluation. Moreover, all are vulnerable to a sudden stop of the system resulting from financial overextension of the US consumer.

### 1ar – thumper – crypto

#### Crypto thumps

Newman and Carty ’23 Jay Newman and Richard Carty, 11-22-2023, "US dollar dominance is facing a crypto-yuan hostile takeover" Financial TImes, https://www.ft.com/content/39f10121-29ac-4b66-b364-c15bf62e0be9 TDI  
It’s no surprise that the US Treasury — whose remit includes combating threats to the dollar and protecting the integrity of the financial system — is warning Congress that dollar-based digital instruments, stablecoins, and crypto exchanges pose significant risks. But risks to whom? Crypto “dollars” won’t collapse the world financial system, but they could disrupt the cosy greenback-based settlement system. Pre-eminence of the dollar as the currency of choice for contractual settlements, coupled with the depth and sophistication of US capital markets, has enabled the US and other Western governments to police bad actors by imposing economic sanctions on people they don’t much like. Unfortunately for the US and its allies, as events currently unfolding in Hong Kong accelerate, CCP-controlled crypto stablecoins and related exchange transfer platforms will eviscerate this prerogative. The French have long complained about exorbitant privilege — the ability of the US to finance fiscal policies by printing dollars. For the past fifteen years, the BRICS have taken this to heart, seeking an alternative to avoid Uncle Sam’s heavy hand and freedom to snoop on all their financial dealings. But the BRICS don’t need to invent a new currency or transfer system. The best “new” money is here: digital dollar stablecoins and other tokenised crypto pseudocurrencies. Unlike the “old” dollar — easily regulated, tracked, and tethered to Washington DC — offshore crypto transfer systems operate outside the extant global regulatory net. They’re effectively stateless.  Dollar-cryptos are, of course, not currencies at all, they are simply components of an alternative money transfer system, akin to Western Union, Fedwire, or SWIFT, but without disclosure or regulation. They are risky “assets” because there is no underlying collateral: essentially, they’re unsecured obligations of the issuer of the token. For the most part, offshore crypto exchanges require no regulatory collateral. What if those risks were ameliorated? Large-scale acceptance of crypto tokens can provide a robust settlement mechanism for legitimate economic activities. But they really shine as tools for illegitimate activities, letting all manner of criminals conduct business in dollars while bypassing the oversight mechanisms of the Federal Reserve, the CFTC, the SEC, the IRS, and banks subject to American regulation One collateral consequence of broad-based acceptance of offshore crypto tokens would be the evisceration of the Trading with the Enemy Act of 1917 and the 1977 International Emergency Economic Powers Act. These provide the foundation for US government sanctions against countries and individuals “to deal with any usual and extraordinary threat, which has its source in whole or substantial part outside the United States.” Those statutes create a national security/emergency hook for actions that are, primarily, driven by foreign policy, criminal enforcement, and economic objectives.  Consider this: had Russia held crypto tokens on a hard drive instead of holding reserve assets at G7 central banks, $600bn of reserves that were blocked by Western sanctions would have been frustrated. Ditto the accounts of hundreds of Russian oligarchs, and those of another 12,000-odd individuals and companies currently under American sanction.  Binance this week pleaded guilty to criminal charges related to money laundering and breaching international financial sanctions, having failed to report suspicious transactions with organisations the US described as terrorist groups including Hamas and al Qaeda. Reuters reported in June that “hackers, fraudsters and drug traffickers”, including groups under US sanctions for assisting North Korea’s nuclear weapons program, have moved at least $2.3bn through the exchange over the past five years. Threats to the current order are being rendered operational by the Hong Kong-based crypto companies and exchanges with direct ties to the Chinese Communist party (CCP). Everything in Hong Kong requires CCP approval: it’s well documented that the CPP seeks to dethrone the US dollar and the dollar clearing and settlement systems. Not least because of bitter CCP complaints over US sanction policies. It’s natural that the CCP would drive the institutionalisation of Hong Kong as a centre for digital assets — even to the point of “suggesting” Western banks, like HSBC and Standard Chartered accept Hong Kong-based crypto exchanges as clients, thereby creating a critical conduit link to the traditional banking system for the crypto exchanges. Implicit control over a system of crypto token exchanges, clearing systems, and custody mechanisms, would offer the CCP a lot of information and bang for the buck. Infusions of Chinese government resources could expand the capitalisation of Hong Kong crypto exchanges, making it a centre for crypto tokens. There are obstacles. Scale is one. The current value of Hong Kong USD tokens is paltry: $4bn — but up from nothing in late 2021. A pittance in terms of capital markets, this could grow fast if even a modest portion of the one trillion of greenbacks in circulation worldwide — and a slice of China’s $800bn hoard of US Treasuries — shift. The space is ripe for a CCP takeover. Roughly $123bn in dollar stablecoin tokens are in circulation elsewhere. Tether alone accounts for some $83bn in capitalisation. Tether is owned by iFinex, a Hong Kong company that already has a long relationship with China. The FT and the Wall Street Journal cover Tether extensively, including its opaque ownership, dubious accounting for purported 1-for-1 US dollar reserves, and popularity in illicit finance. A top ISIS figure allegedly uses Tether as his piggy bank. More recently, Tether, facilitated by the Tron stablecoin transfer network (where 93 per cent of all transactions involve Tether), seemingly unwittingly, failed to catch that its stablecoin was funding terrorist groups in the Palestinian territories.  Hong Kong hosts newer entrants: it’s CCP’s digital asset testing ground. TrueUSD ramped to $3.3bn in circulation since late 2021; it’s controlled by Techteryx, which is connected to the crypto exchange Binance, which originated in China and, despite denials, is reported to retain ties. The latest entrant, August 2023, is First Digital USD ($467mn in circulation) controlled by a newly formed Hong Kong trust. The beneficial owners of Techteryx and First Digital aren’t disclosed. A respected crypto analyst, Adam Cochran, has linked both entities with a crypto tycoon named Sun Yuchen, better known as Justin Sun. Sun denies any connection, Sun is also the inventor of an “algorithmic” crypto dollar coin, USDD ($72mn in circulation). In March of 2023, the Securities and Exchange Commission lodged a civil fraud complaint against him. By one account, he’s also the subject of a US Department of Justice Department criminal investigation. An investigation of Tron, another of Sun’s crypto token transfer platforms, by blockchain analytics firm Chain Argos suggests transactions linked to Hamas, Hizbollah and other terror groups “in the billion-dollar range.” For further reference: in 2021, Sun joined a research project with the China Academy of Information and Communications Technology. Citing a government statement, CoinDesk reports the project was approved by the Central Party Committee to consider using blockchain in social governance. The project’s team “includes members from the People’s Bank of China, Central Cyberspace Administration — China’s internet watchdog — as well as scholars from CAICT, the China Information Association, Tsinghua University, and Peking University.” For the US and Western institutions more generally, there’s enormous risk in the possibility that the CCP will be successful in establishing Hong Kong as a hub for global trading and clearing of crypto. Hong Kong-based digital instruments and exchanges will be opaque to the outside world with disclosure exclusively provided to Chinese authorities: all others will find them impossible to monitor — much less tax or control via domestic sanctions actions. Western notions of a rule of law, and the institutional scaffolding of modern capitalism — imperfect as they might be — will be absent. What’s more, the Chinese government issues its own Central Bank Digital Currency (CBDC), a digital yuan, giving it better visibility and granular control over those funds. According to the Human Rights Foundation, implications for human rights are significant: paper cash can transact outside of the oversight of a totalitarian regime, CBDCs are tools of surveillance and social engineering

### 1ar – link turn – generic

#### Sanctions risk dollar hegemony.

**AFP 23**, Agence France Presse, French News agency, “Yellen Says Sanctions May Risk Hegemony of US Dollar,” Barron’s, <https://www.barrons.com/news/yellen-says-sanctions-may-risk-hegemony-of-us-dollar-479c564f>, 16 April 2023, TDI

Economic sanctions imposed on Russia and other countries by the United States put the dollar's dominance at risk as targeted nations seek out an alternative, Treasury Secretary Janet Yellen said Sunday. "There is a risk when we use financial sanctions that are linked to the role of the dollar that over time it could undermine the hegemony of the dollar," Yellen said on CNN. "Of course, it does create a desire on the part of China, of Russia, of Iran to find an alternative," she told the network's Fareed Zakaria in an interview. "But the dollar is used as a global currency for reasons that are not easy for other countries to find an alternative with the same properties."

#### Countries switch away from the dollar when threatened by sanctions.

**JPM 23**, J.P. Morgan, American multinational finance company, “De-dollarization: Is the US dollar using dominance?” J.P. Morgan, <https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization>, 31 August 2023, TDI

The **U.S. dollar** is the world’s primary reserve currency, and it is also the most widely used currency for trade and other international transactions. However, its hegemony is in question, especially in light of the ongoing [Russia-Ukraine crisis](https://www.jpmorgan.com/insights/global-research/current-events/russia-ukraine-crisis-market-impact). “The risk of de-dollarization, which is a periodically recurrent theme throughout post-war history, has returned into focus due to geopolitical and geostrategic shifts,” said Alexander Wise, who covers Strategic Research at J.P. Morgan. In particular, the U.S. sanctions on Russia have made some countries wary about being too dependent on the greenback. In addition, against a backdrop of [rising interest rates](https://www.jpmorgan.com/insights/research/interest-rate-hikes), a strong U.S. dollar is becoming more expensive for emerging nations, leading some to trade in other currencies. In July 2023, Bolivia became the latest South American country — after Brazil and Argentina — to pay for imports and exports using the Chinese renminbi.

#### Sanctions drive countries away from the dollar and towards Chinese coalitions.

**Onge 23** [Peter St Onge, holds PhD in Economics from George Mason University and a bachelor’s degree in Economics and Political Science from McGill University.) “’Woke’ Sanctions and Countries Abandoning the Dollar Will Ruin the World, Not Just US,” The Heritage Foundation, <https://www.heritage.org/monetary-policy/commentary/woke-sanctions-and-countries-abandoning-the-dollar-will-ruin-the-world>, 29 June 2023, TDI

Americans can expect the dollar to continue declining as a global reserve asset, Treasury Secretary Janet Yellen warned in recent congressional testimony, asserting that it’s “only natural” that countries would flee the dollar. In fact, it’s not nature but the Biden administration that is chasing countries away from the U.S. dollar. For over a year now, unprecedented U.S. sanctions against Russia—designed as retribution for Vladimir Putin’s invasion of Ukraine—have been driving friendly countries, from Brazil to Saudi Arabia, away from the dollar and into the arms of the BRICS coalition of anti-dollar nations led by China. Of course, Russian aggression is unacceptable, but this flight from the greenback should have set off alarms in Washington. Instead, the Biden administration is now poised to ramp up its weaponization of the dollar, but rather than punishing countries for invading their neighbors, these new sanctions are designed to discipline countries for their failure to fall in line with Washington’s sexual agenda. **>>>** [Are Congressional Republicans About To Greenlight a CBDC?](https://www.heritage.org/markets-and-finance/commentary/are-congressional-republicans-about-greenlight-cbdc) On May 29, President Biden called for the immediate repeal of Uganda’s new sodomy law, which raises the punishment for a variety of homosexual acts. The president has even directed his National Security Council to “evaluate the implications” of Uganda’s law on “all aspects of U.S. engagement with Uganda,” and officials have indicated that they will go so far as to review Uganda’s eligibility for duty-free access to the U.S. for hundreds of products, which could be catastrophic for the economy of the impoverished nation. Meanwhile, the U.S. ambassador to Japan, Rahm Emanuel, has been harshly criticized for interfering in Japan’s domestic debate over sexual ethics, crossing a long-respected red line that neither country hold their military alliance hostage to purely domestic politics. Letting “woke” politics drive economic foreign policy is simply reckless. At a time when Mr. Biden’s unprecedented freezing of Russia’s central bank collars was already straining the dollar’s status as the global reserve currency, weaponizing America’s economic policy against allies—over “Pride,” of all things—could have serious consequences. For starters, it benefits America’s chief rival on the world stage. An aggressive China already offers billions to lure countries out of the dollar orbit and into its BRICS anti-dollar grouping. The China-led BRICS coalition already represents one-fifth of world trade, one-fourth of world gross domestic product, and almost half of the world population. And with Washington increasingly imposing its radical LGBTQ agenda—not to mention needless deficits and inflation—the coalition is growing fast. Dozens of countries are clamoring to join. Thanks to this concentrated push by China, the dollar’s share in global commerce is plunging. Today, only 40% of world trade is settled in U.S. dollars, down from 52% just a decade ago. It is worth noting that the U.S. accounts for 26% of global GDP, meaning that you might expect the dollar to be used in 26% of trade simply from our size. That means, when it comes to trade, the dollar’s reserve status has been cut in half in less than a decade. Worse, a study by the currency analyst Stephen Jen found that the dollar’s share of global reserves collapsed from 73% in 2001 to just 55% by 2021, then dropped off a cliff, falling 8 points to 47% in a single year. **>>>** [By the Treasury Secretary’s Own Definition, We’re Back in Recession](https://www.heritage.org/markets-and-finance/commentary/the-treasury-secretarys-own-definition-were-back-recession) Mr. Jen squarely blamed Mr. Biden’s seizure of Russian central bank dollars for the decline, which convinced other countries that the dollar is now a political football that can be weaponized anytime Washington doesn’t like your policies. In March, for example, the president of Indonesia, a longtime U.S. ally, cited the Russia sanctions in a speech urging countries to move away from the dollar. If Washington now intends to use the dollar to punish developing countries for their policies on sexual matters, many more nations are likely to conclude that the greenback is too risky to use as their central bank reserve asset. Despite these risks, the Biden administration seems determined not to heed the late Sen. Arthur Vandenberg’s advice that the needs of the nation should supersede partisan conflict, or, as he put it: “Politics stops at the water’s edge.” Instead, from the dollar to our military alliances, the administration is forcing allies to choose between groveling before Washington—which often includes accepting radically progressive social policies—and fleeing to Beijing.

#### Sanctions incentivize the creation of currencies outside the dollar.

**Scahill 23**, Jeremy Scahill, activist and investigative journalist, “MONETARY BLOWBACK: HOW U.S. WARS, SANCTIONS, AND HEGEMONY ARE THREATENING THE DOLLAR’S RESERVE CURRENCY DOMINANCE ,” The Intercept, <https://theintercept.com/2023/06/07/intercepted-podcast-us-dollar-dedollarization/>, 7 June 2023, TDI

The Ukraine war breaks out, and everything changed overnight. Everything changed. In my opinion, the U.S. miscalculated the reaction to the sanctions that were placed on Russia, freezing its U.S. dollar reserves and, more importantly, cutting it out of the SWIFT Settlement System, which is the global settlement system that relies on U.S. dollars as its mechanism. And what was surprising to the U.S., I think, was that a lot of the world – the BRICS nations, the middle powers, and even the Global South – decided to sit on the fence with respect to condemning Russia. And they made that decision for a number of reasons. One is of self-interest, because a lot of the food, fertilizer supply, oil supply, weapons sales, come from Russia, and a lot of countries rely on those things from Russia. And, quite rightly, from their perspective, wanted to maintain those trading relationships with Russia, did not want to condemn Russia or participate in any of the sanctions. Also, in addition, with respect to Africa, you have the Wagner Group out there in I don’t know how many – I think it’s like, almost a dozen or so countries, 20 countries, I think, operating in 20 countries in Africa, fighting insurgents, propping up dictatorships, whatever you want to call it. But there’s a relationship there between Russians and a lot of African countries. **MH:** Frank, you’re about to go on a very interesting point, which I want to ask you a question about. Before you go there, because I wanted to [ask] you some more questions about that later on, but very quickly, I wanted to ask you something, just to frame for our listeners this history you talked about. I think so many people take for granted this post-World War II, Bretton Woods order, where the U.S. has the petrodollar and the dollar is the world’s reserve currency for trade. And so, a lot of Americans, as you know, they’re kind of aloof about global politics or, you know, a monetary system is something which they don’t really understand the implications of the U.S. centrality of it. Can you tell us very briefly, what benefits do Americans accrue from having their currency as the world reserve currency? If that situation were to degrade or to disappear entirely, what would the implications be for Americans in the American economy? **FG:** So, the privilege of having, with what I think Charles De Gaulle called, “the ability to create deficit without tears,” or the exorbitant privilege that America had by having the reserve currency. That privilege allows America to maintain a standard of living it wouldn’t otherwise have. You know, as I said earlier, America turned into a consumption economy. Seventy percent of America’s GDP is consumption, not production. And so, it’s a consuming nation that imports the value of the U.S. dollar, allows it the higher value, the reserve status, which gives the dollar a value it wouldn’t otherwise have, because of the deficits it’s running and all – and the trade deficits, the fiscal deficits is running – it wouldn’t be at those levels. And, therefore, its purchasing power would be greatly decreased, and that would mean that the standard of living of Americans would drop dramatically. Inflation would be a lot higher because, obviously, with a weaker currency, your imports are going to cost more, so that imports inflation into the economy. And, most importantly, given the state of fiscal affairs, with a $31, soon-to-be $32 trillion debt pile, servicing the debt, the sovereign debt, would be really expensive, because interest rates would have to go up a lot further to attract foreign capital. And so, you’d have higher interest rates to attract that capital, because it would no longer be a reserve currency that everybody needs, so there’d be a lot less demand for it. For all those three reasons, I don’t think America is prepared for a sudden change in the global monetary system. It would be extremely painful. And, again, in my opinion, I think it would be a matter of national security. **JS:** For people that are not following this at the level or minutiae that you’re following it at, Frank: walk us through what BRICS is, l and what this represents in the scope of modern monetary history. **FG:** The BRICS isn’t really, up until now, hasn’t been, really, a formal system. It was a label given to China, Brazil, Russia, India, and South Africa; I think, did I name them all? There are five countries who are sort of the rising economic powers. Outside of Europe, Japan, and the U.S., those are the rising powers. Now, what’s happened more recently is that they’re trying to come together as a trading bloc, and now there’s conversation that – and they represent about 25 percent, just the BRICS alone, never mind BRICS+, because in a moment I’ll tell you how that group is expanding – but just the BRICS represented about 25 percet of global GDP. So, it’s a powerful group. And very recently — actually after the Ukraine war started, and the sanctions were put in place against Russia — the BRICS became much more vocal about the creation of a currency for settlement purposes only between that trading bloc. And that’s the first thing that happened. The second that happened is, a lot of countries now are wanting to join the BRICS group, and there’s a total of 19 countries now, including Saudi Arabia, Egypt, Turkey, Argentina, Yemen, Algeria. There are a whole host of countries that want to join this new BRICS group as a trading bloc, and there’s going to be a meeting in August in South Africa where they’re going to be gathering to talk about the creation of a new currency to allow those countries to choose between trading within the U.S. dollar system or outside the U.S. dollar system. A year or so [ago], before Russia invaded Ukraine, there was hardly any conversation about this. Now, every day, you pick up a newspaper, and there’s some aspect of this conversation taking place between countries. And that’s just one method by which the world has found mechanisms to trade outside the U.S. dollar system. That’s just a conversation at this stage. But what’s actually happening is more important and, I think, more relevant to our conversation, and that is that a lot of countries that wanted to continue to trade with Russia have found different ways to not trade through the U.S. dollar system. The most common one being talked about right now, and being done, is bilateral trading between countries using just their local currencies. Now, I don’t know if you noticed that just a short while ago, Brazil announced that it would only settle trades with China and yuan. It will no longer settle any trading with the U.S. dollar. And a lot of the Southeast Asian countries are talking about creating a mechanism by which to trade just in local currencies between themselves. You’ve got Latin America, you’ve got Brazil and Argentina starting a conversation about creating a South American currency, much like the Euro, for the South America trading bloc. You’ve got Ghana now saying that they are willing to buy oil for gold. They don’t have oil, but they have lots of gold. So, they’re willing to pay [and] use gold as a currency – which it always was throughout history, gold is a tier one currency, according to the Bank of International Settlements. So, it’s a currency. So, Ghana’s saying, “OK, we’ll buy oil for gold.” You’ve got China, Thailand, and the U.A.E. testing the Enbridge Project, which is using a digital currency settlement system between the three countries, just for cross-border settlements. And that’s going to be the really interesting one as we progress because, as you may or may not know, there is a lot of conversation taking place around the world about creating central bank digital currencies. One-hundred-fourteen countries right now – including the U.S., by the way, and China’s at the lead – but they’re testing these digital currencies, and my guess is that – and it’s not just my guess, because Russia came out and actually said it – what they’re trying to do is create these digital currencies that are issued by central banks and controlled by central banks, and there’s a conversation about those being backed by tangible assets: commodities or gold.

#### The dysfunction of US governance in applying sanctions leads to de-dollarization.

**Onge 15/5** [Peter St Onge, holds PhD in Economics from George Mason University and a bachelor’s degree in Economics and Political Science from McGill University.) “Is the Biden Administration Trying to Destroy the Dollar”, The Heritage Foundation, <https://www.heritage.org/monetary-policy/commentary/the-biden-administration-trying-destroy-the-dollar>, 15 April 2024, TDI

The message from the EU and the Biden administration is crystal clear: Western financial markets are now a dangerous place to park your money. This could fatally undermine global confidence in American and European financial management because the safety of your assets will have become dependent upon your standing in Washington and Brussels. That’s a concern for corporations, but it could be an existential threat to countries that own a large share of international financial assets. The ever-present threat of theft, couched as financial sanctions, means nations effectively lose their autonomy, forced to kowtow to the whims of American and European bureaucrats. The Biden administration has already threatened sanctions on Uganda over its LGBTQ policy, but that’s just the beginning. Similarly punitive financial ideas have been floated regarding abortion and environmental policies. Now sanctions are becoming just the first step to seizing all of a country’s financial assets, and the rest of the world is waking up to the racket. A few months ago, the Indonesian president gave a speech saying his country needed to diversify its dollar holdings and dollar-denominated assets, ominously citing, “Look what happened to Russia.” The Federal Reserve recently refused to disclose how much foreign exchange reserves and gold have been withdrawn from the United States since the Russian asset seizure. **>>>** [The Decline and Fall of the U.S. Dollar](https://www.heritage.org/monetary-policy/commentary/the-decline-and-fall-the-us-dollar) The de-dollarization trend is decades old, a result of dysfunctional government crippling economic growth while inflation erodes the currency’s value. The dollar fell from 73% of currency reserves to 55% in 2021, but the seizure of Russian financial assets gave this trend a shove into overdrive. The dollar’s share of currency reserve plummeted another 8 percentage points in just two years, falling to 47% in 2023. It’s not just reserves, but international trade, too. Brazil has begun conducting some of its trade in Chinese yuan, and projections are for China’s share of trade to triple in the next decade. Other countries, including their central banks, are divesting their dollar holdings, preferring gold or other real assets. The Fed’s interest rate increases have buoyed the dollar, but that is poised to reverse as the central bank readies a pivot to interest rate cuts in this election year. Similarly, the turmoil around the globe has prompted a “flight to safety” where investors buy assets perceived to be safe, such as U.S. Treasuries. But the talk of seizing foreigners’ assets is exposing these dollar-denominated loans as less than safe. Indeed, they’re more of a liability. If the people running our country were intentionally trying to destroy the dollar, it’s not clear what they would be doing differently.

#### Unprecedented sanctions disincentivize countries from the dollar.

Siripurapu and Berman 23, Anshu Siripurapu holds a BA in political economy from the University of Southern California while Noah Berman holds a bachelor’s degree in government from Georgetown University. “The Dollar: The World’s Reserve Currency,” Council on Foreign Relations, <https://www.cfr.org/backgrounder/dollar-worlds-reserve-currency>, 19 July 2023, TDI

Some experts say this benefit is modest, pointing to the fact that other developed countries are able to borrow at similarly low rates. Former Federal Reserve Chair Ben Bernanke has argued that the United States’ declining share of the global economy and the rise of other currencies such as the euro and yen have eroded the U.S. advantage. “The exorbitant privilege is [not so exorbitant](https://www.brookings.edu/blog/ben-bernanke/2016/01/07/the-dollars-international-role-an-exorbitant-privilege-2/) any more,” Bernanke wrote in 2016. The dollar’s centrality to the system of global payments also increases the power of U.S. [financial sanctions](https://www.cfr.org/backgrounder/what-are-economic-sanctions). Almost all trade done in U.S. dollars, even trade among other countries, can be subject to U.S. sanctions, because they are handled by so-called correspondent banks with accounts at the [Federal Reserve](https://www.cfr.org/backgrounder/what-us-federal-reserve). By cutting off the ability to transact in dollars, the United States can make it difficult for those it blacklists to do business. For example, in the wake of the Russian invasion of Ukraine in 2022, unprecedented U.S. sanctions cut Russia off from the dollar, freezing $300 billion in Russian central bank assets and [triggering a default](https://www.weforum.org/agenda/2022/07/russian-debt-default-russia-global-financial-markets) on the country’s sovereign debt. “There’s no doubt that if the dollar were not so widely used, the reach of sanctions would be reduced,” says Setser. However, some experts, including U.S. Treasury Secretary Janet Yellen, say that the aggressive use of sanctions could [threaten the dollar’s hegemony](https://www.barrons.com/news/yellen-says-sanctions-may-risk-hegemony-of-us-dollar-479c564f). (Other economists [dispute this](https://cepr.org/voxeu/columns/de-dollarisation-happening)). “Sanctions are an effective tool, but we have to be careful,” CFR’s Benn Steil [told NPR](https://www.npr.org/2023/06/12/1181062016/dollar-reserve-currency-debt-ceiling-sanctions-china).“It’slike over-prescribing an effective antibiotic. It encourages the development of new strains of bacteria that are resistant to the antibiotic.” Following Russia’s invasion of Ukraine, an increasing number of countries, including U.S. partners [such as India](https://www.cfr.org/blog/besides-china-putin-has-another-potential-de-dollarization-partner-asia), have explored ways to continue trading with Russia that don’t involve the dollar. Meanwhile, the Chinese renminbi has become the most-traded currency in Russia.

#### Sanctions encourage countries to de-dollarize during trade to mitigate sanction impacts

A-M 2024 [(Al-Monitor, Middle East coverage newspaper) “Iran advances de-dollarization among BRICS members to counter US dominance,” Al-Monitor, https://www.al-monitor.com/originals/2024/07/iran-advances-de-dollarization-among-brics-members-counter-us-dominance, July 14, 2024] TDI

TERHAN — Iran renewed diplomatic efforts to ditch the US dollar from business interactions with its key partners, encouraging others to do so with the aim of weakening the US' standing in global economic calculations. Iran's parliament speaker, Mohammad Bagher Ghalibaf, was in the Russian city of St. Petersburg to attend the 10th Parliamentary Forum of the BRICS group of nations. The economic alliance, which originally comprised Brazil, Russia, India, China and South Africa, has seen several new additions, including Iran, whose ascension was made official in January. In an address to the summit, covered by the ISNA News Agency, Ghalibaf highlighted the need for de-dollarization as a "countermeasure" against what he called US pressure on emerging economies. According to the Iranian parliament speaker, by ditching the US dollar, world nations would be able to neutralize one of the "main levers of American influence." The plan to remove the US currency from business ties with partners has increasingly been one of the Islamic Republic's many foreign policy strategies aimed at mitigating the impacts of sanctions imposed by its leading adversary, the United States. With their economies severely battered by Western sanctions, Iran and Russia have long been seeking to sort out common strategies to circumvent the punitive measures. After months of negotiations late last year, a de-dollarization agreement was concluded by Central Bank of Iran Governor Mohammad-Reza Farzin and his Russian counterpart, Elvira Nabiullina, in Moscow. Tehran has, in the meantime, been pursuing similar talks with other nations, including India, Indonesia and Iraq. In a more recent agreement with Russia earlier in July, Iran's Central Bank announced the launch of a new arrangement under which Iranian bank cards, which are entirely disconnected from the international financial systems, can now be used for shopping and withdrawing cash from banks inside Russia. The Russia-Iran de-dollarization agreement was promoted by Ghalibaf in his BRICS address as a "success example." He encouraged the same among other members and sought to boost the collective confidence of the alliance by noting that "the member states complemented and strengthened one another" in a new world order where multilateralism reigns supreme. He encouraged BRICS unity for collective action against Western sanctions, which he lamented as "coercive measures" that are "threatening the well-being of ordinary citizens" in BRICS countries. Iranian authorities have also explained their push for de-dollarization as a measure that could break the deadlock on the challenges facing fields such as transit, energy, trade and finance, which Tehran direly needs to revitalize in its relations with BRICS partners.

#### Sanctions drive alternatives to the dollar.

Lahiri ’23 Upamanyu Lahiri, 8-22-2023, "The Future of Dollar Hegemony", Council on Foreign Relations, https://www.cfr.org/blog/future-dollar-hegemony TDI

The dollar’s global hegemony gives the U.S. government power to impose crippling sanctions and wage other forms of financial warfare against adversaries. Since 9/11, it has used this power with increasing frequency. In 2022, more than twelve thousand entities were under sanction by the Treasury Department, a more than twelve-fold increase since the turn of the century. U.S. sanctions have not had the best record in changing regimes’ behaviors, but they do ensure that targeted adversaries pay a significant price for continuing to engage in actions the United States opposes. Often, their usage is noncontroversial, as in the case of the sanctions on Russia for its invasion of Ukraine. However, if used excessively, they can make countries, including allies, want to move away from the dollar-based financial system. For example, European countries opposed the United States’ unilateral withdrawal from the Iran nuclear deal. However, due to the secondary sanctions, which were a part of the “maximum pressure” campaign on Iran, they were forced to cut off trade with Iran. This made them consider developing an alternative to the SWIFT and dollar-based systems. While this proposal went nowhere, if even U.S. allies have considered alternatives to the dollar-based system, then it is unsurprising that adversaries like Russia and China have been attempting to undermine the dollar’s hegemony. Additionally, given the dollar’s global reserve status, the effects of the Federal Reserve’s monetary policies are not restricted to U.S. borders. For instance when the Federal Reserve hiked interest rates to fight inflation over the past year, it led to money supply decreasing, and investors moving funds from developing countries to the “safe haven” of U.S. treasury bonds, thus leading to massive capital outflows. This influx also leads to the exchange rate appreciation of the U.S. dollar vis-à-vis other currencies, and an increase in the dollar-denominated debt held by developing countries. Unsurprisingly, this impacts highly indebted countries more. The Latin American debt crisis of the 1980s was caused in part by the Fed’s aggressive rate hikes to control inflation. While the Fed may not be expected to take this into account when combatting inflation, it should still be noted that emerging markets could diversify their reserve holdings to a more multi-currency portfolio to have more autonomy over their monetary and fiscal policies. Due to the domestic and international factors highlighted above, international appetite to diversify from the dollar-based global reserve system is high. Have those factors led to a decline in the dollar’s power? Russia, unsurprisingly, has been forced to ditch the dollar as it looks to evade Western sanctions, but China, which has long pushed for internationalization of its currency, is the country at the forefront of efforts to weaken the dollar’s power. China recently expanded its currency swap agreement with Argentina. China also recently reached an agreement with Brazil, with which its annual trade is $150 billion, to trade in their own currencies instead of the U.S. dollar. In isolation, it may not seem much, but China is pursuing similar agreements with other countries.

#### Dollar hegemony will be destroyed if sanctions are not lifted.

**Wade 29/2,** Robert Wade, educated Washington DC, New Zealand, Sussex University. Awarded Leontief Prize for Advancing the Frontiers of Economic Thought, 2008.  “The Beginning of the End for the US Dollar’s Global Dominance,” London School of Economics and Sciences, <https://blogs.lse.ac.uk/internationaldevelopment/2024/02/29/long-read-the-beginning-of-the-end-for-the-us-dollars-global-dominance/>, 29 February 2024, TDI

The air rebounds with claims of “[the end of dollar hegemony](https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization)”, “[the end of American financial supremacy](https://www.economist.com/briefing/2020/01/18/americas-aggressive-use-of-sanctions-endangers-the-dollars-reign)”. Some of this has been prompted by unease and even outrage at the US government’s overt “weaponization” of the dollar and the dollar payments system in the past few years, to sanction enemies like Iran, Cuba, Venezuela, Afghanistan, North Korea, and China. The US took weaponization to a new level when it used the dollar payments system to [freeze](https://www.reuters.com/world/europe/what-where-are-russias-300-billion-reserves-frozen-west-2023-12-28/#:~:text=MOSCOW%2C%20Dec%2028%20(Reuters),Russian%20assets%20in%20the%20West.) Russia’ s access to $300 billion in liquid foreign exchange reserves in the wake of Russia’ s invasion of Ukraine in February 2022. Now influential voices are [urging](https://www.ft.com/content/42f1669f-15a4-4d02-869b-1561115c12d9) the US government to go [further](https://www.ft.com/content/a51632b3-6a5e-420f-8044-866b11daca15) and appropriate those reserves (take ownership of them, not just freeze them), and give them to the government of Ukraine for post-war reconstruction. Those who think their states might be subject to the same punishment have started to search anxiously for ways to escape dollar dominance. **Escaping dollar dominance** Confidence is an indispensable requirement for a currency, and beyond a certain point of weaponization the US undermines international confidence in the dollar as the world currency and accelerates states’ search for alternatives. The more talk there is of appropriating Russia’s reserves the more countries like China fear their reserves held in dollars or euros may no longer be safe. So now the BRICS (Brazil, Russia, India, China, and South Africa), led by Russia, are discussing how to escape dollar dominance. Russian President, Vladimir Putin forecast the “[beginning of the end](https://www.presstv.ir/Detail/2023/06/16/705404/Putin-Russia-Shift-to-national-currencies-beginning-of-end-for-dollar)” for the dollar in June 2023. Former president of Brazil, Dilma Rousseff, current chair of the New Development Bank, has [pledged](https://www.youtube.com/watch?v=qe2GiD5fCQY) to “find ways to avoid … being dependent on a single currency”. The Brazilian finance minister has previously [called](https://www.ft.com/content/59cc26b3-d9fa-48f1-bdd5-fd4c83bc13ee) for a South American international currency, beginning with Brazil and Argentina. Even the European Union has recently shown signs of wanting to escape dollar dominance. The German foreign minister has called for a new EU-based payments system independent of the US and the SWIFT payments system, that would not involve dollar payments. But people have been forecasting the end of dollar hegemony for half a century and more, for reasons to do with the inherent difficulties for the US central bank to balance supplying enough dollars for global transactions and few enough dollars to sustain confidence in the value of the dollar. This issue led economist Robert Triffin in 1960 to [warn](https://www.imf.org/external/np/exr/center/mm/eng/mm_sc_03.htm) of an “imminent threat to the once-mighty US dollar” (his argument came to be known as “the Triffin Dilemma”). Economic historian Charles Kindleberger [declared](https://www.taylorfrancis.com/chapters/edit/10.4324/9781315020167-26/systems-international-economic-organization-charles-kindleberger?context=ubx&refId=39766676-934b-415a-959d-eeb002616ad4) in 1976 that “the dollar is finished as international money”. When French president Nicolas Sarkozy chaired the G20 in 2010 he took the opportunity to [decry](https://www.lepoint.fr/economie/nicolas-sarkozy-s-attaque-aux-paradis-fiscaux-et-a-la-suprematie-du-dollar-13-12-2010-1274609_28.php#11) the model that left “part of the world dependent on US monetary policy”. Dollar hegemony will surely end – but not in the foreseeable future. Most of the world has no prospect of an alternative to the international dollar to be used at scale in the next two decades or so. **Quantitative dominance of the international dollar and dollar payments system** The dollar and dollar payment system remain overwhelmingly dominant. According to the Bank for International Settlements’ latest triennial survey, the dollar as of 2022 was part of 88 percent of all international transactions. That percentage is only slightly lower than in 1989, testimony to the dollar’s resilience. Meanwhile, the euro accounts for 31 percent of international transactions, the yen 17 percent, the pound 13 percent, the renminbi (RMB) only 7 percent, up from 4 percent in 2019. As a share of global foreign exchange reserves, the dollar now accounts for around 60 percent, down from 72 percent in 2000. Over this period the RMB share grew from zero to 2.6 percent. **Incumbency advantages** Dollar dominance rests on huge incumbency advantages — institutions which give the dollar system huge economies of scale and network externalities, such that the more users the more people need to use it. The institutions include Wall Street and US Big Tech (Google, Facebook, Apple, Amazon, Uber), which dominate the world system, and they have no incentives to de-dollarize. The US has well protected property rights; a court system and central bank vested with high confidence around the world; the world’s deepest, most liquid, most open financial markets, which function in dollars; and effective macroeconomic management most of the time, producing low inflation. Dollar dominance allows the US to sustain large current account deficits – importing much more than it earns from exports, thereby “artificially” boost living standards for a large subset of Americans. Also, it lowers US corporations’ cost of foreign direct investment (FDI), fuelling their expansion around the world. And it [allows](https://mondediplo.com/2023/11/11dedolarisation) the US to easily finance its military activities around the world. Established half a century ago, SWIFT (Society for Worldwide Interbank Financial Telecommunication), is the crucial nerve center of the global financial network, the message system through which all major banks transfer all major currencies. It carries over five billion financial messages a year. It is beyond US direct control, and does not actually move money; it simply tells one bank to debit an account and credit another. A Shanghai bank wanting to send funds to a Sydney bank must go through SWIFT. Kicking a country off SWIFT constitutes a severe national blow. In 2012 the US – the European Union went along – kicked Iran off SWIFT, which meant it could not receive hard currencies for its oil exports. The blow was severe enough, coupled with a change in government plus a change in US policy on nuclear enrichment, for Iran to come to the bargaining table in 2015 and [agree](https://blogs.lse.ac.uk/usappblog/2015/07/14/for-all-parties-involved-the-iran-nuclear-deal-is-a-big-win/) with the US to restrain its nuclear program. The US kicked Russia off SWIFT after its early 2022 invasion of Ukraine; or to be more exact, kicked 10 of the largest Russian financial institutions off SWIFT. Over the past decade the US government has increasingly used its control over the dollar – whether directly or indirectly via SWIFT – to sanction countries and private entities and individuals that it deems hostile. Putin [lamented](https://www.bloomberg.com/news/articles/2018-11-28/u-s-shooting-itself-with-steps-that-harm-dollar-putin-says?leadSource=uverify%20wall) in 2018, “We aren’t aiming to ditch the dollar. The dollar is ditching us.”

#### American financial hegemony incentivizes countries to move away from the dollar.

Economist 20, The Economist is a newspaper focused on international affairs, “America’s Aggressive Use of Sanctions Endangers the Dollar’s Reign,” The Economist, <https://www.economist.com/briefing/2020/01/18/americas-aggressive-use-of-sanctions-endangers-the-dollars-reign1> 18 January 20, TDI

Ever since the dollar cemented its role as the world’s dominant currency in the 1950s, it has been clear that America’s position as the sole financial superpower gives it extraordinary influence over other countries’ economic destinies. But it is only under President Donald Trump that America has used its powers routinely and to their full extent, by engaging in financial warfare. The results have been awe-inspiring and shocking. They have in turn prompted other countries to seek to break free of American financial hegemony. In 2018 America’s Treasury put legal measures in place that prevented Rusal, a strategically important Russian aluminium firm, from freely accessing the dollar-based financial system—with devastating effect. Overnight it was unable to deal with many counterparties. Western clearing houses refused to settle its debt securities. The price of its bonds collapsed (the restrictions were later lifted). America now has over 30 active financial- and trade-sanctions programmes. On January 10th it announced measures that the treasury secretary, Steven Mnuchin, said would “cut off billions of dollars of support to the Iranian regime”. The State Department, meanwhile, said that Iraq could lose access to its government account at the Federal Reserve Bank of New York. That would restrict Iraq’s use of oil revenues, causing a cash crunch and flattening its economy. America is uniquely well positioned to use financial warfare in the service of foreign policy. The dollar is used globally as a unit of account, store of value and medium of exchange. At least half of cross-border trade invoices are in dollars. That is five times America’s share of world goods imports, and three times its share of exports. The dollar is the preferred currency of central banks and capital markets, accounting for close to two-thirds of global securities issuance and foreign-exchange reserves. The world’s financial rhythm is American: when interest rates move or risk appetite on Wall Street shifts, global markets respond. The world’s financial plumbing has Uncle Sam’s imprint on it, too. Most international transactions are ultimately cleared in dollars through New York by American “correspondent” banks. America has a tight grip on the main cross-border messaging system used by banks, swift, whose members ping each other 30m times a day. Another part of the us-centric network is chips, a clearing house that processes $1.5trn-worth of payments daily. America uses these systems to monitor activity. Denied access to this infrastructure, an organisation becomes isolated and, usually, financially crippled. Individuals and institutions across the planet are thus subject to American jurisdiction—and vulnerable to punishment. America began to flex its financial muscles after the terrorist attacks of September 11th 2001. It imposed huge fines on foreign banks for money-laundering and sanctions-busting; in 2014 a $9bn penalty against bnp Paribas shook the French establishment. Mr Trump has taken the weaponisation of finance to a new level (see chart). He has used sanctions to throttle Iran, North Korea, Russia, Turkey (briefly), Venezuela and others. His arsenal also includes tariffs and legal assaults on companies, most strikingly Huawei, which Mr Trump accuses of spying for China. “Secondary” sanctions target other countries’ companies that trade with blacklisted states. After America pulled out of a nuclear deal with Iran in 2018, European firms fled Iran, even as the eu encouraged them to stay. swift quickly fell into line when America threatened action if it did not cut off Iranian banks after the reimposition of sanctions in 2018. Using the dollar to extend the reach of American law and policy fits Mr Trump’s “America first” credo. Other countries view it as an abuse of power. That includes adversaries such as China and Russia; Russia’s president, Vladimir Putin, talks of the dollar being used as a “political weapon”. And it includes allies, such as Britain and France, who worry that Mr Trump risks undermining America’s role as guarantor of orderliness in global commerce. It may eventually lead to the demise of America’s financial hegemony, as other countries seek to dethrone its mighty currency. The new age of international monetary experimentation features the de-dollarisation of assets, trade workarounds using local currencies and swaps, and new bank-to-bank payment mechanisms and digital currencies. In June the Chinese and Russian presidents said they would expand settlement of bilateral trade in their own currencies. On the sidelines of a recent summit, leaders from Iran, Malaysia, Turkey and Qatar proposed using cryptocurrencies, national currencies, gold and barter for trade. Such activity marks an “inflection point”, says Tom Keatinge of rusi, a think-tank. Countries that used merely to gripe about America’s financial might are now pushing back. Russia has gone furthest. It has designated expendable entities to engage in commerce with countries America considers rogue, in order to avoid putting important banks and firms at risk. State-backed Promsvyazbank pjsc is used for trade in arms so as to shield bigger banks like Sberbank and vtb from the threat of sanctions. Russia has also been busy de-dollarising parts of its financial system. Since 2013 its central bank has cut the dollar share of its foreign-exchange reserves from over 40% to 24%. Since 2018 the bank’s holdings of American Treasury debt have fallen from nearly $100bn to under $10bn. Russia’s finance ministry recently announced plans to lower the dollar share of its $125bn sovereign-wealth fund. “We aren’t aiming to ditch the dollar,” Mr Putin has said. “The dollar is ditching us.” Elvira Nabiullina, Russia’s central-bank governor, says the move was partly motivated by American sanctions (which were imposed after Russia’s annexation of Crimea in 2014), but also by a desire to diversify currency risk. “I see a global shift in mood,” she says. “We are gradually moving towards a more multi-currency international monetary system.” Ms Nabiullina echoes Mark Carney, the governor of the Bank of England, who said in August that the dollar-centric system “won’t hold”. Russia’s debt is being de-dollarised, too. New issuance is often in roubles or euros, and the government is exploring selling yuan-denominated bonds. Russian companies have shrunk their foreign debts by $260bn since 2014; of that, $200bn was dollar-denominated. Conversely, Russian firms and households retain a fondness for dollars when it comes to holding international assets: they have $80bn more than they did in 2014. Dmitry Dolgin of ing, a bank, finds this “puzzling”, but suspects it could be that the interest rates on dollar assets, higher than on euro equivalents, outweigh the perceived risk from sanctions. 62% of Russia’s goods and services exports to have been settled in dollars in 2019, down from 80% in 2013. Its trade with China was almost all in dollars in 2013; now less than half is. Trade with India, much of it in the sanctions-sensitive defence sector, shifted from almost all dollars to almost all roubles over that period. One reason for this shift, say Russian officials, is that it speeds trade up, since dollar payments can be delayed for weeks as financial intermediaries run sanctions checks. Energy and commodities firms are among Russia’s most active de-dollarisers. The greenback is the global benchmark currency for oil trading, and escaping its grip is hard. “The key thing to understand is that risk management, the entire derivatives complex, is in dollars,” explains the boss of a global energy firm. “So if you want to have risk management—as an oil trader, buyer or producer—you have to have contact with the dollar system.” Nonetheless Rosneft, a state-backed producer that accounts for over 40% of Russia’s crude output, has denominated its tender contracts in euros. Surgutneftegas, another producer, still prices in dollars but has added a clause to contracts saying they can be switched to euros at its request—“a back-up plan in case Trump throws shit at the fan”, says a trader. Last March Gazprom priced a natural-gas shipment to western Europe in roubles for the first time. The cost of switching out of dollars is modest, says an executive at a global oil-trading firm: “an extra person in the finance department and a bit more currency risk.” Will China follow the trail blazed by Russia? Mr Trump has exposed China’s profound vulnerability to the dollar-centric financial system. America’s ability to blacklist or hobble Chinese tech firms, such as Huawei, ultimately rests on punishing suppliers and other counterparties who do business with them through the dollar-based banking and payments system. An American legal case against a senior Huawei executive, who is fighting extradition from Canada, reportedly relies in part on evidence from an American-appointed overseer at hsbc, an Asia-centric bank run from London. In October America sanctioned eight cutting-edge Chinese tech firms for alleged human-rights abuses in Xinjiang province. The administration has threatened to block listings by Chinese firms in New York and restrict purchases by American investors of Chinese shares. China’s first attempt to bypass the dollar was bungled. After the financial crisis in 2007-09 it promoted the international use of the yuan and pressed for it to become part of the imf’s “Special Drawing Rights”, in effect receiving the fund’s imprimatur as a reserve currency. China set up currency swap deals with foreign central banks (it has done over 35). There was heady talk of the yuan challenging the dollar for the top spot by 2020. Then came a stockmarket panic in 2015 and the government clumsily tightened capital controls. The yuan’s share of global payment by value has stayed at about 2% for several years. Zhou Xiaochuan, a former governor of China’s central bank, has said that yuan internationalisation, which he promoted while in office, was “a premature baby”. America’s display of financial firepower and new technologies are changing the calculus again. China has some of the building blocks to become more autonomous. It has its own domestic payments and settlement infrastructure, called cips. Launched in 2015, it has so far complemented swift (which it uses for interbank messaging). It is tiny, processing less in 2018 than swift does each day. But it simplifies cross-border payments in yuan, giving banks lots of nodes for settlements. Reports suggest that China, India and others may be exploring a jointly run swift alternative.

#### Allies are driven away from the dollar due to excessive sanctioning.

Zoffer 19, Joshua Zoffer graduated from Harvard University with a B.A. magna cum laude and Phi Beta Kappa, with highest honors in Social Studies, and from Yale Law School with a J.D. “The Dollar and the United States' Exorbitant Power to Sanction”, Cambridge Core, <https://www.cambridge.org/core/journals/american-journal-of-international-law/article/dollar-and-the-united-states-exorbitant-power-to-sanction/419F2FDF5BF6E052258DEE592853D6C3>, 29 April 2019, TDI

Given the potency of the dollar's role, the United States ought to do what it can to preserve it. That starts with avoiding dollar outcasting that alienates American allies. Other nations are far from oblivious to the United States' exorbitant power to sanction. But without a viable alternative to the dollar-based international financial and payments system, critics of dollar-based sanctions are powerless to stop them. In 2016, however, Treasury Secretary Jack Lew warned that “[i]f foreign jurisdictions and companies feel that we will deploy sanctions without sufficient justification or for inappropriate reasons … we should not be surprised if they look for ways to avoid doing business in the United States or in U.S. dollars.”[Footnote30](https://www.cambridge.org/core/journals/american-journal-of-international-law/article/dollar-and-the-united-states-exorbitant-power-to-sanction/419F2FDF5BF6E052258DEE592853D6C3#fn30) International rivals like China and Russia have made overtures at such measures for over a decade. More worryingly, the Trump Administration's recent bout of dollar unilateralism has catalyzed opposition to dollar-based finance even among America's European allies. Since at least 2009, China has adopted a conscious policy of seeking to challenge the dollar's key currency role through various means, including the internationalization of the renminbi and the creation of alternative financial and payments infrastructure. China has already begun to build these alternatives, including its own interbank messaging system to bypass the Belgium-based Society for Worldwide Interbank Financial Telecommunication (SWIFT).[Footnote31](https://www.cambridge.org/core/journals/american-journal-of-international-law/article/dollar-and-the-united-states-exorbitant-power-to-sanction/419F2FDF5BF6E052258DEE592853D6C3#fn31) It is no coincidence that China's dual efforts to internationalize its currency and build a competing financial infrastructure have followed several years of painful U.S. financial sanctions against Iran and Russia.[Footnote32](https://www.cambridge.org/core/journals/american-journal-of-international-law/article/dollar-and-the-united-states-exorbitant-power-to-sanction/419F2FDF5BF6E052258DEE592853D6C3#fn32) Thus far, though, China's efforts have met limited success. More recently, the Trump Administration's unilateral reimposition of financial sanctions on Iran has led European nations to call for measures similar to those China is pursuing. Last August, German Foreign Minister Heiko Maas penned an op-ed calling for Europe to “establish[] payment channels independent of the US, a European monetary fund and an independent SWIFT [payments] system.”[Footnote33](https://www.cambridge.org/core/journals/american-journal-of-international-law/article/dollar-and-the-united-states-exorbitant-power-to-sanction/419F2FDF5BF6E052258DEE592853D6C3#fn33) And in February of this year, European Central Bank board member Benoît Cœuré called for policies to promote greater international use of the Euro because “the EU may be more exposed to the risk that the monetary power of others is not used in its best interests, or is even used against it.”[Footnote34](https://www.cambridge.org/core/journals/american-journal-of-international-law/article/dollar-and-the-united-states-exorbitant-power-to-sanction/419F2FDF5BF6E052258DEE592853D6C3#fn34) The “other,” of course, is the United States. This is exactly the situation Secretary Lew feared, one in which American allies are so disillusioned with American unilateral dollar sanctions that they seek to blunt the instrument.

#### The humanitarian impact of sanctions is de-dollarizing countries.

Gautam 23, Shreeya Gautam has a PHD in economics, “Economic Sanctions Imposed By The U.S. Is Possibly Weakening The Dollar”, The Hilltop, <https://thehilltoponline.com/2023/09/25/economic-sanctions-possibly-imposed-by-the-weakening-u-s-dollar/>, 25 September 2023, TDI.

The United States of America is the sole issuer of the global currency. And its unique position in the world gives it an incontestable upper hand in international trade and policies. Most countries hold substantial reserves in U.S. dollars, meaning that there is constant demand for the U.S.D. With the majority of international trade transactions, including commodities like oil, being conducted in U.S. dollars, the U.S. has significant leverage in global trade negotiations. The U.S., which is the largest shareholder in the International Monetary Fund ([IMF](https://www.imf.org/en/Home)), according to the [U.S. Department of Treasury](https://home.treasury.gov/policy-issues/international/international-monetary-fund#:~:text=The%20Secretary%20of%20the%20Treasury,largest%20shareholder%20in%20the%20Fund.), and also holds veto power in international financial institutions like the World Bank. The World Bank and IMF provide financial assistance in regards to loans, grants and trade to countries around the world. The U.S.’s powerful position within these organizations has provided it with another leeway to weaponize the dollar. This also provides the U.S. a significant say in selecting the leadership within the IMF, along with leveraging its position to impose conditionalities and policies in its favor. Historically, the United States has used its monetary policies to serve its geopolitical interests. By using [economic sanctions](https://www.imf.org/en/Publications/fandd/issues/2022/06/the-sanctions-weapon-mulder) excluding countries like Iran and Russia from the global financial system, the U.S. has constantly exerted its dominance on the global stage. Since 1979, Iran has been penalized through both primary and secondary sanctions because of its alleged nuclear program, terrorism ties, and human rights violations. In spite of an international agreement to help Iran return to stability, according to castellum.ai, as of 2022, Iran is subject to over 451 new sanctions, with 4,191 sanctions in total. The U.S. was also successful in imposing a [SWIFT](https://www.swift.com/) ban on Iran, successfully cutting off channels of safe international transactions. This goes to showcase just how much power the U.S. holds when it comes to international policies. According to the IMF and the U.S. government, sanctions are placed to create economic hardship for a general population, which would cause political unrest leading to the targeted country changing its problematic policies. However, in most cases like Iran and Cuba, sanctions have raised concerns about human rights violations. Since the U.S. government re-imposed economic sanctions on Iran in 2018, Iran’s access to humanitarian imports has been severely constrained. According to a 2022 [report](https://digitallibrary.un.org/record/3823888?ln=en) published by U.N. special rapporteur Alena Douhan, Iranian civilians have faced an even bigger challenge when it comes to access to medicines and medical equipment, with the rate of food insecurity reaching a staggering 60 percent. In the cases of Iran and most countries placed under sanction, the flow of free information is also infringed, secluding the population further. This report further solidifies the human rights violation concerns. More recently, Russia is now subject to over 5,000 different sanctions in light of the ongoing Russian-Ukraine [war](https://www.nytimes.com/article/ukraine-russia-war-timeline.html). According to an April 2023 [report](https://www.imf.org/en/Publications/WEO/weo-database/2023/April/weo-report?c=922,&s=TM_RPCH,TX_RPCH,&sy=2019&ey=2023&ssm=0&scsm=1&scc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1) by the IMF, the Russian economy was forecasted to decline 2.5 percent in its GDP. While the sanctions were put in place to weaken Russia’s ability to fight a war, their effects have created hardships for civilians around the world in the form of rising gas and crude oil prices. This has also been hard on the diaspora at Howard University. “I haven’t been able to fly back home in more than a year due to high airfare. Ticket prices are through the roof and as a student, it’s impossible to afford it,” said Kritika Pant, a sophomore at Howard from Nepal. Post the period of the embargoes on Cuba in 1962, during the Trump administration, the U.S. limited the amount of money that could be sent from Cuban Americans to Cuba as a remittance. According to [The Hill](https://thehill.com/opinion/international/564949-for-families-sending-money-home-to-cuba-shouldnt-be-a-political/), in 2018, $3.7 billion of the island’s source of income was through remittances, with more than 90 percent of the remittances to Cuba being through America. Along with the limitations in remittance, the U.S. also placed travel restrictions on U.S. citizens traveling to Cuba, which disrupted its tourism industry. The embargoes drastically affected Cubans in their day-to-day lives, especially during the COVID-19 pandemic, when access to medicines and medical equipment was limited. “I can no longer support my family like I planned, especially my mother, who suffered a stroke earlier this year,” a minimum-wage Cuban worker in Washington, D.C., said, opting to stay anonymous citing concerns about citizenship status. While sanctions are meant to be temporary and preventative, the nature of the sanctions implemented by the U.S. doesn’t make it feasible to resurrect the country’s economy in the future. These sanctions placed in developing countries have had ongoing effects for decades with little to no progress toward a stable economy and standing in the international arena. Citizens and governments of countries like Cuba, Venezuela and Iran have been suffering for decades under these sanctions, coercing them further away from globalization. According to a June 2023 [report](https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization) by JPMorgan, the U.S. dollar’s share in the foreign exchange market has hit a record low of 58 percent. The diminishing shares solidify that the dollar’s dominance as the world’s primary reserve currency is declining. This change of preference can also be observed in the Yuan, China’s currency, which is seeing a steady incline. This is especially concerning since at the [recent](https://www.gov.br/planalto/pt-br/acompanhe-o-planalto/noticias/2023/08/em-declaracao-conjunta-lideres-do-brics-anunciam-a-entrada-de-seis-novos-paises/jhb-ii-declaration-24-august-2023.pdf) [BRICS](http://infobrics.org/) summit, where leaders of Brazil, Russia, India, China and South Africa met as a coalition to discuss issues of mutual interest, there were talks of a new currency to trade in. This currency would allow them to dodge any sanctions placed by the U.S. and trade freely amongst themselves. “It is possible for a BRICS currency to emerge; it might even make sense for the BRICS and its neighbors to trade in a currency other than the U.S.D, but the stability of the BRICS currency is questionable,” Vaneesha Dutra, associate professor of finance at Howard’s School of Business, said. The report also says that while there have been signs of “de-dollarization,” it’s not a threat in the near future. Professor Dutra added, “For this to be a real threat, a vast majority of non-U.S. countries would have to reach a mutual agreement on all terms and practically implement a new currency to trade in, which is highly unlikely.” While many economists agree that a new BRICS currency is not a threat, it still points towards the bigger problem of countries turning away from the U.S. dollar and weakening it. Countries like Saudi Arabia, Bangladesh, Brazil, and Argentina have started phasing in the Yuan for transactions instead of the dollar. Prof. Dhutra also pointed out that, “To strengthen the dollar, it would have to rise in value against other countries in the foreign exchange market.” While economic sanctions have countries wanting to seek other options to trade in, how heavily the dollar affects the local economy of countries might also be causing disdain in developing countries with a weaker currency, a perfect example being Argentina. In a world where globalization is connecting people from all corners of the world, the use of the U.S. dollar as a tool for foreign policy raises concerns about various humanitarian issues as well as international peace and relations. Alternatives to sanctions such as soft power may seem too idealistic, but a more nuanced approach to diplomacy and international cooperation could help the U.S. effectively dodge the effects of de-dollarization and improve its standing in the international arena. Building such policies would help mitigate the problems emerging in countries as well as avoid causing unnecessary harm to the world population.

#### Countries create anti-dollar coalitions in fear of being sanctioned.

Newman 23, Jay Newman, Portfolio Manager and Author, “Why the US dollar has become an at-risk currency”, New York Post, <https://nypost.com/2023/03/11/why-the-us-dollar-has-become-an-at-risk-currency/>, 11 March 2023, TDI

For the US government in the 21st century, economic sanctions aren’t merely second nature, they’ve become a central tool of foreign [policy](https://en.wikipedia.org/wiki/United_States_sanctions#Criticisms_of_efficacy). More than 10,000 people and dozens of countries are subject to sanctions worldwide. But more than 100 countries haven’t signed on to those efforts. Which is why oil from the Urals still flows to Asia,Turkey and most of Africa, while grain stolen from Ukraine is winding up across the Black Sea in Russia. Meanwhile, the profits of this illicit trade is finding its way to places like Dubai, now chockablock with “sanctioned” Russians looking for real estate. This isn’t to say that we shouldn’t support Ukraine: we should — and we must. But while it makes sense to financially cripple our avowed enemies — Russia, China, Iran, North Korea — coalitions are forming around ways to avoid existing sanctions and to protect against [the risk of future sanctions.](https://www.reuters.com/business/lme-suspends-nickel-trading-day-after-prices-see-record-run-2022-03-08/) Much of the action involves creating alternatives to the dollar as the world’s default currency. If you can keep your reserves in another currency or park them in physical assets like gold or commodities, the thinking goes, you’re halfway to safety. Take China, for whom supplanting and discrediting the dollar is a key component of its “winning without fighting” campaign known a detailed in the book [Unrestricted Warfare](https://en.wikipedia.org/wiki/Unrestricted_Warfare). The sanctions push, however necessary, has accelerated China’s quest to defeat the dollar, and many other nations are taking note. While a chorus of experts still insists that there’s no alternative to the dollar, this is untrue. The dollar will dominate as long as it serves the interest of those who use it. Once the dollar begins placing assets at risk, alternative tools of commerce are certain to emerge. And they already are. Chinese leader Xi Jinping meets with Saudi Crown Prince Mohammed bin Salman (r) in Riyadh late last year. The warming relations between the two nations has paved the way for the once-unthinkable: Saudi oil being purchased in Chinese Yuan.AP Make no mistake: a shift away from the dollar would be a huge blow to America’s international standing. The days of being able to print limitless amounts of currency could end, along with our ability to buy foreign goods cheaply. Stark proof that a new game is afoot filtered out of [Davos](https://www.yahoo.com/now/saudi-arabia-just-said-now-213200817.html) last month. Saudi Arabia’s Finance Minister, [Mohammed Al-Jadaan](https://en.wikipedia.org/wiki/Mohammed_Al-Jadaan), made the stunning announcement that—for the first time in 48 years — the world’s biggest oil producer was open to trading in currencies other than the US dollar. That’s a far cry from the deal [Richard Nixon cut with King Faisal](https://greatpowerrelations.com/great-powers/status-of-great-powers/key-drivers-of-economic-capabilities/dollar-and-de-dollarization/birth-of-petrodollar/) decades ago to solely accept dollars as payment for oil. (In exchange, Nixon agreed to protect the Kingdom from Soviet, Iranian and Iraqi aggression.) That pact laid the groundwork for a strong dollar as oil money began to flow through the Federal Reserve.Today, China imports 1.4 million barrels of oil a day from Saudi Arabia [(up 39%](https://www.reuters.com/business/energy/chinas-april-saudi-oil-imports-soar-38-yr-russian-oil-up-4-2022-05-20/) over the past year), making it the Kingdom’s largest customer. Which is why both sides are seeking cheaper [alternatives](https://www.reuters.com/world/saudi-china-energy-trade-investment-ties-2022-12-06/) to using dollars for every transaction. With Aramco investing in a massive new refinery in China, the relationship will only deepen. The Saudi shift is only the latest data point. At the 2022 [BRICS summit](https://www.silkroadbriefing.com/news/2022/10/04/brics-working-to-develop-a-new-reserve-currency/) in Beijing, Vladimir Putin announced plans to expand the [Shanghai Cooperation Organization](https://en.wikipedia.org/wiki/Shanghai_Cooperation_Organisation) (SCO) and develop an alternative for international payments using a currency basket of Chinese RMB yuan, Russian rubles, Indian rupees, Brazilian reals, and South African rand. For reference, the SCO is the world’s largest regional organization, representing 40% of the world’s population and 30% of global GDP. A new currency is only part of the [picture.](https://www.economist.com/finance-and-economics/china-seeks-to-extend-its-clout-in-commodity-markets/21806324) China is pioneering new exchanges to shift commodity trading from Western institutions like the [troubled London Metal Exchange](https://www.reuters.com/business/lme-suspends-nickel-trading-day-after-prices-see-record-run-2022-03-08/) and the New York Mercantile Exchange. Even the [Europeans](https://www.sciencedirect.com/science/article/abs/pii/S0360544222001748) have gotten into the act, by creating a special-purpose vehicle — [INSTEX](https://en.wikipedia.org/wiki/Instrument_in_Support_of_Trade_Exchanges) — to facilitate non-dollar, non-SWIFT humanitarian transactions with Iran to sidestep U.S. sanctions. Russia, predictably, expressed interest in participating and the first [transaction was completed in March 2020](https://www.cnbc.com/2019/01/31/eu-implements-new-iran-trade-mechanism.html) to facilitate a medical equipment sale to Iran to combat COVID.

### 1ar – impact turn – dollar heg bad

#### US dollar hegemony hurts U.S. economy -- laundry list

**Palley 6/20** (Thomas I. Palley - an American economist who has served as the chief economist for the US–China Economic and Security Review Commission. He is currently Schwartz Economic Growth Fellow at the New America Foundation, “Why Dollar Hegemony Is Unhealthy” – Yale University, https://yaleglobal.yale.edu/content/why-dollar-hegemony-unhealthy)

The US dollar is the world’s premiere currency, with approximately two thirds of world official foreign-exchange holdings being dollars. Moreover, many countries appear willing to run sustained trade surpluses with the US, supplying everything from t-shirts to Porsches in return for additional dollar holdings. This willingness to exchange valuable resources for paper IOUs represents a form of dollar tribute. Many foreign policymakers complain about the special advantage for the US, allowing the nation to run enormous trade deficits without apparent market sanction. Whereas balance-of-payments considerations constrain other countries to run tight economic policies, no equivalent constraint appears to hold for the US. This advantage is rooted in the dollar’s special role as the world’s reserve currency. For the US, one major benefit of the dollar’s reserve-currency role is that it increases the demand for US financial assets. This drives up prices of stocks and bonds and lowers interest rates, thereby increasing household wealth and lowering the cost of borrowing money. Additionally, the US government gets seignories, or an interest-free loan, from the hundreds of millions in dollar bills held offshore. Printing a $100 bill is almost costless to the US government, but foreigners must give more than $100 of resources to get the bill. That’s a tidy profit for US taxpayers. Increased foreign demand for US assets also appreciates the dollar, which is a mixed blessing. On one hand, consumers benefit from lower import prices. On the other, it makes US manufacturing less competitive internationally because an overvalued dollar makes US exports more expensive and imports cheaper. Reserve-currency status therefore promotes trade deficits and de-industrialization.

... Countries want to industrialize with full employment, but they lack adequate internal demand. Consequently, they must rely on the US market. It is also why Germany supplies BMWs and Mercedes-Benzes in return for paper dollar IOUs. Conventional theory says the dollar will only lose its dominance when countries become saturated with dollar holdings. At that stage they will cease buying and may even sell dollars, causing the currency to fall. The problem with this story is that countries have no incentive to sell dollars, as this would kill the golden goose of export-led growth.

#### US dollar hegemony is dangerous for the global economy

**Roosevelt Institute 09** (Kimberly Amadeo - policy reforms capable of redefining the American economy and our democracy. Roosevelt is armed with a transformative vision for the future, working to move the country toward a new economic and political system, “The Dangers of ‘Dollar Hegemony’”, https://rooseveltinstitute.org/dangers-dollar-hegemony/)

Rich nations need to recognize that their efforts to squeeze every last drop of advantage from already unfair finance and trade will only plunge the world into deeper depression. History has shown that while the poor suffer more in economic collapse, the rich, even as they are financially cushioned by their wealth and advantage, are hurt by the sociopolitical repercussions of such a collapse, in the form of war, revolution or both. Dollar hegemony prevents all non-dollar economies from financing domestic development with sovereign credit, denominated in their own currencies; it forces them to rely on foreign capital denominated in dollars. Moreover, the exporting economies are in essence shipping the real wealth created there by low wages and environmental abuse to importing nations. The dollar-denominated trade surplus earned by exporting nations cannot be spent in their domestic economies without first converting those dollars into local currencies. But the conversion will create inflation since the wealth behind the new local currency has already been shipped to the importing nations. Thus, exporting nations, while starved for capital, have to invest the dollars they earn from low wages and environmental abuse back into the dollar economy, enabling the importing economies to have more dollars with which to import more. Capital from the dollar economy is in reality debt from the exporting economies, which will return to the lending economies as foreign capital to invest in the export sector. Dollar hegemony in essence freely transfers the wealth from poor economies to rich economies. This free transfer of wealth hurts workers in both the poor and rich economies by keeping wages low through cross-border wage arbitrage. Low wages then create overcapacity, unsupported by demand in every economy.

#### US dollar hegemony poison global dependence

**Yale Global 6/20** (Thomas I. Palley - an American economist who has served as the chief economist for the US–China Economic and Security Review Commission. He is currently Schwartz Economic Growth Fellow at the New America Foundation, “Why Dollar Hegemony Is Unhealthy” – Yale University, https://yaleglobal.yale.edu/content/why-dollar-hegemony-unhealthy)

The US dollar holds value for more countries than any other world currency and comprises about two thirds of world’s official foreign-exchange holdings. This dependence allows the US to run large trade deficits in purchasing a cornucopia of goods – from Porsches to t-shirts – by distributing paper IOUs in place of actual dollars. Because of a global faith in the voracious appetite of the US consumer, many countries are complacent about the dollar’s reserve-currency role – and even profit on sales of US currency in their own economy. Economist Thomas Palley reviews economic theories that explain the dollar’s enormous global worth – and concludes that other nations’ neglect of investment in their own domestic markets and over-reliance on the American consumer is fraught with danger. Even when appreciation of the US dollar drove up stocks and bonds and lowered interest rates, the co-dependent relationship was unhealthy for the US and its commercial partners. The recent downturn in the world market, following fear of inflation in the US and rising interest rates, shows the inherent danger. For the sake of world financial stability, Palley urges Europe and Japan to encourage domestic consumption and reduce their dependence on American consumers.

#### Dollar hegemony is harmful, it creates trade deficits and de-industrialization

Palley 06 (Thomas Palley, Palley runs the Economics for Democratic and Open Societies Project, and is the former chief economist of the US-China Economic & Security Review Commission. He is the author of “Plenty of Nothing: The Downsizing of the American Dream and the Case for Structural Keynesianism” (Princeton University Press, 1998), "Why Dollar Hegemony is Unhealthy", 6/20/06, https://yaleglobal.yale.edu/content/why-dollar-hegemony-unhealthy)

WASHINGTON: With US Federal Reserve chairman warning about inflation, the US dollar is in the news these days, and there’s a sense that the world economy has become excessively reliant on the dollar. This reliance smacks of dysfunctional co-dependence whereby the US and the rest of the world both rely on the dollar’s strength, but neither is well served by it. The US dollar is the world’s premiere currency, with approximately two thirds of world official foreign-exchange holdings being dollars. Moreover, many countries appear willing to run sustained trade surpluses with the US, supplying everything from t-shirts to Porsches in return for additional dollar holdings. This willingness to exchange valuable resources for paper IOUs represents a form of dollar tribute. Many foreign policymakers complain about the special advantage for the US, allowing the nation to run enormous trade deficits without apparent market sanction. Whereas balance-of-payments considerations constrain other countries to run tight economic policies, no equivalent constraint appears to hold for the US. This advantage is rooted in the dollar’s special role as the world’s reserve currency. For the US, one major benefit of the dollar’s reserve-currency role is that it increases the demand for US financial assets. This drives up prices of stocks and bonds and lowers interest rates, thereby increasing household wealth and lowering the cost of borrowing money. Additionally, the US government gets seignorage, or an interest-free loan, from the hundreds of millions in dollar bills held offshore. Printing a $100 bill is almost costless to the US government, but foreigners must give more than $100 of resources to get the bill. That’s a tidy profit for US taxpayers. Increased foreign demand for US assets also appreciates the dollar, which is a mixed blessing. On one hand, consumers benefit from lower import prices. On the other, it makes US manufacturing less competitive internationally because an overvalued dollar makes US exports more expensive and imports cheaper. Reserve-currency status therefore promotes trade deficits and de-industrialization. The conventional explanation of the dollar’s reserve-currency status is a “medium of exchange” story. The US has historically been the largest and richest currency area, with the largest share of world output and trade. This has provided incentives for other countries to hold and use dollars. Additionally, the fact that many governments over-issue their own money and create high inflation encourages foreign citizens to protect themselves by holding dollars instead of domestic currency. A second theory of reserve currencies, associated with the political left, is based on US military power and the Pax Americana. The argument is that US military power provides the security that protects the global market system, and New York is the new Rome. Countries, such as Saudi Arabia, hold reserves in dollars because New York is a political safe haven and because that helps cover the costs of enforcing the Pax Americana. These two theories are mutually reinforcing. Thus, to the extent that the dollar is widely used and is also a safe haven, investors tend to rush into dollars in times of uncertainty. Consequently, central banks in other countries need to accumulate large dollar-reserve holdings to protect against financial disruptions that result from sudden exits by investors, as happened in East Asia in 1997. There is a third unrecognized theory that can be labeled the “buyer of last resort” theory of reserve currencies. Put bluntly, the tribute other countries pay the US through their trade surpluses is the result of their failure to generate adequate consumption spending in their own markets, be it due to poor income distribution or bad domestic economic policies. This forces other countries to rely on the American consumer. The logic of this third theory is easily illustrated. Over the last decade, while Europe and Japan stagnate, the US has grown on the back of robust consumer spending.

### 1ar – no impact to dollar heg

#### Dollar heg won’t collapse, and even if it does, no impact

Ross 6-25-**19** Sean has a background which includes working as a bankruptcy specialist, consultant, broker, financial advisor, and as a journalist. Sean is the founder and manager of Free Lances, Ltd., a hub for freelance editors, researchers, and writers. *What it would take for the U.S. dollar to collapse* https://www.investopedia.com/articles/forex-currencies/091416/what-would-it-take-us-dollar-collapse.asp

Ever since the launch of quantitative easing (QE), worried investors have asked, "will the U.S. dollar collapse?" It is an interesting question that might superficially appear plausible, but a currency crisis in the United States is unlikely. Review the dollar's strengths and weaknesses to see why. History is full of sudden currency collapses. Argentina, Hungary, Ukraine, Iceland, Venezuela, Zimbabwe and Germany have each experienced terrible currency crises since 1900. Depending on your definition of a collapse, the Russian currency calamity during 2016 could be considered another example. The root of any collapse is a lack of faith in the stability or usefulness of money to serve as an effective store of value or medium of exchange. As soon as users stop believing that a currency is useful, that currency is in trouble. This can be brought about through improper valuations or [pegging](https://www.investopedia.com/terms/c/currency-peg.asp), chronic low growth or [inflation](https://www.investopedia.com/terms/i/inflation.asp). Ever since the Bretton Woods Agreement in 1944, other major governments and central banks have relied on the U.S. dollar to back up the value of their own currencies. Through its reserve currency status, the dollar receives extra legitimacy in the eyes of domestic users, currency traders and participants in international transactions. The U.S. dollar is not the only reserve currency in the world, though it is the most prevalent. As of September 2016, the International Monetary Fund (IMF) approved four other reserve currencies: the euro, British pound sterling, Japanese yen and Chinese yuan. It is important that the dollar has competitors as an international Reserve currency because it creates a theoretical alternative for the rest of the world in case American policymakers lead the dollar down a damaging path. Finally, the American economy is still the largest and most important economy in the world. Even though growth has slowed significantly since 2001, the American economy still regularly outperforms its peers in Europe and Japan. The dollar is backed up by the productivity of American workers, or at least so long as American workers continue to use the dollar almost exclusively. The fundamental weakness of the US dollar is that it is only valuable through government fiat. This weakness is shared by every other major national currency in the world and is perceived as normal in the modern age. However, as recently as the 1970s, it was considered a somewhat radical proposition. Without the discipline imposed by a commodity-based currency standard (such as gold), the worry is that governments might print too much money for political purposes or to conduct wars. In fact, one reason the IMF was formed was to monitor the Federal Reserve and its commitment to Bretton Woods. Today, the IMF uses the other reserves as a discipline on Fed activity. If foreign governments or investors decided to switch away from the U.S. dollar en masse, the flood of short positions could significantly hurt anyone with assets denominated in dollars. If the Federal Reserve creates money and the U.S. government assumes and monetizes debt faster than the U.S. economy grows, the future value of the currency should fall in absolute terms. Fortunately for the United States, virtually every alternative currency is backed by similar economic policies. Even if the dollar faltered in absolute terms, it may still be stronger globally, due to its strength relative to the alternatives. There are some conceivable scenarios that might cause a sudden crisis for the dollar. The most realistic is the dual threat of high inflation and high debt, a scenario in which rising consumer prices force the Fed to sharply raise interest rates. Much of the national debt is made up of relatively short-term instruments, so a spike in rates would act like an adjustable-rate mortgage after the teaser period ends. If the U.S. government struggled to afford its interest payments, foreign creditors could dump the dollar and trigger a collapse. If the U.S. entered a steep recession or depression without dragging the rest of the world with it, users might leave the dollar. Another option would involve some major power, such as China or a post-European Union Germany, reinstating a commodity-based standard and monopolizing the reserve currency space. However, even in these scenarios, it is not clear that the dollar necessarily would collapse. The collapse of the dollar remains highly unlikely. Of the preconditions necessary to force a collapse, only the prospect of higher inflation appears reasonable. Foreign exporters such as China and Japan do not want a dollar collapse because the United States is too important a customer. And even if the United States had to renegotiate or default on some debt obligations, there is little evidence that the world would let the dollar collapse and risk possible contagion.

### 1ar – dollar heg resilient

**Dollar heg is inevitable.**

**Stokes ’18** [(Doug, 2018, International Relations Professor at the University of Exeter; International Affairs) “Trump, American hegemony and the future of the liberal international order,” vol. 94, <https://www.chathamhouse.org/sites/default/files/images/ia/INTA94_1_8_238_Stokes.pdf>, 01 January 2018] TDI

As the protector of an open, integrated international market, the American state can claim special privileges to enable it to preserve the zone effectively, and there are a number of areas where being the system maker gives the US huge positional advantages. The first such area we should note here is its ‘dollar hegemony’, whereby the greenback acts as the world’s default global currency: this, most notably, allows it to run progressively larger current account deficits without having to worry about foreign exchange reserves. This makes the US Federal Reserve **the world’s** **de facto** **central bank**, giving it the luxury of unilaterally setting borrowing costs for the rest of the global economy. It is this form of dollar hegemony, and the ‘exorbitant privilege’ it affords the American state,28 that has helped inform a range of scholarship on American economic decline, especially in relation to a rising China and the potential internationalization of the renminbi and the associated challenge to US monetary regimes. According to this ‘declinist’ narrative, if the dollar loses its international reserve currency status other aspects of US hegemony, most notably its global military primacy, will begin to crumble as other currencies vie for international monetary leadership.29 In short, the ‘dollar’s reserve currency role is central to America’s geopolitical preeminence and if it loses that status US hegemony will be literally unaffordable’.30 However, not only does this ‘renminbi revisionism’ ignore the ways in which US military primacy in east Asia helps bolster its monetary power (see below); it is **not borne out** by the **hard** **data**. According to the most recently available data from the Bank of International Settlements in its 2016 triennial survey, the dollar accounted for **88 per cent** of **all** **over-the-counter** **trades** in **foreign** **exchange markets** in 2016. The renminbi accounted for just 4 per cent.31 This is a **huge disparity** and **hardly supports** the idea of an **imminent end** to dollar hegemony.

Dollar hegemony also has profound geopolitical implications. Specifically, the United States can fund its overseas military operations with freshly printed dollars largely at will. Between 2003 and 2008, for example, the ‘largest airborne transfer of currency in the history of the world’ saw the Federal Reserve print and ship US$40 billion in cash to Iraq to help finance the war. In just ‘the first two years, the shipments included more than 281 million individual bills weighing a total of 363 tons’.32 Dollar dominance has thus ensured that imports, debts and overseas military–political operations could all be paid for with greenbacks produced by the American state, which at the same time could gear its domestic macroeconomic management exclusively to conditions within the United States without any significant external constraint. More interestingly, **dollar** **liquidity** means that investors **continue to** **use US monetary** **regimes** even in the context of **major global** **economic instability**. For example, during the global financial crisis of 2008, not only did we not see a flight from US financial and monetary regimes, we actually saw the reverse: a global flight of capital into US debt markets, to the extent that in some instances US Treasury bonds had negative interest rates.33 In short, dollar hegemony and its privileges allow the US to externalize major crises through its unilateral capacity to alter its interest rates, to force other states to adjust accordingly, and to fund geopolitical hegemony on the cheap.

Second, American **global** **security regimes** have allowed the United States to structure **regional** international **relations** and other states’ international **economic preferences** in ways it considers **conducive** to its interests. In the 1980s Keohane rightly identified that ‘it is difficult for a hegemon to use military power directly to attain its economic policy objectives with its military partners and allies’, as these ‘cannot be threatened with force without beginning to question the alliance; nor are threats to cease defending them unless they conform to the hegemon’s economic rules very credible except in extraordinary circumstances’. He continued, however, that this does not mean that military force has no utility: it ‘has certainly played an indirect role even in U.S. relations with its closest allies, since Germany and Japan could hardly ignore the fact that American military power shielded them from Soviet pressure’.34 This form of leverage has continued in the post-Cold War period.35 For example, in the face of fears over North Korea’s capacity to hit the continental United States with a nuclear missile, President Trump directly linked US trade negotiations with regional security dynamics in east Asia. Trump argued that he had ‘explained to the President of China that a trade deal with the U.S. will be far better for them if they solve the North Korean problem’.36 While enjoying strong economic interdependence with the United States, China is of course emerging as a geopolitical rival to America and a regional hegemon in east Asia. This developing security dynamic helps reinforce east Asian states’ reliance on American military power as a hedge against an increasingly assertive China. This, among other factors, has played a major role in encouraging states that can claim political equality but are subordinate in security terms to buy into broader US-centric monetary and financial regimes.37 In the case of Japan and the United States, for example—which together account for 30 per cent of the world economy—a recent post-TPP statement affirmed the **close relationship** between **US security guarantees** and **bilateral economic relations**: ‘The US commitment to **defend** Japan through the full range of US military capabilities, both nuclear and conventional, is **unwavering**’, while the two countries remain firmly wedded to ‘deepening … trade and investment relations and … their continued efforts in promoting trade, economic growth, and high standards throughout the Asia–Pacific region’.38

#### Reject narratives of collapse - Dollar heg is unharmed now, and interpretations are relative, not absolute.

Denis ’21, Nelson 12-2-2021, "The end of North American hegemony, a myth -", *terere complice*, https://tererecomplice.com/en/2021/12/02/the-end-of-north-american-hegemony-a-myth/ TDI

The idea that the world system requires a “hegemonic” power ─ and only one─, which guarantees political order and stability to the international economy (later popularized as “hegemonic stability theory” by Robert Keohane). According to this theory, the functioning of the world economy requires a “primacy”, or a “leadership”, of a country that provides “global public goods” indispensable to the system itself, such as a currency, the defense of free trade, the coordination of economic policies and a working financial system. With this thesis in the limelight, Gilpin and Kindleberger interpreted the great political and economic imbalances of the time as indications of an inexorable “decline” of the United States as a hegemonic power, which no longer fulfilled its role of “stabilizer”. With some differences, this same idea continues to permeate diagnostics today. It can be seen in the countless announcements of North American decline, whether from liberal or even Marxist traditions, heralding “hegemonic crises” and historical ruptures in the face of any systemic dysfunction of global political and economic life. The crisis of American leadership is relative and can only be understood in a broader context that contemplates the strategies of the major world powers in their struggle for global power, mainly China and Russia. It is still very difficult to know the medium and long-term changes that the pandemic will bring to the geopolitical configuration of the world. However, from then until today, the United States has demonstrated impressive resilience in its ability to accumulate power and wealth. In fact, many of the outlined forecasts indicators of its “decline”, turned to show the opposite. For example, it is true that the United States became the great “debtor” of the world economy, after the (unilateral) abandonment of the convertibility of the dollar with gold in 1971. But that debt did not cause a fatal imbalance in the North American economy and it rather functioned as a true motor of the global economy up until now. The dollar continues to be the dominant international reserve currency, accounting for approximately 60% of the currency demand composition of central banks. Neither the euro, nor the Chinese renminbi nor any other national currency, seem to give it any comparable competition. Translation from left to right: US dollar, Euro, Yen, Pound sterling, others. Source: International Monetary Fund. Note: The “other” category includes the Australian dollar, the Canadian dollar, the Chinese renminbi, and other currencies not listed on the chart. The US percentage in GDP and global exports have been declining but it is still the main world market, with a relative share in global consumption of approximately 25%. At the military level, the US continues to be the country with the highest military spending in the world, with a budget of USD 778 billion and a 39% share of military spending in the world. With 37% of world arms exports, it remains first at the top of this list, in addition to having 1,750 nuclear warheads deployed with operational forces, even larger than Russia, which has a larger inventory. In addition, it continues to be the country with the largest deployment of military bases abroad: 800 bases around the planet with more than 200,000 soldiers. Graph 2. Share of world military spending of the 15 countries with the highest spending in 2020. Translation: from left to right, Brazil, Israel, Canada, Australia, Italy, South Korea, Japan, France, Germany, Saudi Arabia, United Kingdom, Russia, India, China, USA. Source: own elaboration based on data from the Stockholm International Institute for Peace Studies There is great confrontation in the scientific-technological field, but even so, the US remains on the innovation frontier, with an investment in Research and Development (R&D) of USD 581.6 billion and a share of 28% of the world total. Of the twenty most valuable technology firms in the world, thirteen are American and, of these, three top the world ranking. The aforementioned aspects (monetary, military and technological) are not the only ones to measure the power of the States, but they are the most relevant. Graph 3. Countries with the highest spending on R&D, 2018 (in billions of current PPP dollars) For almost half a century now, academics and analysts have been predicting a “terminal crisis” in the US at the top of the inter-state hierarchy. A notable case is that of the sociologists Giovanni Arrighi and Immanuel Wallerstein, who died defending not only that the crisis of American hegemony, which began during the 1970s, was still in full swing (until their deaths, 2009 and 2019 respectively), but that it would have mutated, towards the beginning of this century, in a kind of terminal crisis of the modern world system: that is, capitalism itself. However, throughout this time the US has only continued to expand and reaffirm its dominant position and, beyond its recurring crises, capitalism continues to be the only existing mode of production on a planetary scale. Announcements about the end of US hegemony tend to regain strength during “systemic” crises such as 9/11 in 2001, sub-prime mortgages in 2008 or the current “corona-crisis.” The latter would not be the exception to this rule, especially given the disastrous initial role that the US had in it, giving the world the image of a leader incapable of taking charge of global affairs during an extremely critical moment. Having said that, there is still a possibility of an eventual “hegemonic transition” in the long term. However, to say that we are witnessing this decline in the present, at least from the empirical point of view, does not make any sense.

#### Nobody is dethroning the dollar anytime soon.

Shalal 6/25 Andrea Shalal, 6-25-2024 , "US dollar's dominance secure, BRICS see no progress on de-dollarization -report", Reuters, https://www.reuters.com/markets/currencies/us-dollars-dominance-secure-brics-see-no-progress-de-dollarization-report-2024-06-25/ TDI

The U.S. dollar remains the world's primary reserve currency, and neither the euro nor the so-called BRICS countries have been able to reduce global reliance on the dollar, a new study by the Atlantic Council's GeoEconomics Center shows. The group’s “Dollar Dominance Monitor” opens new tab said the dollar continued to dominate foreign reserve holdings, trade invoicing, and currency transactions globally and its role as the primary global reserve currency was secure in the near and medium term. Dollar dominance — the outsized role of the U.S. dollar in the world economy — has been strengthened recently given the robust U.S. economy, tighter monetary policy and heightened geopolitical risks, even as economic fragmentation has strengthened a push by BRICS countries to shift into other international and reserve currencies. The Atlantic Council report said Western sanctions on Russia imposed by the Group of Seven advanced economies after Moscow's invasion of Ukraine had accelerated efforts by the BRICS countries to develop a currency union, but the group had been unable to make progress on its de-dollarization efforts. BRICS is an intergovernmental organization made up of Brazil, Russia, India, China, South Africa, Iran, Egypt, Ethiopia, and the United Arab Emirates. The council said China's Cross-Border Interbank Payment System (CIPS) added 62 direct participants in the 12 months to May 2024, an increase of 78%, bringing the total to 142 direct participants and 1,394 indirect participants. Negotiations around an intra-BRICS payment system were still in the nascent stages, but bilateral and multilateral agreements within the group could form the basis for a currency exchange platform over time. However, these agreements were not easily scalable, since they were negotiated individually, the report said. It noted that China has actively supported renminbi liquidity through swap lines with its trade partners, but the share of renminbi in global foreign currency reserves dropped to 2.3% from the peak of 2.8% in 2022. "This is possibly because of reserve managers’ concern about China’s economy, Beijing’s position on the Russia-Ukraine war, and a potential Chinese invasion of Taiwan contributing to the perception of the renminbi as a geopolitically risky reserve currency," the report said. The euro, once considered a competitor to the dollar's international role, was also weakening as an alternative currency, with those looking to reduce their risk exposure turning to gold instead, the report said. It said Russian sanctions had made it clear to reserve managers that the euro was exposed to similar geopolitical risks as the dollar. Concerns around macroeconomic stability, fiscal consolidation, and the lack of a European capital markets union also hurt the euro’s international role, it said.

#### No US dollar collapse anywhere in the near future

**Watson 15** (Patrick Watson - a compulsive trend-observer and senior economic analyst. Patrick specializes in a global macro perspective, “Why Not to Worry about a US Dollar Collapse” – Mauldin Economics, https://www.mauldineconomics.com/resources/why-not-to-worry-about-a-us-dollar-collapse)

In a world without fixed exchange rates, a nation can gain an advantage by manipulating its currency so that the value appears lower. This makes exports seem less expensive to foreign buyers while discouraging imports. The US has played this game masterfully in recent decades—keeping the dollar low while still importing mass quantities of goods from abroad. Something changed in the last few years, though. The chart below shows the US Dollar Index, which tracks the dollar’s value against a basket of other major currencies. Notice how it shot higher in the last half of 2014 and then stabilized in a much higher range in 2015. The US Federal Reserve’s decision to end its “QE3” stimulus program, A major reduction in US oil imports as domestic shale production soared, The European Central Bank’s move to ease the continent’s debt crisis with new stimulus, and A massive devaluation of the Japanese yen. Compared to other world currencies, the US dollar is hardly collapsing. It is strengthening, and no other currency shows signs of catching up. Some currencies, no doubt, will collapse in the coming decades, but the dollar is way down the list. How can this be? Ironically, cutting all ties to gold actually helps the dollar. Currency values are always relative to another currency. That means it is mathematically impossible for every currency to lose value. When you sell currency A (whatever it is), you must simultaneously buy currency B. That means some currency will always be on top of the pile... even if the pile is sinking. The dollar has stayed relatively strong, despite US economic problems, because other currencies look even worse. Many foreign investors see the US as an island of stability in a storm-tossed world. They want to own dollar-denominated assets. That keeps the dollar strong. For example, look at this chart showing the US dollar exchange rate against the Japanese yen over the last five years. In 2012, before the Bank of Japan launched its latest stimulus program, it only took around 80 yen to buy a dollar. By mid-2015, the rate was over 120 yen to the dollar. If you are an American investor worried about the dollar, imagine how this must look to Japanese investors. They might gladly trade places with you, if they could get dollars in exchange. The same applies, more or less, to all other currencies. The dollar looks more attractive than the home currencies of many foreign investors. Anything can happen in the short term, of course, but a dollar collapse is unlikely in this environment.

#### US dollar hegemony cannot be replaced

**Anderson 18** (Anthony Anderson - Enhanced corporate culture via education in the numismatic fields that we served while becoming a member of the American Numismatic Association, Industry Council For Tangible Assets, “Currency Wars: Countries Reduce Dollar Dependence”, https://gsiexchange.com/currency-wars-countries-reduce-dollar-dependence/)

There is an alarming trend in which more and more countries are seeking to gain independence from the US dollar. Here’s what’s been happening lately: Last week, Iran announced its plans to adopt the euro in place of the dollar as its main currency for international exchange. A few months ago, Venezuela attempted to launch an oil-backed cryptocurrency. Earlier this year, China introduced the first ever yuan-denominated oil contracts; a successful event that raised the yuan’s status on the international stage. In the meantime, Russia has been actively increasing its gold reserves. Their primary goal is not only to end dollar dependence but to end the US dollar’s global dominance. Despite their efforts, none of them have come close to dethroning the dollar’s global status. Amid tensions between the US and other nations, including its allies, and Trump’s preference for a strong dollar, some analysts believe that the countries maneuvering against the dollar are looking to exploit the opportunities presented by this current state of geopolitical unease. Attempts to replace the dollar have been made several times in the past. All attempts have failed.

### 1ar – link turn – north korea

#### Sanctioning North Korea leads to US dollar price lowering

**Kim 21** [(Hooyeon Kim, Writer for Bloomberg) “Why is North Korea’s currency surging against the dollar,” Bloomberg, 2021.<https://www.aljazeera.com/economy/2021/10/14/why-is-north-koreas-currency-surging-against-the-us-dollar>, Oct 14, 2021] TDI

In normal economies**, currencies weaken in times of difficulty**, but something counter-intuitive is happening in **North Korea:** the won is surging just as things are getting worse. Kim Jong Un’s country has **been hit by the toughest sanctions in its history**, massive **flood damage** and an unprecedented **pandemic** **that cut off most of its trade**. The **economy posted its sharpest drop in more than two decades last year**, while its people are facing one of the **worst food shortages** in more than 10 years. But the North Korean won has jumped 25% against the dollar this year, calculated on a monthly average basis using the numbers reported by the two media organizations that track it. That follows a **15% surge in 2020**. There are competing theories for why it’s happening, ranging from Kim’s pandemic border closure killing demand for foreign currencies to the isolated country instituting a crackdown on their use. Whatever the reason, most observers agree it’s no good thing. “A currency normally depreciates when a country is facing troubles, but the opposite is happening in North Korea,” said Kim Byung-yeon, a professor of economics at Seoul National University. The North may be trying to boost the won to support the economy, but continuing such attempts “could end up harming the real economy even more.” North Korea’s unofficial exchange rate, which is tracked by the two news outlets, is formed in the country’s “jangmadang,” local markets that have grown to become a large informal economy. Its official rate has been steady at around 100 won per dollar for the past decade, an artificially strong level with no use as an indicator. The unofficial rate is around 5,200 won per dollar. Running a private currency exchange is illegal in North Korea, so the two media companies, Asia Press International of Japan and Seoul-based Daily NK, use secret human networks inside the isolated country to compile their rates, according to Jiro Ishimaru, a journalist at Asia Press International, and Lee Sang Yong, editor in chief of Daily NK. They get information on trading of the currencies at the jangmadang. According to Daily NK, the rate was generally steady at about 8,000 won per dollar since early 2013, but the won started gaining last year, reaching a monthly average of 4,723 in August, the strongest since June 2012. Many observers say the coronavirus pandemic is behind the surge.

### 1ar – link turn – iran

#### Stepped up Iranian sanctions are the bad for Dollar heg

**Bershidsky 18** [(Leonid Bershidsky, loomberg Opinion columnist covering European politics and business) “Europe Finally Has an Excuse to Challenge the Dollar.” https://www.bloomberg.com/opinion/articles/2018-09-25/europe-finally-has-an-excuse-to-challenge-the-dollar, 9/25/2018.] TDI

With more and more European companies fleeing Iran following the re-imposition of U.S. sanctions, it may be tempting for Americans to write off Europe’s efforts to save the Iran nuclear deal. It would be wiser to resist the temptation. A new plan by Germany, France, Britain, China and Russia to create **special financial infrastructure** to work with Iran could be a **credible challenge** to the U.S. dollar’s long global dominance. Federica Mogherini, the **E**uropean **U**nion’s top foreign-policy official, said in New York on Monday that the plan to create a “special purpose vehicle” for trade with Iran “will mean that EU member states will set up a legal entity to facilitate legitimate financial transactions with Iran, and this will allow European companies to continue trade with Iran.” The technical details are still to be worked out, but her wording provides some useful hints on how the scheme will work. The U.S. sanctions, reimposed after President Donald Trump pulled his country out of the 2016 agreement that severely restricted the Iranian nuclear program, make it virtually impossible for an entity with any U.S. exposure — including correspondent accounts with U.S. banks — to do business with Iran. The cost of defying American sanctions can be steep: In 2015, BNP Paribas SA, the French bank, paid a penalty of almost $9 billion for violating U.S. sanctions against Iran, Cuba and Sudan. The French government’s angry protests over the “disproportional” punishment were ignored. Now sanctions are back, it is clear to the Europeans (as well as the Chinese and Russians) that any future transactions with Iran must go through entities insulated from the American financial system. In a July 2018 report, Axel Hellman of the European Leadership Network think tank and Esfandyar Batmanghelidj of the business publisher Bourse & Bazaar proposed “**a new banking architecture**” in response to the U.S. sanctions, relying on the existing system of “**gateway banks**,” such as the Hamburg-based Europaeisch-Iranische Handelsbank, and the European branches of private Iranian banks. “A further third category of gateway banks can be envisioned,” they wrote, “which would comprise of special purpose vehicles established by European governments, or as part of **p**ublic-**p**rivate **p**artnerships in order to facilitate Iran trade and investment.” The new plan appears to focus on this third option. Mogherini indicated that Germany, France and the U.K. would set up a multinational state-backed financial intermediary that would deal with companies interested in Iran transactions and with Iranian counter-parties. Such transactions, presumably in **euros** and **pounds** sterling, would **not be transparent** to American authorities. European companies dealing with the state-owned intermediary technically might **not** even be in violation of the U.S. sanctions as currently written. The system would be likely be **open to Russia and China** as well. Europe would thus provide an infrastructure for **legal, secure sanctions-busting** — and a guarantee that the transactions would **not be reported** **to American regulators**. It would be **pointless** to sanction the special purpose vehicle because the U.S. would have **no way of knowing who deals with it, and why**. All the U.S. could do is sanction the participating countries’ central banks or SWIFT, the Brussels-based financial messaging system, for facilitating the transactions (if the special purpose vehicle uses SWIFT, rather than ad hoc messaging). That, Hellman and Batmanghelidj wrote, would be **self-defeating**: “There are two possible outcomes if these institutions **proceed to work with Iran despite U.S. secondary sanctions**. **Either** U.S. authorities **fail to take enforcement action** given the **massive consequences** for the operations and integrity of the **American** **financial system**, serving to “**defang”** **the** **enforcement threats** and **reduce** **the** **risk of European self-sanctioning** on the basis of fear, **or** U.S. authorities take such an enforcement action, a step that would only serve to **accelerate** European efforts to create a defensible banking architecture that **goes** **beyond the Iran issue** **alone**.” Creating “a defensible banking architecture” may well be the end goal for the Europeans, China and Russia, anyway. Iran is only a convenient pretext: The nuclear agreement is one of the few things that unite the EU, China and Russia against the U.S. But working to undermine the dollar’s global dominance isn’t ultimately about Iran at all. In his recent State of the European Union speech, European Commission President Jean-Claude **Juncker** called for strengthening the euro’s international role and **moving away from** **traditional** **dollar invoicing** in foreign trade. China and Russia have **long sought the same** **thing**, but it’s **only with Europe**, home of the world’s second biggest reserve currency, that they stand a chance of challenging American dominance. Whether or not the “special purpose vehicle” would entice European companies such as France’s Total or Germany’s Daimler to get back into business with Iran remains to be seen. Given U.S. law enforcement’s wide reach, there would still be a risk involved, and European governments may not be able to protect the companies from it. Some firms will be tempted to try the new infrastructure, however, and the public isn’t likely to find out if they do. In any case, it’s worthwhile for Europe, Russia and China to experiment with dollar-free business. No currency’s international dominance has lasted forever, and there’s no reason for the U.S. dollar to be the exception to this rule. Trump’s confidence in his ability to weaponize the dollar against adversaries and stubborn allies alike could eventually **backfire** for the U.S. as efforts to **push the dollar off its pedestal grow ever more serious**.

#### Sanctions push Iranians away from the dollar and kill non-proliferation efforts

**Morello, 2018** [(Carol, Michigan State University, BA in journalism; University of Southern California, MA in journalism, diplomatic correspondent for The Washington Post) “Trump administration’s use of sanctions draws concern” The Washington Post, https://www.washingtonpost.com/world/national-security/trump-administrations-use-of-sanctions-draws-concern/2018/08/05/36ec7dde-9402-11e8-a679-b09212fb69c2\_story.html, 08/05/2018] TDI

The sanctions that attract the most attention have been aimed at governments threatening U.S. national security interests, including North Korea, Iran and Russia. But increasingly, sanctions are being used to counter other kinds of destabilizing behavior. Sanctions have been around since the earliest years of the United States, but they have been used more frequently since the attacks of Sept. 11, 2001. They are seen as a potent tool to cut off terrorists and their financiers from access to the international financial system, as well as a way to crack down on human rights abuses and corrupt leaders. But the reliance on them has led to concerns that they are being overused as the foreign policy of first resort, hurting U.S. credibility among allies who complain that they are being forced to bow to U.S. policies and potentially undercutting the U.S. dollar. 'Extremely seductive' tool Administration officials dismiss the criticism, saying they have proved effective in convincing nations like Iran and North Korea to agree to negotiate their nuclear weapons programs. “No doubt, we are strategic and thoughtful about how we deploy these tools,” said Sigal Mandelker, undersecretary for terrorism and financial intelligence at the Treasury Department, citing human rights and corruption cases as areas where sanctions can change behavior. “When you think of the atrocities happening, and you know leaders are trying to steal the wealth of their citizens, how can you not cut them off from the financial system?” According to an analysis by the law firm Gibson Dunn, the administration blacklisted nearly 1,000 people and entities last year. That is 30 percent more than were added in President Barack Obama’s last year in office, and tripling the number blacklisted during his first year. “Being designated under sanctions is the economic equivalent of the death penalty,” said Judith Alison Lee, co-chair of the firm’s International Trade Practice Group “It is so seductive for any administration to use sanctions, because they don’t require any prior notice, they don’t require any judicial review and they’re effective immediately. For this particular president, with his personality, it’s extremely seductive.” Administration officials say that using sanctions as a foreign policy tool when diplomacy won’t work has countered a growing number of threats. “We’re looking at sanctions where they’re appropriate,” said a senior State Department official involved in sanctions, who spoke on the condition of anonymity to explain the strategy. “And they happen to be appropriate in a lot of places in the world right now because of the threats we see. . . . It’s the world that we live in today, where we see a lot of opportunity. We see a lot of threats. We have interests in a lot of different places. And we have this toolbox that we walk around with.” U.S. sanctions are the most powerful in the world, largely because so many international transactions, from banking to oil, are conducted in U.S. dollars. Once wielded like a sledgehammer, sanctions are now being applied more precisely against people who might change their behavior once their assets are frozen, such as an accountant for a drug kingpin. Critics say the expansion of sanctions by the administration and Congress threatens to undermine their effectiveness. In a 2016 speech, former treasury secretary Jack Lew cautioned against their overuse. “Sanctions overreach,” he said, risk pushing businesses away from the U.S. financial system, and could erode the power of the dollar as the pre-eminent currency. Some say the United States is already well into overreach territory with the list of individuals and entities sanctioned running more than 1,100 pages. It is possible to be delisted, but far more names are being added than subtracted. Tensions with Europe The frustration among many U.S. allies over the use of sanctions could make it more difficult to form coalitions like the multilateral consensus that brought Iran to talks about its nuclear program. Down the road, critics say, it could cause some nations to look for alternatives to the U.S. dollar.

#### To trade with Iran, countries will avoid using the dollar to circumvent sanctions

**Cunningham, 2018** [(Nick, independent journalist covering oil and gas, environmental policy, and international politics) “Iran Sanctions Are Damaging The Dollar,” Oil Price, https://oilprice.com/Energy/Energy-General/Iran-Sanctions-Are-Damaging-The-Dollar.html, 09/18/2018] TDI

Painful sanctions on Iran have demonstrated the long reach of the U.S. Treasury, forcing much of the globe to fall in line and cut oil imports from Iran despite widespread disagreement over the policy. Yet, we are only in the first few chapters of what may ultimately be a long story that ends with the erosion of the power of the U.S. dollar. The role of the greenback in the international financial system is the reason why the U.S. can prevent much of the world from buying oil from Iran. Oil is traded in dollars, and so much of international commerce is based in dollars. In fact, as much as 88 percent of all foreign exchange trades involve the greenback. Moreover, multinational companies inevitably have some commercial ties to the U.S., so when faced with the choice of business with Iran or losing access to the U.S. financial system and the American market, the choice is an easy one. That means that even if European governments, for instance, support importing oil from Iran, the dominance of the U.S.-based financial system leaves them with very few tools to do so. European policymakers have scrambled to try to maintain a relationship with Iran and have tried to convince Iran to stick with the terms of the 2015 nuclear deal – and Iran is still complying – but that doesn’t mean that European refiners, who are private companies, will run the risk of getting hit by U.S. sanctions by continuing to import oil from Iran. In fact, they began drastically cutting oil purchases from Iran months ago. The dollar is supreme, it seems. But that isn’t the end of the story. In several ways, the Trump administration is contributing to a growing threat to the dollar, even if that is hard to see right now. After all, the dollar has strengthened this year, U.S. GDP has grown faster than other industrialized economies, and the world has had to adhere to U.S. sanctions on a growing list of countries and entities, the most notable of which are Russia, Iran and Venezuela. However, the “America first” foreign policy, the trade wars and seemingly arbitrary nature of tariffs, trans-Atlantic tension and other geopolitical rivalries are all factors that could push the dollar off of its perch. Related: The Altay Pipeline: A Geopolitical Game Changer But it is the extensive use of sanctions that stands out as arguably the most important factor that may ultimately undermine the dominance of the U.S. dollar, some experts say. That is especially true in the case of Iran. “In the Iran case, the United States is damaging sanctions as a tool of statecraft,” Kelsey Davenport, an Arms Control Association analyst, told the Washington Post in August. “The United States has put a lot of states between a rock and a hard place.” The president of the European Commission, Jean-Claude Juncker, said a few days ago in a speech that the euro should be elevated as a reserve currency in order to break European dependence on the U.S. dollar. Juncker noted that the EU paid for 80 percent of its energy imports in dollars even though only 2 percent of imports come from the U.S. “There’s no logic at all in paying energy imports in dollar not euro,” an EU diplomat told Politico. For instance, most dollar-denominated imports actually come from Russia and the Middle East. It speaks to the U.S.-oriented nature of the international financial system that a European refiner who wants oil from Iran, or Iraq, or Russia, has to buy that oil in U.S. dollars, and is subject to demands from Washington, even though no American entity has any role in that transaction. Obviously, so long as European and American interests were aligned, that arrangement worked just fine. But their interests have diverged on a range of issues, including NATO, the Paris Climate agreement, and most significantly on the Iran nuclear deal. The demands by the Trump administration that Europe cut imports from Iran to zero seems to have been the final straw. Some in Brussels are now calling for a departure from the Trans-Atlantic relationship. The inability of Europe to blunt the impact of U.S. sanctions on Iran has demonstrated the dominance of the greenback, and has pushed European officials to look for solutions. Some have proposed a rival international payments system, others have suggested buying Iranian oil in euros. In August the EU announced an 18-million euro aid package for Iran. Most recently, the EU – led by France, Germany and the UK – are working on setting up a “special purpose” financial company to help Iran skirt U.S. sanctions and continue selling its oil. The company would exist to process payments for transactions with Iran, bypassing the typical financing channels, as reported by Spiegel. The U.S. has a great deal of influence over and access to existing money-transfer systems. Related: The Millennials Making Millions In Texas Oil There are plenty of reasons why this initiative may not get off the ground, or have only a limited impact. Private companies, for instance, would need to agree to play along and there is little evidence so far to suggest that European refiners are willing to take that risk. And the attempt to elevate the euro to the same status of the dollar will be extremely difficult, and would be a long-term project. But a growing effort at elevating the euro, or conducting euro-denominated oil sales, combined with a smattering of other initiatives intended to weaken the influence of Washington’s financial dominance, could chip away at the dollar over time. Meanwhile, earlier this year, for its own reasons, China launched a yuan-denominated oil contract based in Shanghai. The move was intended to bolster China’s currency, reduce foreign exchange risk, and in a broader sense, gain geopolitical and economic leverage at the expense of the dollar. The dollar remains all-powerful, but the Trump administration’s aggressive use of sanctions, crystallized by its zero-tolerance sanctions campaign against Iran, could undermine the greenback over the long-term if more countries begin to look for workarounds.

#### Iran sanctions undermine dollar heg

Gehrke, 2018 [(Joel, foreign affairs reporter for the Washington Examiner, with an emphasis on U.S. competition with China and Russia, Middle East policy following the U.S. withdrawal from the Iran nuclear agreement, and the crisis in Venezuela.) “Europe warns: Iran sanctions threaten US dollar dominance,” Washington Examiner, https://www.washingtonexaminer.com/news/1419853/europe-warns-iran-sanctions-threaten-us-dollar-dominance/, 10/29/2018] TDI

European diplomats are warning that enhanced U.S. financial sanctions against Iran run the risk of forcing the rest of the world to create alternative banking systems that could undermine the long-time dominance of the U.S. dollar. The issue has come up as the Trump administration considers aggressive sanctions aimed at expelling Iran from the international banking system. As the deadline for sanctioning Iran’s oil industry approaches, the spotlight has shifted to the Society for Worldwide Interbank Financial Telecommunication, an entity led by representatives of major banks from the world’s 10 largest economies that helps banks around the world communicate with each other on transactions. The United States doesn’t control the global group, but Trump could threaten to ban those board members from working in the U.S. financial system if they help Iranian banks defy U.S. sanctions. That move is potent because SWIFT “facilitat[es] global and local financial flows” by providing the financial industry a secure way of communicating. By pressuring SWIFT to expel Iran from the network, the U.S. could suffocate the regime’s economy. But that possibility is also raising questions about how the world might react. One Western diplomat said the move could be enough to accelerate talks about the need for alternative systems that don’t rely on the U.S. dollar and U.S. policy, a move that could eventually end up hurting the U.S. dollar. “At the moment, sanctions are effective because of U.S. financial dominance as the global reserve currency — forcing SWIFT out of Iran could incentivize China or Russia to establish their own SWIFT system, which is not in any of our interests,” the diplomat told the Washington Examiner. “What is going on with SWIFT could also be applied to Russia or China,” a European diplomat said. “And then what is going to happen to the financial system as a whole?” “There will be a panic in the Iranian markets, and the Iranian currency will collapse,” an Iranian sanctions expert, speaking about the discussion on condition of anonymity, told the Washington Examiner. Despite those warnings, many Iran hawks in the U.S. are eager to pressure SWIFT to stop dealing with Iran. “SWIFT sanctions are a necessary move to keep the renewed U.S. sanctions airtight,” Rep. Peter Roskam, R-Ill., told the Washington Examiner. “Without SWIFT sanctions, Iran would have a far easier time withstanding or avoiding our re-imposed sanctions.” Russian President Vladimir Putin has stoked fears that the U.S. dollar would be weakened if it went too hard against Iran. “We are seeing what is happening with the sanctions that are essentially illegal restrictions,” Putin said during a July diplomatic summit in South Africa. “I believe this is a big strategic mistake on their behalf because they are thus undermining confidence in the dollar as a reserve currency. This is the bottom line.”

### 1ar – turn – dollar heg capitalist

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#### This probably belongs in the NeoLib File

Walter ’96 , Dr. Andrew Walter, “The United States and Western Europe: The Theory of Hegemonic Stability” Explaining International Relations Since 1945, 1996, Oxford University Press, Oxford, UK, pp. 126-154. ISBN 9780198741961 TDI

The theory of hegemonic stability probably remains the most popular and influential theory in the subject of international political economy today. The basic proposition of the theory, that an open or ‘Liberal’ international economic order requires the existence of a hegemonic or dominant power, retains wide support in the field and beyond. Although it has been the subject of considerable criticism and modification since its elaboration in the 1970s, it has remained central to teaching and research in the field, and in international relations more generally. This popularity is not simply due to the apparent parsimony of the theory, nor only because of its obvious appeal to contemporary American scholars concerned about the consequences of US decline. The theory remains central to the discipline at least in part because it provides a powerful and intuitively attractive account of the rise and decline of international economic order over the past century. Even for its critics, which include the present author, the theory provides a stepping stone towards a deeper understanding of the dynamics of the international political economy. For these reasons alone, one cannot but take it seriously. This chapter asks what light the theory of hegemonic stability can throw upon USWest European economic relations from 1945 to 1973. Space limitations do not allow a full ‘test’ of the theory here. However, if the theory is to justify its place within the discipline, it must account for the evolution of US-European relations after 1945. The argument given here is that the theory (albeit with some important limitations) is somewhat useful in accounting for the establishment of the post-war international economic system, and particularly the crucial role of US leadership. However, it is considerably less successful in accounting for change in the system over the period considered. Specifically, it suffers from two main defects. First, and predictably, as a ‘structural’ theory of world economic order, it pays 3insufficient attention to important ‘unit-level’ (i.e. state and societal) factors in accounting for change. Second, perhaps more surprisingly, even at the structural level of analysis the theory has shortcomings. Most importantly, its proponents have taken insufficient account of the relationship between economic and security relations between the major countries in the post1945 period. The chapter argues that the course of post-war international trade and monetary relations was fundamentally shaped by the North Atlantic alliance. This was true both for the establishment of the post-war international economic order, and for its gradual erosion over the course of the 1960s and early 1970s. This suggests that other theories of international economic order are needed to understand the dynamics of systemic change, even if they cannot entirely replace the theory of hegemonic stability. The first section provides a brief survey of the theory of hegemonic stability and outlines two main competing theories of post-war international economic cooperation, ‘embedded liberalism’ and ‘alliance leadership’. I then examine the establishment of the postwar economic system in the light of these three theories. A third section considers the role of hegemony in US-Western European monetary and trade relations during the Cold War period until 1973. It focuses upon the conundrum of the breakdown of the Bretton Woods system and the relative resilience of the GATT. In the final section, I return to the general theoretical debate and to the question the overall impact of the security structure upon US-European economic relations. 1. Explaining international economic openness: the theory of hegemonic stability The theory of hegemonic stability was a theoretical refinement of a common observation in post-war international relations: US dominance or ‘hegemony’ was the linchpin of the successful world capitalist economy after 1945. In the late 1940s, not only did the US possess unrivalled power and prestige, it also had purpose. After intervening in two destructive wars in three decades, the US wished to remodel fundamentally the structure of international political 4and economic relations in a manner consistent with its liberal ideals and particular interests. The main legacy of the post-war power and purpose of the US was the Bretton Woods international monetary system and the GATT-based multilateral trade regime. In the early 1970s, however, these monetary and trade regimes appeared to be threatened by growing economic conflict between the major industrial countries and associated relative US economic decline. Comparisons with Britain’s precipitous decline as the leading power of the nineteenth century and the apparently disastrous consequences for the world economic system in the interwar period were rife in the literature. This led to renewed attention to the idea that an open and stable world economy was causally related to the existence of hegemony, defined as a relative preponderance of power. As one of the authors of the theory, Charles Kindleberger, put it: ‘for the world economy to be stabilized, there has to be a stabilizer, one stabilizer.’1 At the risk of oversimplification, two main versions of the theory exist, ‘neo-liberal’ and ‘neo-realist’. Of the two, currently the most popular version is the neo-liberal, in which the idea of international public goods play a central role.2 In an international system in which power is well dispersed amongst states, the provision of international collective goods such as financial assistance in a crisis or well-established rules on international trade is difficult. Individual states have an incentive to free-ride rather than to bear the costs of public goods provision alone. Without international government, only a hegemonic state can provide collective goods. The hegemon will provide such goods because its size ensures that associated costs of provision are less than the economic benefits that accrue to it. There is some disagreement over the dependent variable in the liberal version of the theory. For Kindleberger, examining international monetary history in the interwar period, the focus was upon the stability of the world economy. For most international relations theorists, the dependent variable has been systemic openness. Kindleberger was concerned with who would provide management functions in a potentially unstable system, particularly a long-term 5flow of international liquidity and short-term emergency liquidity in a major international financial crisis. He argued that the problem was less with the establishment of the system than its ongoing management, and hence was pessimistic about the consequences of hegemonic decline, particularly in a crisis. Most international relations scholars following Kindleberger’s lead saw the provision of liberal rules (or ‘regimes’) fostering openness as the core hegemonic task. The emphasis upon rules rather than crisis management led them to be more optimistic than Kindleberger concerning the possibility of post-hegemonic systemic openness. Collective action problems were more acute in the establishment phase rather than once international regimes were up and running. Keohane argued that hegemony was more important for the establishment of regimes than for their maintenance, allowing the possibility of regime-based cooperation ‘after hegemony’.3 The neo-realist version of the theory of hegemonic stability is less dependent upon the idea of international public goods, though some realists employ similar language. Neorealists hold that states have different policy preferences that depend upon their relative position in the world economy. A hegemonic state is most likely to favour an open world economy, as opposed to medium-sized states. This makes free trade most likely when a hegemon is able to provide carrots and sticks to other states to adopt liberal trade policies.4 In the neo-realist version of the theory of hegemonic stability, there is an element of exploitation in the system. The hegemon structures the system for its own benefit, although it may result in significant benefits for others. The hegemon uses its power to enforce other states’ compliance with the prevailing rules. Accordingly, realists tend to be pessimistic about the prospects for post-hegemonic cooperation. Hegemonic decline brings with it a declining ability to enforce compliance by others, and a declining hegemonic interest in a 6system operating more to the benefit of others. Hence, after hegemony, world economic closure is likely, as in the interwar period. Common to both versions of the theory of hegemonic stability is a structural focus. The outcome, the openness and stability of the international economic system, results from the distribution of power among states. States are assumed to be rational actors, and domestic policy the product of systemic factors. Perhaps surprisingly, security factors rarely played an important role in the analysis. Realists such as Robert Gilpin did not see the Cold War security structure as significantly affecting economic relations within the Western alliance.5 So too neoliberals ignored security. To quote Keohane: ‘it is justifiable to focus principally on the political economy of the advanced industrialized countries without continually taking into account the politics of international security.’6 Theorists ignored security factors for a number of reasons. First, the introduction of security factors would have greatly diluted the theory’s parsimony. Second, the growing economic conflict between the major industrial countries in the 1960s and 1970s occurred without the significant erosion of bipolar security structure, suggesting Keohane’s judgement was correct. Third, US attempts to gain leverage in bargaining on monetary and trade matters by linking them to security relations were difficult or counterproductive in a world of ‘complex interdependence’.7 Finally, if the theory was to be grounded upon more than the post-1945 American case and the comparison with Britain in the nineteenth century effective, it was best to ignore the large differences between the security structures of the late 19th century and the post-1945 era. An alternative interpretation of post-war Western economic relations accords a central role to security factors. For the want of a better title and with some theoretical licence, I term this the ‘alliance leadership’ theory. In this interpretation, free trade might only be possible within security alliances, since an open international economy will produce differential gains 7and hence negative ‘security externalities’ for some states.8 Within an alliance, common security interests reduce concerns about relative gains from open trade amongst allies. The hegemon as alliance leader may even conclude that actively promoting relative gains by allies may be in its security interest, at least if defection of such allies is unlikely. In short, security concerns shape the hegemon’s economic relations with its allies, and provide all members of an alliance with an incentive to liberalize trade amongst themselves rather than with others. A final interpretation of post-war Western economic relations focuses upon the normative rather than material foundations of international economic order. The theory of ‘ideational consensus’ focuses upon the role a transnational intellectual consensus over the appropriate shape of the international economic system plays in fostering regime establishment and cooperation. Its most prominent proponent is John Ruggie, with his theory of ‘embedded liberalism’ in the post-war economic order.9 This theory does overlap with the theory of hegemonic stability (and alliance leadership), particularly if one stresses the role of the hegemon’s culture and domestic ideology in forging such an international intellectual consensus.10 However, there is a strong sense in Ruggie’s theory that inter-state elite agreement over normative principles is only robust if these principles are consistent with the deeper alignment of social forces within the major countries. The chart opposite summarizes the main claims of the four theories outlined. Before proceeding, it is useful to clarify how each theory understands the relationship between power and interests in the international political economy. The neo-realist version of hegemonic stability theory sees interests as deriving from the position of individual states in the world economic structure. Countries with small open economies prefer free trade, as does the hegemon because of its comparative advantage in leading industries, while middle-sized and developing states tend to prefer protection. There is also a dynamic element in neo-realist theory, since the erosion of the hegemon’s economic preponderance reduces its ‘structural’ 8interest in an open world economy. In contrast, the neo-liberal version has a more static conception of state interest. Neo-liberals presume that all states have a long-run self-interest in an open world economy, but that it may be in the short-run interest of an individual state to protect (i.e., free ride). Hegemonic power, through the provision of regimes, allows a more enlightened self-interest to surface and cooperation to become sustainable. There is no necessary reason why the long-run interest of states will change over time. The possible exception is the hegemon, which as it declines, finds its ability to provide new public goods and to maintain existing ones diminishes. While its long-run interest in openness may not alter, the hegemon too may be tempted to free ride, and the short-run interests of other states may shift in turn. In the theory of ideational consensus, the definition and elaboration of state interest is dependent upon the formation of a domestic social consensus concerning the relationship of domestic to international economic policy. State interest may evolve over time, but is likely to result from deeper changes at the societal level rather than from the shifting balance of economic power at the international level. Finally, alliance leadership theory considers state economic interest to be a function of a state’s national security posture. A state will have an interest in economic cooperation with alliance partners, and this interest could change over time should the military alliance erode or should the security options of a country shift. I now turn to consider how the theory of hegemonic stability performs as an explanation of the construction of the major post-war regimes relevant to US-West European economic relations after 1945. 9 10 HEGEMONIC STABILITY THEORY ALTERNATIVE EXPLANATIONS PHASES NEO-REALISM NEO-LIBERALISM IDEATIONAL CONSENSUS ALLIANCE LEADERSHIP 1. Crisis Phase Great power struggle for preponderance Collapse of previous international regimes Breakdown of previous transnational societal norms Breakdown of old balance of power 2. Regime Creation Hegemonic power imposes order Hegemonic leadership overcomes collective action problems Based upon the achievement of a new set of norms to govern international and domestic policy Solidification of new alliance structures produces intraalliance regimes 3. Regime Compliance and Cooperation Power-based (hegemon enforces compliance with carrots and sticks) Regimes enhance transparency & reduce costs of cooperation (existence of common interests), plus hegemonic ‘crisis management’ Mutual acceptance of normative principles reduces conflict External security threat and alliance leadership by hegemon 4 Hegemonic Decline Regime erosion and collapse as hegemon reacts to consequences of relative decline (but ‘lags’ may occur) Some regime erosion is likely as hegemon adjusts to reduced power, but collapse is difficult to predict Relative hegemonic decline may produce some normative conflict and regime erosion Hegemonic decline may result in intra-alliance burdensharing disputes, disrupting economic relations between allies 5. Multipolarity ‘Oligopolistic competition’ produces closure of world economy (even if small states prefer openness, collective action problems exist) Regimes may be selfperpetuating due to common interests (but absence of hegemony may be fatal in a crisis) If normative principles are robust and social divisions limited, regime-based cooperation may persist Multipolarity produces enhanced relative gains concerns and probably the fragmentation of the world economy 2. The US, Europe, and the establishment of the post-war economic system How and why was the Bretton Woods international monetary system and the GATT international trade system established in the 1940s? Both neo-realist and neo-liberal versions are correct in stressing the importance of US hegemonic leadership in establishing Bretton Woods and the GATT in the 1940s. Nevertheless, this section argues that there are two main difficulties the interpretation offered by the theory of hegemonic stability. First, as Ruggie argued, a normative consensus within and between the major countries facilitated agreement on the basic principles. Second, even if one downplays this as a factor, the regimes were largely a product of American-British negotiations in which the US made major concessions to British demands. The intellectual consensus at the heart of the post-war economic regimes was real and important, and countries other than the US, particularly Britain, but also other Western European countries, were instrumental in its achievement. For all industrial countries in both Western Europe and North America, the interwar and wartime experience had made a full restoration of laissez-faire capitalism and the Gold Standard politically unacceptable. It also made some degree of state intervention in the economy necessary.

### 1ar – a2 heg impact

#### American hegemony is already dead and will continue – empirics and Trump

Schindler 17 - John R. Schindler, a security expert and former National Security Agency analyst and counterintelligence officer, 17 ("The Year American Hegemony Ended", Observer, 12-31-2017, Available Online from http://observer.com/2017/12/president-trump-inherited-a-hegemon-in-decline-inflicted-more-damage///dvb

The United States has been the world’s greatest power since 1945, when that mantle—half-passed from London to Washington after the First World War—firmly landed in American hands after the Second World War. Since 1991, when the Cold War ended with Soviet collapse, America has been the world’s hegemon, to use the proper term, the force whose power could not be seriously challenged on the global stage. For 26 years now—a happy generation—America has been able to do whatever it wanted, to anyone, at any time of our choosing, anywhere on earth. Notwithstanding the decline of major sectors of the American economy, our military has covered the globe with deployments as the Pentagon has divided our planet into “geographic combatant commands” to formalize our hegemony. Our allegedly deep defense thinkers have hailed this as our viceroys enacting Washington’s benevolent imperial will anywhere we desire. It needs to be said that plenty of the planet has been happy to acquiesce in American hegemony. While we’re hardly the pure-hearted hegemon we imagine ourselves to be, the United States appears like a relatively positive force on the global stage, compared to other options. Even among skeptics regarding America’s global dominance, few pine instead for hegemony under, say, Beijing and its Communist party bosses. Nevertheless, 2017 gave unmistakable signs that American hegemony, which has been waning for a decade, has now ended. A new age has dawned, even though it’s still early and the sun is far from full. As commander-in-chief, in his first year in the Oval Office, President Donald Trump has ranted and raved on Twitter almost daily, with no effect save to confuse our allies about what exactly is going on in Washington. De facto, America has two foreign and defense policies: what the president says and what our national security bureaucracy does. The gap between presidential rhetoric, much of it unhinged, and actual policy toward the world grew throughout 2017. It’s no wonder, then, that North Korea seems anything but cowed, despite a year of Trumpian rants at Pyongyang. The Kim dynasty keeps rattling its nuclear saber at will, firing off missiles over the Pacific to showcase its power, and Washington’s demands that they cease have had no impact. While the Trump administration propagates the fantasy that North Korea will never become a nuclear power, that troublesome country has plainly had atomic weapons for years. That this unreality-based policy might end badly for everyone—even a merely conventional war on the Korean peninsula will mean millions of refugees and casualties—is obvious and constitutes one of the major what-ifs for the coming year. The National Security Strategy recently rolled out by the White House with fanfare, however, appreciates none of these new geopolitical realities. It imagines a world where American power, while now confronted by Russia and a rising China, remains above fundamental challenge. Predictably, the president’s release of “his” NSS had barely any connection to the actual document. To be fair to Trump, the NSS always is a political write-up, not really any kind of strategy, and the relationship between its wish-list and actual Beltway policy is often tenuous; the current administration has decided to sever any NSS connection to reality altogether. It should be noted that President Trump inherited a hegemon in decline. His predecessors did plenty of damage before the current Oval Office occupant decided to inflict more. Bill Clinton’s well-intentioned if often mishandled humanitarian interventions in the Balkans gave the illusion that America knew how to “nation build” broken societies at modest cost in lives and treasure. We did not, as is demonstrated by the multi-decade debacles in the Greater Middle East initiated by George W. Bush in the aftermath of 9/11. In overreaction to jihadist terrorism, Washington decided to recreate that troubled region by, in effect, handing a broken Iraq to the mullahs in Tehran. The magical transformative powers of the U.S. military on foreign societies turned out to be as much a fantasy as the Bush experiment with mortgage loans for everyone. In a similar vein, the less said about our never-ending war in Afghanistan—which amounts to an effort to coercively make that country what it has never been, politically and socially—perhaps the better. The loss of American prestige associated with the Iraqi and Afghan debacles is difficult to overstate. Plenty of the world was content to go along with American hegemony so long as it was somewhat competent. No fair-minded strategist, surveying what the Bush administration did in the Muslim heartland, could look at Washington’s defense and foreign policy elites, the architects of grand failures, with any comfort. Not that Barack Obama made things better. Although he entered the White House with a mandate to undo the damage wrought by his predecessor, he mostly failed to do so. It’s difficult to not have sympathy for President Obama, who when he realized the extent of the Iraq horror he inherited, wanted to abandon the biggest failure in America’s history abroad. It’s less easy to excuse Obama’s missteps in Afghanistan, where a half-hearted “surge” failed to change any facts on the ground that really mattered. Still, Obama’s biggest failures came elsewhere. His willingness to participate in the overthrow of the Gadhafi regime in Libya on dubious humanitarian grounds birthed violence and crisis graver than existed there in the first place. Worse, taking out the former rogue Gadhafi after he had abandoned his weapons of mass destruction and was cooperating with America’s war on terrorism, sent an indelible message that Washington’s word is no good—so never, ever give up your WMDs. Pyongyang, among others, watched and learned. Then there’s Obama’s mishandling of Russia, with fateful consequences. His abandonment of his own “red line” in Syria in 2013 was easily read as a grave strategic error, since Obama in effect outsourced U.S. policy in the Middle East to Moscow—the results of which are painfully clear today. Obama’s reticence to do much about Vladimir Putin’s aggression in Ukraine a few months later is a matter of record, while his strange unwillingness to confront the Kremlin over its rancid spy-propaganda offensive against the West in 2015 undoubtedly encouraged aggressive Russian interference in America’s election the following year. Putin and other malefactors got the message that Obama’s America would not stand up to troublemakers who could push back. Diffident messaging is never good for the hegemon’s reputation, especially when it’s already blighted due to incompetence and imperial overstretch. In 2017, in stark contrast, Donald Trump led the country in the opposite direction, with unceasing bluster about American strength and willingness to go it alone, anytime Washington wants to, damn the consequences. Trump’s screw the-world style in foreign affairs was on display this month with the White House’s decision to recognize Jerusalem as Israel’s capital. This pleased the Israeli right-wing and major donors to President Trump, yet in no way enhanced American power or prestige: quite the opposite. Reaction from the Muslim world was predictably furious, while the Trump administration made everything worse at the United Nations. There, Nikki Haley, our ambassador, publicly threatened members who didn’t vote with Washington against a UN resolution condemning our embassy move. This was American diplomacy at its most heavy-handed and tone-deaf, and it failed dismally. Virtually the whole world voted against Trump, with even most of NATO siding against Washington. This was a major diplomatic defeat for the alleged global hegemon. President Trump is all about “strength” and he loves to tweet about our military, his own draft-dodging notwithstanding. In a sense, Trump is a perfect fit for our era, when all America has left is raw military power. Our economy has been in decline for decades, our divided society displays unmissable rot, and our politics are a partisan shamble in the aftermath of 2016. What America has left is its military, which is the ultimate underpinning of hegemony. However, just how much military overmatch the Pentagon has left, after a near-generation of down-punching in the Middle East against fourth-rate foes without strategic success, is now America’s great imponderable. We have spent trillions of dollars on Iraq, Afghanistan, and killing jihadists all over, and the price in military obsolescence and declining morale is evident to anyone who wants to see. Our Air Force, which hasn’t faced a serious peer competitor in the skies since the middle of the Second World War, is shedding pilots at an alarming rate, while it has far too few F-22 fighters to maintain air dominance worldwide, which Washington has taken as a given for decades. However, our Navy is in even worse shape, with a staggering number of admirals under a cloud for participation in an appalling corruption-cum-espionage scandal, while our fleet in 2017 demonstrated that it has lost grip on basic navigation at sea, with fatal results. Considering the U.S. Navy has been the guarantor of freedom of navigation on the world’s seas since 1945, the protector of international trade and the backbone of American hegemony, its sad decline has far-reaching consequences. That said, our Army is equally unready for battle against a peer. In its shadow war in eastern Ukraine, Russia’s ground forces have demonstrated killing capabilities far beyond what America and NATO can do. The combination of Russian long-range artillery and electronic warfare has obliterated whole Ukrainian battalions, and right now they would do the same to the U.S. Army. Grave underinvestment in field artillery and electronic warfare hangs over our army. Russia has excelled at artillery for centuries, and that arm is the great killer on the modern battlefield. Armies that go into battle outgunned by the Russians historically get blasted off the field with heavy casualties. Right now, the U.S. Army is frantically playing catch-up so it can take on the Russians as equals if it comes to a fight. Our army’s opening performance has often been subpar, as demonstrated by defeats like Kasserine Pass and Task Force Smith. However, America always had time on our side to turn it around. We may not if the battlefield is in the Baltics, which the Russians may overrun in a couple days, before the U.S. Army has a chance to stop the invader. These are the scenarios that keep Pentagon planners up at night as we enter the new year. Above all, Trump’s go-it-alone attitude is precisely the wrong take as American hegemony disappears. Some empires decline slowly, others fall fast after a major defeat; history is filled with both outcomes. Since 1945, Washington has presumed that it can deploy our military anywhere, at the time and place of our choosing, thanks to our dominance of the world’s skies and oceans. Even in a worst case, we could always get our forces home. This should no longer be assumed. The world has changed, American hegemony has collapsed, and if it’s not careful Washington may find out the hard way. Let’s hope cooler and wiser heads prevail in 2018.

#### Hegemony is collapsing now due to Trump– economic contradictions, tensions with NATO, and cultural contradictions prove its terminally unsustainable.

Ahmed 16 – Nafeez Mosaddeq Ahmed is an investigative journalist who works for the Institute for Policy Research and Development (IPRD). “US Power Will Decline Under Trump, Says Futurist Who Predicted Soviet Collapse” Published: December 6, 2016. Accessed 7/12/18. (https://motherboard.vice.com/en\_us/article/d7ykxx/us-power-will-decline-under-trump-says-futurist-who-predicted-soviet-collapse///dvb)

Johan Galtung, a Nobel Peace Prize-nominated sociologist who predicted the collapse of the Soviet Union, warned that US global power will collapse under the Donald Trump administration. The Norwegian professor at the University of Hawaii and Transcend Peace University is recognized as the 'founding father' of peace and conflict studies as a scientific discipline. He has made numerous accurate predictions of major world events, most notably the collapse of the Soviet Empire. Back in 2000, Galtung first set out his prediction that the "US empire" would collapse within 25 years. Galtung has also accurately predicted the 1978 Iranian revolution; the Tiananmen Square uprising of 1989 in China; the economic crises of 1987, 2008 and 2011; and even the 9/11 attacks—among other events, according to the late Dietrich Fischer, academic director of the European University Center for Peace Studies. Back in 2000, Galtung first set out his prediction that the "US empire" would collapse within 25 years. After the election of President Bush, though, he revised that forecast five years forward because, he argued, Bush's policies of extreme militarism would be an accelerant. After the election of Trump, I thought it might be prudent to check in with Galtung to see how he was feeling about the status of his US forecast. Galtung told Motherboard that Trump would probably continue this trajectory of accelerated decline—and may even make it happen quicker. Of course, with typical scientific caution, he said he would prefer to see what Trump's actual policies are before voicing a clear verdict. The model Galtung has doctoral degrees in both sociology and mathematics, and some decades ago developed a theory of "synchronizing and mutually reinforcing contradictions", which he used to make his forecasts. The model was based on comparing the rise and fall of 10 historical empires. In 1980, Galtung used his theoretical model to map the interaction of various social contradictions inside the Soviet empire, leading him to predict its demise within 10 years. "Very few believed him at the time", writes Dietrich Fischer in the main biography and anthology of Galtung's works, Pioneer for Peace, "but it occurred on November 9, 1989, two months before his time limit, 1990." For the USSR, Galtung's model identified five key structural contradictions in Soviet society which, he said, would inevitably lead to its fragmentation—unless the USSR underwent a complete transformation. The model works like this: the more those contradictions deepen, the greater the likelihood they will result in a social crisis that could upend the existing order. In the case of the USSR, the main structural contradictions were as follows: the working class was increasingly repressed and unable to self-organise through trade unions (ironic given the country's Communist pretensions); the wealthier 'bourgeoisie' or elite had money to spend, but nothing to buy from domestic production, leading to economic stagnation; Russian intellectuals wanted more freedom of expression; minorities wanted more autonomy; and peasants wanted more freedom of movement The model works like this: the more those contradictions deepen, the greater the likelihood they will result in a social crisis that could upend the existing order. Eventually, as the highly centralised structures of the Soviet empire were unable to accommodate these intensifying pressures, the top-down structures would have to collapse. Galtung later began to apply his model to the United States. In 1996, he wrote a scientific paper published by George Mason University's Institute for Conflict Analysis & Resolution warning that "the USA will soon go the same way as [previous] imperial constructions… decline and fall." Fascism? But the main book setting out Galtung's fascinating forecast for the US is his 2009 book, The Fall of the American Empire—and then What? The book sets out a whopping 15 "synchronizing and mutually reinforcing contradictions" afflicting the US, which he says will lead to US global power ending by 2020—within just four years. Galtung warned that during this phase of decline, the US was likely to go through a phase of reactionary "fascism". He argued that American fascism would come from a capacity for tremendous global violence; a vision of American exceptionalism as the "fittest nation"; a belief in a coming final war between good and evil; a cult of the strong state leading the fight of good against evil; and a cult of the "strong leader". Galtung warned that during this phase of decline, the US was likely to go through a phase of reactionary "fascism". All of which, Galtung said, surfaced during the Bush era, and which now appear to have come to fruition through Trump. Such fascism, he told Motherboard, is a symptom of the decline—lashing out in disbelief at the loss of power. Among the 15 structural contradictions his model identifies as driving the decline, are: **economic contradictions such as 'overproduction relative to demand'**, **unemployment and the increasing costs of climate change; military contradictions including rising tensions between the US, NATO,** and its military allies, along with the increasing economic unsustainability of war; **political contradictions including the conflicting roles of the US, UN and EU**; **cultural contradictions including tensions between US Judeo-Christianity, Islam, and other minorities**; and **social contradictions encompassing the increasing gulf between the so-called 'American Dream'**, the belief that everyone can prosper in America through hard work, and the reality of American life (the fact that more and more people can't). Galtung's book explores how the structural inability to resolve such contradictions will lead to the unravelling of US political power, both globally, and potentially even domestically. Global collapse Trump has made clear that he thinks US troops are still needed in Iraq and Afghanistan, and even proposed sending more troops to Iraq. He also said that we should have 'grabbed' the country's oil. But he has also heavily (and incoherently) criticized US military policies. Domestically, Trump has promised to deport 11 million illegal migrants, build a wall between the US and Mexico, compel all American Muslims to sign up to a government register, and ban all Muslim immigration to the US. On the one hand, Trump might well offer an opportunity to avoid potential conflicts with great power rivals like Russia and China—on the other, he may still, stupidly, fight more unilateral wars and worsen domestic contradictions relating to minorities. For Galtung, **Trump's incoherent policy proposals are evidence of the deeper structural decline of US power:** "He [Trump] blunts contradictions with Russia, possibly with China, and seems to do also with North Korea. But he sharpens contradictions inside the USA", such as in relation to minority rights. On the one hand, Galtung said, Trump might well offer an opportunity to avoid potential conflicts with great power rivals like Russia and China—on the other, he may still, stupidly, fight more unilateral wars and worsen domestic contradictions relating to minorities. Motherboard asked Galtung whether he thinks Trump would speed up his forecast of "collapse", or slow it down. Even if we give Trump the benefit of the doubt, he said, and assume that he "prefers solving underlying conflicts, particularly with Russia, to war—in other words for the US not be imperial—then yes, that still speeds up the decline from above, and from the center… Of course, what he does as a President remains to be seen." But what exactly is collapsing? "An empire is more than violence around the world," said Galtung. "It is a cross-border structure with a center, the imperial country, and a periphery, the client countries. The point about imperialism is to make the elites in the periphery do the jobs for the center." The center country may be a dictatorship or a democracy. So for Galtung, the collapse of the US empire comes "when the periphery elites no longer want to fight US wars, no longer want to exploit for the center." For Galtung, a key sign of collapse would be Trump's attitude to NATO. The President-elect has said he would be happy to see NATO break-up if US allies aren't willing to pay their dues. Trump's 'go it alone' approach would, Galtung said, accelerate and undermine US global empire at the same time. "The collapse has two faces," said Galtung. "Other countries refuse to be 'good allies: and the USA has to do the killing themselves, by bombing from high altitudes, drones steered by computer from an office, Special Forces killing all over the place. Both are happening today, except for Northern Europe, which supports these wars, for now. That will probably not continue beyond 2020, so I stand by that deadline." US break-up? But this global collapse, also has potential domestic implications.

#### Trump undermines hegemony- poor management style, pull outs of NATO, weakening military legitimacy prove transition is inevitable- Fill-in ignites peaceful regional diplomacy that spurs multilateralism-clinging to hegemony creates a violent transition and spurs international crises.

Hurlburt 17--(Heather Hurlburt, The World Without America, Daily Intelligencer, 6-6-2017 accessed 4-9-2018, http://nymag.com/daily/intelligencer/2017/06/the-world-without-america.html)   
It’s time to stop asking  whether  the Trump administration believes in U.S. global leadership as we’ve known it since World War II. The answer is clear now.  It doesn’t. It’s also time to stop hoping that the officials around Trump can prop up international institutions as fast as he assaults them. Cabinet secretaries and career diplomats may be soothing Americans, but they aren’t fooling foreigners. No, President Trump and his enablers are ushering us into a new, post-American stage of global relations, at the speed of Twitter. Increasingly,  Washington is viewed by other nations a problem to be managed rather than a leader to be sought.  World  leaders [are  building new relationships](https://www.theguardian.com/environment/2017/may/31/china-eu-climate-lead-paris-agreement)– and jockeying for the space we’ve left behind – as fast as they  can,  while the U.S.[trashes its relations](http://nymag.com/daily/intelligencer/2017/06/trumps-attack-on-the-mayor-of-london-may-be-worst-tweet-yet.html) and [fights over the last election](https://www.washingtonpost.com/news/the-fix/wp/2017/06/01/ex-dnc-aide-hits-back-hard-at-clinton-says-her-campaign-ignored-its-data-on-michigan-pennsylvania-wisconsin/?utm_term=.e40ad4caa7d3) at home.  On security, politics, and economics, no one is waiting for the grown-ups, the midterms, or Vice-President Pence. Consider  our closest ally, the United Kingdom. The country has suffered two grievous terror attacks in the last two weeks.  Its sitting prime minister is one of few world leaders with whom the Trump White House enjoyed cordial relations — so much so that the White House floated the idea of a Trump visit after the most recent London attacks. The British government was having none of it though. Trump and his team had  both undercut Prime Minister May’s short-term political prospects and  run over some of the  two countries’  most basic shared interests.  When  Trump raced to Twitter to exploit the London attacks for domestic political points even before basic facts were clear — including  twisting the words of the popular (and Muslim) mayor of London — he demonstrated why the ruling Conservative Party thinks of him as a loose cannon whose presence might send British voters into the arms of the Labour Party when the country votes on Thursday. There’s  also  the awkward matter of Nigel  Farage, the former head of the right-wing U.K. Independence Party, who’s been named as a “person of interest” in the FBI’s investigation of Trump–Russia 2016 campaign contacts.   U.K. conservatives are quietly picking up former UKIP voters — and don’t need the embarrassment of the connection being spotlighted. Suddenly America is that kind of country though — an ally to keep at a wary, and often awkward, distance. Hanging over the whole election is the stark new reality that the next British government will have to contend with. Washington  broke  confidentiality agreements and  enraged  U.K. law  enforcement with leaks after the Manchester attacks.  And Trump’s  refusal to reaffirm NATO’s core principle — an attack on one is an attack on all — leaves the U.K. badly exposed between a Europe it has left and a U.S. it can no longer count on. Other key European allies have also started treating us in ways that would have been unthinkable until last year. The  French and German publics  are so angry at Trump  that leaders  are mocking him to rile up their supporters. French president Emmanuel Macron and his government are trolling the U.S.  daily  in (English-language) social media ahead of France’s parliamentary election — in which his party has surged to an unexpectedly strong lead in polling.  German premier  Angela Merkel, who once looked to be in trouble  in German elections this fall, is riding high as she soberly tells the German public [that the days they could depend on others](http://nymag.com/daily/intelligencer/2017/05/merkel-says-trump-led-us-is-no-longer-a-reliable-ally.html) outside Europe are over. Campaign  insults may be forgotten, but the  follow-up  actions to build relationships and institutions that don’t depend on Washington — and downgrade those that do — will be harder to reverse.  American businesses want U.S.-EU agreements that harmonize environmental and health regulations, which saves them money — but after Trump [left the popular Paris accord](http://nymag.com/daily/intelligencer/2017/06/what-quitting-the-paris-deal-does-to-the-us-and-the-planet.html) those will be harder to come by. The general chill in relations is likely to mean a decline in European support for any potential U.S. military actions. That means more deployments for American service members, and more of the bill footed by American taxpayers. It may also mean less European willingness to host and help pay for the U.S. military bases that support Middle East operations. In the long term, the perception that Europe’s interests are different are likely to lead toward exactly the opposite of Trump’s call for Europe to spend more money on NATO. Instead, we may see moves toward security institutions based on the EU — where the U.S. is out of the loop — instead of NATO. Outside Europe, countries that we are used to thinking of as partners — and perhaps junior partners — are stepping up to fill space the U.S. is vacating. China  has amped up its rhetoric about being a global climate leader  — rolling out [a new partnership](https://www.theguardian.com/environment/2017/may/31/china-eu-climate-lead-paris-agreement) with the European Union and [lecturing](https://www.washingtonpost.com/business/chinas-premier-li-keqiang-says-fighting-climate-change-is-a-global-consensus-and-international-responsibility/2017/06/01/e4d2c54c-46a7-11e7-8de1-cec59a9bf4b1_story.html?utm_term=.4b749da1d5f7) about “international responsibility” to manage global warming, in tones we’re more used to hearing from Washington, not directed at it. You can’t open a foreign-policy journal without finding an article on “One Belt One Road,” China’s regional economic plan which it is touting as a vehicle for foreign investment and integration — a stirring contrast to the U.S. pullout from the Trans-Pacific Partnership (even if there is less to “One Belt” than meets the eye). And as Beijing offers diplomatic and economic carrots, it has kept up its shows of force in maritime territories it disputes with U.S. partners and allies. China is building its own leadership on its own terms, thank you very much. So is India. President Trump had scarcely left Europe when Indian prime minister Modi arrived for a four-country tour, including trade talks and pledges to strengthen the global order with Germany and — on the heels of Trump’s Paris climate-deal pullout — work together on the environment with France’s Macron. At the same time, Indian defense officials were at a regional meeting pledging assistance to Vietnam’s military. Memories of Indian reluctance to commit on climate, and its discomfort at Washington’s role supporting Vietnam and other Southeast Asian powers, were fading fast — as fast as any expectation that Washington would take the lead again soon, on either front.

#### China and Russia are trying to gain primacy and Trump has left the gate right open

Cohen 17

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American foreign policy was, if not in crisis, in big trouble. Strong forces were putting stress on the old global political order: the rise of China to a power with more than half the productive capacity of the United States (and defense spending to match); the partial recovery of a resentful Russia under a skilled and thuggish autocrat; the discrediting of Western elites by the financial crash of 2008, followed by roiling populist waves, of which Trump himself was part; a turbulent Middle East; economic dislocations worldwide.

An American leadership that had partly discredited itself over the past generation compounded these problems. The Bush administration’s war against jihadist Islam had been undermined by reports of mistreatment and torture; its Afghan campaign had been inconclusive; its invasion of Iraq had been deeply compromised by what turned out to be a false premise and three years of initial mismanagement.

These circumstances would have caused severe headaches for a competent and sophisticated successor. Instead, the United States got a president who had unnervingly promised a wall on the southern border (paid for by Mexico), the dismantlement of long-standing trade deals with both competitors and partners, a closer relationship with Vladimir Putin, and a ban on Muslims coming into the United States.

#### Trump is the root cause of the erosion of US hegemony resulting in multipolarity

Street 18

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There are good reasons for any good progressive to bemoan the presence of the childish, racist, sexist and ecocidal, right-wing plutocrat Donald Trump in the White House. One complaint about Trump that should be held at arm’s-length by anyone on the left, however, is the charge that Trump is contributing to the decline of U.S. global power—to the erosion of the United States’ superpower status and the emergence of a more multipolar world.

This criticism of Trump comes from different elite corners. Last October, the leading neoconservative foreign policy intellectual and former George W. Bush administration adviser Eliot Cohen wrote an Atlantic magazine essay titled “How Trump Is Ending the American Era.” Cohen recounted numerous ways in which Trump had reduced “America’s standing and ability to influence global affairs.” He worried that Trump’s presidency would leave “America’s position in the world stunted” and an “America lacking confidence” on the global stage.

I recently reviewed a manuscript on the rise of Trump written by a left-liberal American sociologist. Near the end of this forthcoming and mostly excellent and instructive volume, the author finds it “worrisome” that other nations see the U.S. “abdicating its role as the world’s leading policeman” under Trump—and that, “given what we have seen so far from the [Trump] administration, U.S. hegemony appears to be on shakier ground than it has been in a long time.”

For the purposes of this report, I’ll leave aside the matter of whether Trump is, in fact, speeding the decline of U.S. global power (he undoubtedly is) and how he’s doing that to focus instead on a very different question: What would be so awful about the end of “the American Era”—the seven-plus decades of U.S. global economic and related military supremacy between 1945 and the present? Why should the world mourn the “premature” end of the “American Century”?