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From Bretton Woods to Blockchain: The Long Crisis of Dollar Hegemony and the GENIUS Act

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**From Bretton Woods to Blockchain: The Long Crisis of Dollar Hegemony and the
GENIUS Act**

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Epigraph

“A crisis occurs, sometimes lasting for decades. This exceptional duration means that incurable structural contradictions have revealed themselves, and that, despite this, political forces continue to make every effort to ‘cure’ them within certain limits. [...] These incessant efforts form the terrain of the conjunctural.”

— Antonio Gramsci, *Prison Notebooks*

Abstract

This thesis examines the historical evolution of the dollar-centred international monetary system as a series of contingent reconfigurations responding to persistent structural contradictions within global capitalism. Drawing on a neo-Gramscian framework, it conceptualizes dollar hegemony not as a static equilibrium or a purely market-driven outcome, but as a historically embedded structure sustained through shifting alignments of material capabilities, institutions, and social forces. Through a process-tracing and genealogical approach, the study reconstructs key phases in the development of the postwar monetary order, from Bretton Woods and the rise of offshore dollar markets to the Dollar–Wall Street Regime, financialization, and the global imbalances that culminated in the 2008 financial crisis and its aftermath.

Against this historical backdrop, the thesis analyses the contemporary rise of US-backed stablecoins and the passage of the GENIUS Act as a new phase in the reorganization of dollar power. It argues that this legislation represents a state-mediated privatization of seigniorage under conditions of late-stage hegemonic constraint, reallocating core monetary functions to private digital infrastructures while preserving US structural power through regulatory authority and Treasury market integration. Rather than constituting a neutral technological innovation or a retreat of the state, the governance of stablecoins is shown to extend dollarization, generate global regulatory spillovers, and deepen hierarchical monetary relations, particularly for peripheral economies.

By situating digital money within the historical-structural evolution of monetary governance, the study demonstrates how contemporary regulatory innovations function as adaptive responses to unresolved contradictions in the dollar system. In doing so, it contributes to debates on monetary hegemony, financial statecraft, and the political economy of digital finance by highlighting the enduring role of power, inequality, and institutional design in shaping the international monetary order.

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Ngozi wakes hungry, to the cry of her youngest. She opens her eyes in a cramped apartment in Onitsha, a city on the banks of the Niger River in southeastern Nigeria. With seven mouths to feed and food inflation up 40% year-on-year, she often skips meals so her children can eat. Her husband works long hours, and her eldest son, Ekene, has moved to New York City to support the family through remittances.

Ngozi has been looking forward to this day: today Ekene gets paid. An ocean away, he logs into Coinbase, converts \$200 into 200 USDC, and sends it to his mother's digital wallet. Within half an hour, Ngozi is at the market, ₦388,636.64 richer, bargaining with renewed confidence.

Ekene lives in Harlem, just thirty minutes by metro from Circle's headquarters – the company that issues USDC, a so-called “stablecoin” pegged 1:1 to the US dollar. Running on blockchains, it allows value to move globally within minutes, bypassing banks and remittance agents. Fees are minimal, transfers predictable – a lifeline for families like Ngozi's amid Nigeria's currency volatility.

This fictional vignette reflects a broader reality and shows the societal relevance of this study. According to Boston Consulting Group (BCG) (2025), countries in the Global South lead the world in stablecoin adoption, driven by remittances and business payments. The report notes that access to U.S. dollars, transaction speed, and low costs are key factors: “In Turkey, stablecoin volume reached \$38 billion in the 12 months through March 2024—4.3% of GDP and the highest globally. In Nigeria, USDC transaction volume rose 412% year-on-year in 2025, surpassing \$3 billion per month.”

But wherever finance spreads, so does power. As dollar-backed stablecoins proliferate, so does the reach of US monetary influence – something Washington has watched closely. Now, it is aiming to turbocharge this new avenue for dollarization in the digital era (Associated Press, 2025; Jones et al., 2025). What global policymakers fear is that people like Ngozi act as vehicles for increased dollarization and US power worldwide (European Central Bank, 2025).

This study argues that the dynamics illustrated in this fictional vignette are not anomalous, but characteristic of global capitalism itself, representing a contemporary reconfiguration of long-standing contradictions within the dollar-centred monetary order. As the vignette problematises, stablecoins are not a neutral financial innovation; their usage and implementation are embedded in global material inequality, relations of power, and the historical evolution of the dollar-centred monetary system. Following, this study challenges

liberal International Relations accounts that approach monetary technologies and financial integration primarily as efficiency-enhancing instruments whose political effects are treated as secondary or correctable through institutional design. Rather than making existing monetary arrangements as given, the thesis analyses changes in monetary governance as historically contingent reconfigurations of institutions and authority shaped by persistent contradictions within capitalism. In line with Cox's (1981) observation that "theory is always for someone, and for some purpose," liberal theory is treated as both a product and a producer of these historical conditions.

Moving beyond state-centric realist and ideational constructivist accounts, the thesis incorporates class interests by treating material, institutional, and ideational forces as co-constitutive. From this perspective, Ngozi's use of stablecoins reflects a long history of institutional development, geopolitical struggle, and class conflict. Drawing on a neo-Gramscian framework, the study employs process tracing to examine how world order, state forms, and social forces have co-evolved with the international monetary system under conditions of U.S. monetary dominance.

The central research question is therefore: *How and why has the dollar-centred international monetary system been repeatedly reconfigured in response to structural contradictions, and what does the rise of US-backed stablecoins—culminating in the GENIUS Act—reveal about the present reorganization of dollar hegemony?*

The thesis advances a relational and historical analysis of the international monetary system as an evolving whole. By situating contemporary developments within their own historical trajectories, it identifies causal dynamics and structural continuities that escape atomistic or event-focused accounts. This approach allows phenomena such as the rise of stablecoins to be understood as moments within longer processes of systemic transformation.

1. Literature Review

Hegemonic currencies shape core dimensions of international order, including geopolitical power, class relations, and the organization of global trade and finance. Understanding how such currencies operate and evolve is therefore central to the international political economy. This thesis examines theoretical approaches to monetary hegemony in order to understand the mechanisms through which dominant currencies structure global economic relations. Given the complexity and historical specificity of international monetary systems, this review develops a general conceptual understanding of how state-issued reserve currencies function, while historical-specific theory is introduced when empirically relevant.

Monetary hegemony is not a neutral market outcome but a historically contingent configuration of power, institutions, and material capacities. As Strange (1971) argued, international currencies occupy hierarchical positions shaped less by efficiency than by political authority. Their roles depend on combinations of inducement, consent, and coercion, and shift as the underlying balance of power evolves. A dominant currency entails both privilege and constraint: while it confers structural advantages on the issuing state, it also binds it to the needs of the system that relies on its money.

This structural tension is expressed in the *Triffin dilemma*. As Triffin argued (cited in Schwartz, 2014), a reserve currency must simultaneously inspire confidence and supply sufficient liquidity to sustain global trade. Confidence presupposes a strong and competitive economy, while liquidity provision requires persistent deficits. Contraction, by contrast, would induce global deflation. The very mechanisms that sustain international liquidity therefore undermine long-term monetary stability. Historically, currency hegemony supplied global liquidity through surplus recycling by creditor states, or through deficit financing by the hegemon. In both cases, surplus and deficit economies are structurally interdependent, each presupposing the other.

Under the contemporary system, this tension has taken a historically specific form in what later literature describes as the “exorbitant privilege” of the dollar (Eichengreen, 2010; Helleiner, 2019). Issuing the world’s reserve currency enables the US to finance persistent external deficits, project monetary influence, and extend regulatory and financial power extraterritorially. Simultaneously, it requires openness to capital flows and demand for liabilities priced in its currency, rendering the issuer vulnerable to financial instability. As

Strange (1971) observed, the dominant currency country is “more liable than other national economies to suffer financial scares and crises” precisely because its markets absorb global liquidity. Monetary leadership thus entails both constraint and freedom.

Arrighi’s (2010) *longue durée* framework situates this monetary contradiction within broader cycles of capitalist development. In his account, hegemonic orders evolve through phases of material expansion, during which leading states dominate production and trade, followed by phases of financial expansion, in which accumulation increasingly takes the form of credit, speculation, and asset ownership. During these latter phases, the hegemon’s currency plays an increasingly important role in global finance and liquidity. Financial expansion allows accumulation to continue even as productive dynamism wanes, enabling the hegemon to sustain geopolitical influence disproportionate to its industrial base (Eichengreen, 2010).

Yet this shift also intensifies systemic fragilities. As finance becomes increasingly detached from production, leverage rises, asset bubbles proliferate, and political legitimacy erodes, heightening the risk of *systemic chaos*, and shifting the leading state from *hegemony* toward *dominance* (Arrighi, 2010). What appears as monetary privilege thus also marks the onset of hegemonic vulnerability. Kindleberger’s *hegemonic stability theory* (1973) reaches a similar conclusion from a liberal angle: international order depends on a dominant power willing and able to supply public goods such as liquidity, open markets, and crisis management. When this leadership weakens or becomes contested, coordination failures and instability follow.

Taken together, these perspectives highlight that monetary hegemony is neither static nor purely economic, resting on historically specific configurations of material capabilities, institutional arrangements, and political authority (Helleiner, 2019; Daunton, 2023). Building on these insights, the thesis treats dollar hegemony as a historically evolving structure rather than a fixed status. The dominance of a currency is sustained not only through market liquidity and network effects, but through deliberate political choices about regulation, adjustment, and burden-sharing, which distribute costs and benefits unevenly and shape domestic social relations as well as international hierarchies. From this perspective, the contemporary dollar system is analysed not as a stable equilibrium, but as a historically specific configuration whose contradictions are continually reworked rather than resolved.

Klein and Pettis (2020) provide a crucial macroeconomic foundation by demonstrating how persistent global imbalances arise from domestic distributional structures projected outward through the balance of payments. Through this basis, the thesis argues that

a substantial share of contemporary global political-economic dynamics can be traced to the structural position of the dollar within the world economy. Simultaneously, it extends their argument by embedding these macroeconomic dynamics within a broader analysis of political power, institutional mediation, and historical conflict.

2. Theoretical Framework

The paradigmatic choice for this thesis is based on comparing explanatory power of theoretical perspectives concerning the operation of the global political economic system. Competing traditions offer different accounts of globalization, monetary order, and crisis, each foregrounding distinct mechanisms of power. This section situates these perspectives in order to clarify their analytical limits and to justify the framework adopted in the remainder of the thesis.

Neoliberal and mainstream approaches portray globalization as an increasingly integrated and self-regulating market system. National economies appear as nodes within a depoliticized web of capital flows, comparative advantage, and technological integration, while states are cast as managers of interdependence rather than sites of conflict. Institutions such as the IMF, World Bank, and WTO are framed as neutral technocratic coordinators. Within this worldview, global imbalances are treated as temporary distortions that markets will eventually correct. This logic underpins the Washington Consensus (Williamson, 2002), which prescribes fiscal discipline, liberalization, and capital mobility as universal growth strategies. Capital mobility is understood as a disciplinary mechanism that rewards “sound” policy and penalizes deviation, rendering distributional conflict and geopolitical hierarchy analytically marginal.

Critical and (post-)Keynesian perspectives reject this depiction, arguing that unfettered excessive¹ capital mobility is destabilizing, amplifying inequality and shifting adjustment pressures onto deficit economies. From this perspective, global imbalances reflect structural mismatches between savings and investment rooted in domestic political economies rather than temporary market failures. Klein and Pettis (2020) locate these imbalances in skewed income distribution: when wages lag behind productivity, consumption fails to absorb output, generating excess savings. These surplus savings are then exported abroad through capital flows, shifting adjustment pressures² onto other economies. States that

¹ A distinction is made between portfolio investment “hot money” (destabilizing) and direct investment (productive).

² The macroeconomics will be explained in chapter 6

rely on wage suppression, export-led growth, or currency undervaluation thus reproduce persistent imbalances, reinforced by free capital mobility. Instability arises not from policy error, but from systematic underconsumption.

Keynesian political economy offers powerful diagnoses of imbalances and how they could be corrected through redistribution and institutional reform. Simultaneously, its leading proponents frequently acknowledge—often with frustration—that the political conditions required to implement such remedies are rarely present (Klein & Pettis, 2020). Consequently, its analytical leverage weakens precisely where explanation must account for persistence rather than prescription. It excels at specifying theoretical solutions but fails to explaining why imbalance endures despite its known inefficiencies.

Critical approaches share the diagnosis of underconsumption but reject the assumption that instability can be resolved through policy correction alone. They locate crisis tendencies in capitalism’s structural contradictions, particularly the tension between socialized production and private appropriation (Marx, 2012; Arrighi, 2010). Redistribution may temporarily alleviate pressures, but competitive dynamics and profit imperatives continually reproduce inequality and overaccumulation. From this perspective, imperial expansion and financialization appear not as policy failures but as systemic responses to these contradictions. Where Keynesian approaches explain how capitalism might be stabilized, critical approaches explain why it persistently fails to stabilize itself.

This distinction is decisive for the present study. While Keynesian theory provides indispensable insight into the macroeconomic mechanics of imbalance, it remains insufficient for explaining why they endure, whose interests they serve, and how power is exercised through them. A methodology attentive to historical structure, institutional power, and social conflict is therefore required to analyse imbalance not as a technical malfunction but as a political order.

3. Methodology

The methodological approach of this thesis draws on Cox’s (1981) critical theory of international relations, starting from the premise that theory is always “for someone and for some purpose.” Rather than treating international order as a fixed structure to be optimized, this approach interrogates historical conditions and power relations through which order is produced and reproduced. In contrast to *problem-solving theory*, which takes existing

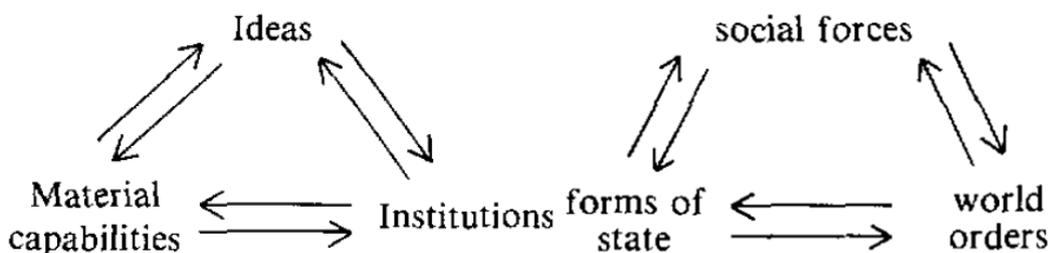
arrangements as given and seeks to improve their efficiency, critical theory asks whose interests these institutions serve and how they came into being.

Cox departs from state-centric and ahistorical approaches by situating states within broader social relations of global capitalism and analysing how state forms and world orders emerge, stabilize, and transform over time. To capture this, he introduces the concept of *historical structures*: relatively durable configurations of material capabilities, ideas, and institutions that shape the conditions of agency in a given period (Cox, 1983). Material capabilities refer to productive forces, technologies, and organizational capacities; ideas encompass intersubjective meanings and legitimating worldviews; and institutions stabilize power relations by embedding them in rules and practices that allocate authority and regulate adjustment.

Drawing on Gramsci, Cox conceptualizes hegemony not primarily as coercion but as leadership secured through consent. Hegemony arises when material power, institutions, and dominant ideas align and come to appear natural and universal (Cox, 1983). At the international level, this occurs when social forces dominant within a leading state project their interests outward, shaping a world order that others come to accept as common sense. These elements are mutually constitutive rather than hierarchically ordered: relations of production generate social forces, which shape state forms and, together, organize world order (see Figure 1). Cox (1987) further systematizes this perspective by distinguishing analytically between production, the state, and world order, while emphasizing that transformations at any one level reverberate across the others. This makes the framework well suited for analysing how shifts in production, finance, and technology reshape state forms and global governance.

Figure 1.

Historical structures



Source: Cox (1981)

The approach implies reflexive understanding of theory itself. Critical theory treats knowledge as historically situated and politically embedded, clarifying how particular analytical frameworks reflect and reproduce specific configurations of power (Cox, 1981). From this perspective, world order is not a fixed structure but a historically contingent constellation of material capacities, institutional arrangements, and ideational forces, continuously reproduced and contested.

This perspective is essential for analysing dollar hegemony as a historical process rather than a static condition. A hegemonic order persists only insofar as a relative alignment exists between material capacities, institutional structures, and ideational legitimacy; when that alignment erodes, hegemony becomes unstable and open to transformation. The analysis that follows therefore traces changes in the dollar order as shifts in this underlying configuration, rather than as technical malfunctions or policy errors.

Building on this perspective, the analysis adopts a process-tracing and genealogical approach to reconstruct how the contemporary dollar order has emerged over time. Rather than treating monetary arrangements as static outcomes, it traces sequences of institutional change, political conflict, and shifting power relations through which particular configurations became stabilized, understanding causality as unfolding through temporally ordered processes rather than isolated variables (Bryman, 2012). Earlier formations are therefore analysed not as background, but as conditioning structures for later developments.

This relational approach focuses on the co-evolution of states, financial actors, and institutional rules, showing how earlier solutions to political-economic tensions generate new constraints and opportunities. In doing so, it operationalizes Cox's historical-structural framework by linking historical contingency to structural persistence (Bryman, 2012). The chapters that follow do not offer a comprehensive history, but analytically selective reconstructions of successive configurations of the dollar order. Taken together, they trace the direction of travel of the system, highlighting how monetary governance has been repeatedly reconfigured rather than resolved.

4. From Sterling to the New-Deal Compromise

This chapter reconstructs Bretton Woods as a deliberately designed response to interwar collapse, shaped by US material pre-eminence and Cold War imperatives to stabilise allies and contain the Soviet bloc. It shows how design flaws in the system's institutional

architecture and its geopolitical context helped create the conditions for state-enabled offshore financial markets, which later contributed to the system's undermining and became a crucial institution for the successor regime.

4.1 Systemic Chaos and the Interwar Collapse

The collapse of the interwar financial order was both economic and ideological. Under the pre-World War I gold standard, Britain had constructed a system centred on the City of London, combining free trade, balanced budgets, and free capital mobility. The system depended on limited democracy enabling governments to impose deflation to preserve gold convertibility without domestic resistance (Arrighi, 2010; Daunton, 2023) and colonial extraction (Bhambra, 2020).

The First World War and the failure to restore pre-war parity in the 1920s exposed the contradictions of this regime. Efforts to defend gold parity imposed deflationary austerity, deepening unemployment, while the rigidities of the gold standard transmitted crisis globally. The Great Depression discredited the belief in self-correcting markets and undermined the authority of private finance. Broadly, authority over monetary policy shifted from central banks and financiers to treasuries and planning ministries committed to recovery and employment, primarily to deal with the coordination necessary for war (Helleiner, 1994; Daunton, 2023).

In short, the interwar collapse consisted of a breakdown of the gold-based liberal order under conditions of mass democracy, revealing the incompatibility between unfettered capital mobility and political legitimacy, and thereby forcing a rethinking of how finance should be governed. This political and intellectual transformation marked a break with laissez-faire orthodoxy. Policymakers learned that unregulated capital mobility and external monetary discipline were incompatible with mass democracy³ (Connelly, 2015; Daunton, 2023). The central lesson of the interwar collapse was that finance must serve the productive economy and social stability. It was on this basis that the Allied planners at Bretton Woods sought, at the end of World War II (WW2), to construct a new order, one in which financial

³ Particularly influential was the feminist movement. The expansion of mass democracy and demands for social protection itself were inseparable from sustained social and feminist mobilization. (Connelly, 2015)

activity would be contained within national developmental priorities rather than dominate them.

4.2 Bretton Woods and the Embedded Liberal Compromise

The post–WW2 monetary order emerged from efforts to avoid the interwar instability produced by competitive devaluations, capital flight, and deflationary adjustment, which had undermined both economic and political order. Allied planners therefore sought to reconcile economic openness with domestic stability by constructing an international system of fixed but adjustable exchange rates, multilateral liquidity management, and extensive capital controls (Helleiner, 1994; Daunton, 2023).

Keynes’s proposal for an International Clearing Union illustrates the logic underpinning this design. He aimed to eliminate the deflationary bias of the gold standard by creating a supranational currency and enforcing symmetrical adjustment between surplus and deficit countries. Persistent creditors would face penalties for hoarding surpluses, while deficit countries would gain access to overdraft financing without immediate austerity (Daunton, 2023). The US rejected this proposal, viewing it as incompatible with its geopolitical and economic interests, and instead promoted a system centred on the dollar. Exchange rates were pegged to gold at \$35 per ounce, adjustment obligations fell on deficit states, and access to IMF resources was conditional. Capital controls were institutionalized to preserve domestic policy autonomy, reflecting the consensus that monetary sovereignty, exchange-rate stability, and capital mobility could not be simultaneously achieved through market mechanisms alone (Helleiner, 1994).

This institutional architecture embodied what Ruggie (1982) famously termed *embedded liberalism*: an international order that permitted trade and long-term investment while subordinating financial openness to domestic objectives such as full employment, welfare provision, and economic planning. Unlike nineteenth-century *laissez-faire*, openness was politically managed and socially embedded.

As Daunton (2023) emphasizes, this compromise reflected the material configuration of power at the end of the war. The US possessed the bulk of global bullion, ran persistent trade surpluses, and dominated industrial production. Bretton Woods sought to prevent a return to interwar fragmentation by stabilizing global demand and trade, a system-level

solution that also sustained markets for US production while embedding American leadership within multilateral institutions. Although not initially conceived as a Cold War instrument, the system quickly acquired a strategic dimension: economic reconstruction and monetary stability became tools of containment, demonstrating the capacity of capitalism to deliver prosperity.

Yet the system's design generated tensions. By anchoring global liquidity in a national currency rather than a supranational one, Bretton Woods made international stability dependent on US balance-of-payments dynamics. Once the US moved into persistent deficit in the 1960s, the mechanisms designed to sustain order became sources of strain. The absence of effective constraints on surplus accumulation and the asymmetric burden placed on deficit countries created contradictions that would later destabilize the system, even as they simultaneously expanded US. monetary influence.

As Gowan (1999) observes, the postwar settlement initially reflected a political commitment to constrain finance in favour of production, what Keynes described approvingly as “euthanasia of the rentier.” Yet this settlement did not resolve the underlying tension between state control and financial power. Rather, it set the stage for a reversal, in which financial interests reasserted themselves and liberalization re-emerged as a dominant organizing principle. The Bretton Woods order thus constituted not an endpoint but a historically specific moment in a longer cycle of regulation, crisis, and restructuring that would reappear in altered form under neoliberalism.

4.3 The Birth of the Eurodollar Market.

Shortly after its implementation, the Bretton Woods system came under strain as its attempt to reconcile exchange-rate stability with domestic policy autonomy interacted with postwar asymmetries to produce persistent liquidity shortages, rigid exchange rates, and growing balance-of-payments pressures. As reconstruction progressed and international transactions expanded, these tensions intensified, and by the late 1950s the combination of fixed exchange rates, limited liquidity, and a growing U.S. external deficit had begun to erode confidence in the system (Helleiner, 1994; Daunton, 2023).

It was under these conditions that the Eurodollar market emerged. Following the 1957 sterling crisis, British authorities restricted sterling finance, prompting London banks to shift

toward dollar-denominated transactions to preserve profitability (Helleiner, 1994). Soviet banks deposited dollars in London to avoid US sanctions, while British banks sought to revive the City's international role by recycling these offshore funds (Daunton, 2023). US banks soon joined via their London branches, using them to circumvent domestic interest ceilings and regulatory constraints, generating competitive pressure to loosen controls on both sides of the Atlantic (Daunton, 2023). The interaction of capital controls, profit imperatives, and Cold War geopolitics thus created the structural opening for an offshore dollar system.

The Eurodollar market constituted a novel financial structure: dollar-denominated, globally liquid, yet legally outside US jurisdiction. It was not the product of deliberate state design, but neither was it resisted. British authorities tolerated its growth, while Washington accepted it as a means of expanding dollar liquidity, postponing adjustment, and reinforcing the currency's international role (Helleiner, 1994; Daunton, 2023). Offshore deposits functioned as credit money created through fractional-reserve banking, expanding global liquidity beyond the control of any central authority (Daunton, 2023). In doing so, the Eurodollar market both strengthened the dollar's centrality and undermined the institutional foundations of Bretton Woods.

The expansion of offshore dollar finance reintroduced capital mobility and revived the classic trilemma between exchange-rate stability, monetary autonomy, and free capital flows (Helleiner, 1994). By the late 1960s, growing Eurodollar liquidity and speculative pressures destabilized fixed parities (Arrighi, 2010). Proposals for coordinated regulation and joint supervision were advanced by allies, but the US refused to subordinate its monetary autonomy or constrain the dollar's global role, producing what Helleiner (1994) terms a case of "failed cooperation."

This moment signalled the emergence of US financial unilateralism: a strategy through which Washington reshaped international monetary relations in ways that served domestic capitalist interests while externalizing adjustment costs. This orientation was supported by a coalition of financial, corporate, and policy actors committed to openness as a means of preserving dollar centrality and macroeconomic autonomy (Helleiner, 1994; Arrighi, 2010; Gowan, 1999).

Such unilateralism reveals a pattern in which US strategy repeatedly reconciles domestic accumulation imperatives with international instability through institutional innovation and selective rule-breaking. In the Eurodollar case, Cold War imperatives, political constraints, and profit-driven financial expansion combined to erode collective control long before the rise of neoliberalism. Offshore dollar creation thus weakened the embedded liberal compromise and established a durable pattern of asymmetric adjustment. The rise of the offshore dollar economy thus both embodied and intensified the contradictions of the postwar order: between national control and global capital mobility, between public regulation and private accumulation, contradictions that set the world economy on a path of enduring financial asymmetry.

4.4 Reordering Hegemony

By the late 1960s, the contradictions of Bretton Woods had become acute. Fixed exchange rates increasingly conflicted with the booming economies of Western Europe and Japan, while persistent imbalances imposed asymmetric adjustment pressures on deficit economies (Daunton, 2023). Surplus states accumulated reserves, while the US ran sustained deficits and financed them through dollar liabilities rather than gold (Helleiner, 1994). Simultaneously, the rapid expansion of the Eurodollar market multiplied global dollar liquidity beyond official control, allowing offshore banks to recycle US liabilities and create credit outside central bank oversight (Arrighi, 2010; Daunton, 2023). Together, these dynamics weakened confidence in the dollar's gold parity and exposed the fragility of the fixed-rate regime.

These tensions were rooted in the institutional design of Bretton Woods. The system had enabled export-led growth in Western Europe and Japan through fixed exchange rates, capital controls, and guaranteed access to US markets, thereby entrenching a system in which surplus economies relied on undervaluation while the US functioned as consumer and financier of last resort (Helleiner, 1994; Daunton, 2023).

As Daunton describes (2023) the end of the 1960s, these structural tensions crystallized into a political crisis. US deficits, driven by overseas investment, military spending, and declining competitiveness, eroded confidence in the dollar. Policymakers confronted three options: raising gold's price, coordinating multilateral reform, or suspending convertibility. Coordination proved unattainable. In Germany and Japan, coalitions of state,

industry, and finance had consolidated what Höpner (2019) terms “undervaluation regimes,” grounded in ideological commitments to export competitiveness and discipline (Blyth, 2013; Takagi, 2015). These actors rejected symmetric adjustment and instead pressed for US austerity to restore confidence

US policymakers interpreted these conflicts geopolitically. Under Nixon and Kissinger, monetary relations were increasingly treated as instruments of power, and European monetary coordination was viewed as a potential challenge to US autonomy (Daunton, 2023). The prospect of a unified European monetary bloc reinforced the perception that multilateral reform would constrain US freedom of action. As Treasury Secretary Connally famously put it, “the dollar is our currency, but it’s your problem.” Internal deliberations acknowledged that meaningful reform was unlikely without unilateral action (Daunton, 2023).

As Daunton (2023) describes, the suspension of dollar–gold convertibility in August 1971 did not immediately dismantle Bretton Woods but fatally undermined its foundations. Subsequent attempts to restore fixed parities, including the Smithsonian Agreement, collapsed under renewed speculative pressure and persistent asymmetries. Though the gold link was severed, the world economy remained dollar-centred, now without formal constraint on the US deficit.

This moment highlighted another instance of US financial unilateralism. Yet it also provoked a dialectical response: European efforts at monetary coordination, including joint floating arrangements, emerged precisely in reaction to US action. The result was not the resolution of contradiction but its reorganization. As capital controls were dismantled and exchange rates liberalized, the foundations were laid for what Gowan (1999) terms the Dollar–Wall Street Regime, a system in which US power operates less through negotiated multilateralism than through global liquidity, private credit creation, and strategic leverage. The breakdown of Bretton Woods thus inaugurated a new phase of systemic contradiction rather than a return to equilibrium.

5. The Resurrection of the Rentiers and the Dollar-Wall Street Regime

This chapter explains how the United States responded to the contradictions of Bretton Woods by reconfiguring monetary power through markets, as neoliberal ideas legitimised liberalisation and the expansion of private finance. It traces how crises reinforced

dollar centrality by inducing states to accumulate dollar assets, thereby sustaining demand for US liabilities. Simultaneously, this strategy deepened financialization and reproduced the contradictions that would later drive the system's transformation, giving rise to a configuration in which US state power, private finance, and neoliberal ideology became mutually reinforcing yet internally unstable.

5.1 The Petrodollar & “Maximum Reliance on Market Forces”

A critical juncture in US foreign economic policy emerged with the 1973–74 oil shock. While often portrayed as a reactive embargo by Arab producers, contemporaneous evidence points instead to a strategic US accommodation. Drawing on archival material analysed by Oppenheim (1976), Gowan (1999) shows that the Nixon administration treated the crisis as an opportunity to reorient the international monetary order away from coordinated public management and toward private financial intermediation. Washington discouraged consumer-country coordination, granted antitrust exemptions allowing oil companies to negotiate collectively with OPEC, and pursued bilateral arrangements that fragmented Western bargaining power. Higher oil prices were not merely tolerated: they externalized adjustment costs onto oil-importing allies while expanding dollar surpluses available for recycling through Wall Street and the Eurodollar market.

This orientation was already visible before the Yom Kippur War. US officials refrained from coercive pressure on producer states and engaged Saudi Arabia bilaterally ahead of European consultation, even as producer demands for price increases predated the outbreak of hostilities—undermining interpretations of the oil shock as a purely reactive response to Western support for Israel (Oppenheim, 1976).

When European governments later proposed IMF-coordinated recycling mechanisms to pool risk and distribute adjustment burdens, the United States opposed them. Instead, US officials insisted that surplus recycling occur through private financial markets, preserving dollar denomination and the central role of U.S.-based intermediaries (Daunton, 2023; Gowan, 1999). The result was a distinctly asymmetric adjustment process: oil-importing economies absorbed the costs, while Anglo-American financial institutions captured the rents generated by intermediation.

Crucially, this transformation did not reflect a spontaneous triumph of markets over states. US banks were initially hesitant to lend extensively to the Global South, perceiving such exposure as politically and financially risky. The expansion of private finance depended on deliberate state action: reshaping regulatory constraints, encouraging IMF and World Bank co-lending, relaxing capital controls, and signaling implicit public backing in the event of crisis (Gowan, 1999; Helleiner, 1994).

By blocking IMF-centred management and fostering a large pool of privately intermediated dollar liquidity, the US converted the oil shock into ammunition for statecraft and structural financial power. Declassified Treasury documents released in 2016 confirm that Washington secured a confidential 1974 agreement with Saudi Arabia to recycle oil revenues into US Treasuries in exchange for security guarantees, anchoring oil trade in dollars and reinforcing what became known as the petrodollar system (Wong, 2016). Liberalization was increasingly justified in ideological terms as economically efficient and normatively desirable, framed through a neoliberal critique of regulation as a distortion akin to trade protectionism (Daunton, 2023).

By 1974, “maximum reliance on market forces” had become an explicit principle of US policy, accelerating the expansion of offshore dollar markets and intensifying competitive pressures for liberalization elsewhere (Daunton, 2023; Helleiner, 1994; Gowan, 1999). As in earlier episodes, regulatory change in the dominant financial centre compelled adaptation by others, reinforcing asymmetries embedded in the international system.

The ideological order underpinning the New Deal settlement was thus displaced by a neoliberal configuration privileging market discipline and private authority. A financial–corporate elite consolidated influence across the Treasury, Wall Street, and international institutions. As Gerstle (2022) observes, where Cold War-era state dinners once featured diplomats and intellectuals, the 1990s increasingly celebrated corporate executives and financiers: “global money had become the new sovereign.” This symbolic shift reflected a material transformation. Finance, rather than production, became the axis of US power, and the rentier, once “euthanised” by Bretton Woods re-emerged as a dominant social force.

5.2 Weaponization of Capital Flows

The oil shocks of the 1970s generated large external deficits across much of the Global South. Under the newly liberalized international financial regime, these deficits were financed through extensive borrowing from private banks recycling petrodollar surpluses, a process actively encouraged by US authorities (Gowan, 1999). When the Federal Reserve sharply tightened monetary policy in 1979, global interest rates rose, capital inflows reversed, and debtor states were pushed into insolvency. IMF and World Bank interventions followed, conditioning access to finance on austerity, privatization, and export orientation, while dismissing import-substitution strategies as inefficient despite contrary empirical evidence (Rodrik, 2011).

As Gowan (1999) emphasizes, this outcome followed from the structural logic of a system organized around US financial dominance. Once systemic stability became functionally tied to the dollar-centered financial order, the IMF's mandate to safeguard "systemic integrity" aligned it with the requirements of dollar-based finance. Structural adjustment programs enforced deflationary discipline, capital account liberalization, and debt repayment as conditions for maintaining system credibility, thereby protecting creditor interests, and sustaining the financial circuits of Wall Street.

These dynamics were self-reinforcing. Financial institutions profited from interest payments, asset sales, and market opening, while US firms benefited from privatization and cheaper inputs (Gowan, 1999). Neoclassical economics provided ideological legitimation by recasting these outcomes as neutral corrections to market distortions. Crisis management thus became a mechanism of governance through which US structural power was reproduced: capital flight strengthened the dollar, while international institutions entrenched the rules of the Dollar–Wall Street Regime.

During the 1990s, this logic was consolidated through a revived "Open Door" strategy that explicitly fused market access with US security objectives. Financial liberalization was no longer treated as a contingent policy choice but promoted as a universal and civilizational norm through institutional channels such as the National Economic Council and the Trade Promotion Coordinating Committee (Gowan, 1999).

This project was aggressively exported to East Asia through IMF conditionality and a sustained propaganda campaign that framed neoliberal financial liberalization as a universal

value and capital controls as “financial repression” incompatible with modernization (Gowan, 1999). In countries such as Korea, segments of the business and financial elite aligned with this agenda, anticipating gains from financial integration. When speculative capital reversed in 1997, currencies and asset markets collapsed, triggering the Asian Financial Crisis.

IMF interventions once again imposed high interest rates, fiscal contraction, and structural reform, deepening dependence on external finance. Crisis management thus functioned as a disciplinary mechanism: instability was leveraged to lock in liberalization, expand the reach of global finance, and consolidate US structural power.

The longer-term consequence was a regime of asymmetric self-insurance. Scarred by crisis and IMF conditionality, many states accumulated large foreign-exchange reserves to reduce future dependence on external financing. As Klein and Pettis (2020) document, global dollar reserves rose from under \$1 trillion before the Asian Financial Crisis to more than \$8 trillion by 2019. This strategy suppressed domestic consumption and redirected resources toward reserve accumulation, reinforcing global demand shortfalls and persistent trade surpluses. In turn, these imbalances sustained demand for US financial assets, deepening the structural centrality of the dollar.

5.3 Conclusion: Inherited crises – From Bretton Woods to the DWSR

The previous chapters traced the historical development of infrastructure and institutional choices shaping the modern international financial system, from the evolution of the offshore eurodollar market and the collapse of Bretton Woods, to the US decision to weaponize its external deficit rather than correct it. Instead of resolving its deficit through politically implausible austerity or relinquishing the global role of the dollar, Washington deepened the world’s dependency on its currency through crisis creation. The dollar thus reemerged as the undisputed global reserve asset, but within a completely novel institutional constellation.

The dash for “safety” into dollar-assets in turn financed US external deficits and formed the backbone of modern dollar dominance. Yet the same mechanism of foreign surpluses financing US deficits also deepened the contradictions inherited from Bretton Woods, and would result in new crises to be detailed in coming chapters. Therefore, US external deficits are not merely an outcome of the existing dollar-centred imperial regime; they are simultaneously its enabling condition, its accelerant, and the motor of its current

transformation. To understand this, we must return to the institutional arrangements shaping contemporary imbalances and to the social relations through which they are mediated.

Global imbalances reflect conflict between capital and labour. As Pettis and Klein (2020) argue, chronic demand shortfalls arise from upward redistribution within national economies: the wealthy save a larger share of income, while lower-income groups consume most of theirs. When income shifts upward, aggregate demand falls. In a closed economy, this would trigger the *paradox of thrift*, producing recession and unemployment. The Keynesian remedies are redistribution or fiscal expansion. This, however, is not how the contemporary global economy operates, for two reasons.

First, the institutional and geopolitical legacies of Bretton Woods entrenched the primacy of the dollar and, at US insistence, eliminated effective mechanisms to discipline surplus economies. At the time, the United States was the world's dominant creditor, and the system privileged its domestic policy autonomy while permitting other states to pursue export-led growth as a path to recovery. Political-economic models coalesced around this configuration of world order. When the US shifted into chronic deficit after the 1970s, these arrangements persisted through institutional inertia and geopolitical constraint: the dollar remained central, but its foundation shifted from gold to dollar liabilities.

Secondly, the US and its allies encouraged neoliberal globalization in the form of trade and capital flow liberalization throughout the 1980s and 1990s (Helleiner, 1994; Gowan, 1999; Daunton, 2023); economic interdependence deepened to the point that national decisions over trade, credit, and capital increasingly reverberated globally (Rodrik, 2011; Pettis, 2024). In this environment, governments that wished to retain control over their domestic economies had little choice but to control their external balances. When confronted with a shortfall of demand as a result of inequality, policymakers thus face a dilemma: they either accept a recession, compensate for weak consumption through credit expansion, or run trade surpluses. With recession being unpopular, policymakers choose either to expand credit or run trade surpluses (Pettis, 2024); with the policy choices being determined by path-dependent growth models.

In consumption-led economies such as the US and the UK, growth came to rest on coalitions anchored in finance and asset ownership, which promoted deregulation, credit expansion, and asset inflation as substitutes for wage-led demand (Baccaro, Blyth, & Pontusson, 2022). As domestic consumption was increasingly sustained through capital

inflows and rising asset prices, manufacturing competitiveness eroded, producing long-term deindustrialization.⁴ Owing to their hegemonic position, network effects, and entrenched financial infrastructures (Arrighi, 2010; Helleiner, 1994, pp. 13–15), these economies became dominated by financial capital, which benefited directly from the expansion and weaponization of external deficits.

By contrast, export-oriented economies such as Germany and China, shaped by late-development trajectories, constructed growth models that suppress domestic consumption to mobilize capital for investment, relying on wage restraint, credit controls, and state-directed accumulation (Schwartz, 2019; Pettis & Hogan, 2024). At the level of class relations, this yields a structural polarity: in deficit economies, finance functions as the leading sector, profiting from credit expansion and foreign savings inflows while consent is maintained through asset inflation and episodic fiscal support; in surplus economies, productive capital and its allied bureaucracies dominate, securing consent through employment stability and industrial policy (Baccaro, Blyth, & Pontusson, 2022). Together, these regimes constitute the twin poles of a transnational division of labour that unifies capital while fragmenting labour.

The result is a world economy structured around persistent savings imbalances and rising debt: a globalized expression of domestic class conflict. Surplus economies suppress mass consumption to sustain export competitiveness, while deficit economies maintain demand through debt and asset inflation. These are not separate phenomena but two sides of a single process: the internationalization of domestic labour exploitation. The two growth regimes are mutually constitutive, globally distortive, and increasingly conflictual.

The US decision to maximally liberalize its capital account in order to finance and ultimately weaponize its external deficit thus had far-reaching consequences for the global distribution of power. With Nixon's commitment to "maximum reliance on market forces" (Daunton, 2023), Washington ceded direct control over the domestic real economy to global financial markets while converting this loss of autonomy into leverage over the world economy through the dollar and its financial institutions (Gowan, 1999). Financial liberalization thus entrenched a structural division of labour in world capitalism: financialized accumulation on the demand side, sustained by debt and asset inflation, and productive accumulation on the supply side, sustained by wage suppression and export surpluses.

⁴ See chapter 6

Understanding global imbalances as expressions of class relations rather than national competition exposes the ideological function of dominant narratives. Tropes of “virtuous savers” versus “profligate foreigners” (Blyth, 2013) or claims that “other countries are stealing our jobs” (Trump, 2017), obscure the class dynamics of the international monetary system. What appears as trade war is, in fact, class war (Klein & Pettis, 2020): a world economy in which domestic inequalities are mediated through the dollar and reproduced through debt. As Cox (1981) reminds us, theory is always for someone and for some purpose; to interpret global imbalances as class phenomena is therefore both an analytical and a political act, clarifying how neoliberal globalization entrenched a financialized order sustained by American infrastructural power and global labour exploitation.

By issuing dollar liabilities willingly held abroad, the US temporarily resolves the global demand shortfall generated by inequality. Persistent external deficits allow surplus economies to externalize underconsumption, while capital inflows sustain consumption, asset prices, and fiscal demand in deficit economies. This configuration is inherently unstable, as it depends on ever-expanding US debt to absorb excess global savings.

6. World Order after the Unipolar Moment

This chapter analyses the construction of the post–Cold War world order under conditions of US unipolarity. It traces how the integration of China into the global economy, justified by liberal assumptions, reshaped production and demand, generated persistent trade imbalances, and culminated in the global financial crisis and US deindustrialization. It then shows how crisis management entrenched reliance on US fiscal deficits and gave rise to new social forces and financial technologies, developments that would later form the scaffolding of contemporary transformations in world order.

6.1 Neoliberal Hubris, the WTO and the Rise of China

Following the collapse of the Soviet bloc and the declaration of an “end of history,” (Fukuyama, 1992) liberal optimism enabled a far-reaching expansion of the global capitalist order. The incorporation of Eastern Europe and, more decisively, China’s accession to the WTO in 2001 integrated some 2-3 billion workers into global markets (Howell, 2020), reinforcing the belief that liberal capitalism had emerged as the only viable model of political and economic organization (Rutten, 2025a). In the 1990s, the US and its allies sought to

govern this expanded world economy through a rules-based architecture centred on trade, finance, and intellectual property.

The WTO was central. Its rules reflected US and EU priorities: strong intellectual-property protections, selective liberalization in sectors where advanced economies held advantages, and permissive treatment of subsidies in areas such as agriculture and textiles where developing economies were concentrated. As De Souza (2013, p. 22) observes, WTO accession was “an offer developing countries could not refuse,” since exclusion was costlier than participation. The resulting order integrated many developing economies into a hierarchy structured by intellectual-property rents and capital mobility. As Schwartz (2019) shows, US firms leveraged IP rights and control over global value chains to capture disproportionate profits even as production was offshored, supporting corporate valuations and reinforcing the dollar’s role as a global store of value.

Within this environment, Western policymakers assumed globalization would “normalize” China. WTO accession was expected to convert strategic rivals into partners as market integration fostered a liberalizing middle class (Rutten, 2025). For a time, this expectation appeared plausible: foreign direct investment surged, exports expanded, liberalization continued, and hundreds of millions were lifted out of poverty (Klein & Pettis, 2020).

The integration of China and other formerly socialist economies had profound consequences for advanced capitalist economies. A surging global labour force intensified competitive pressures in tradable sectors, contributing to falling profit margins and a secular decline in the returns to industrial capital (Howell, 2020). Rather than halting accumulation, these pressures redirected surplus capital toward finance, reinforcing financialization. As Howell (2020) emphasizes, declining industrial profitability coincided with a structural shortage of safe assets as global savings outpaced sovereign collateral. Prior to 2008, this gap was bridged through the private production of “safe” assets, enabling balance-sheet expansion, compressed risk premia, and sustained low interest rates, a dynamic consistent with Arrighi’s (2010) account of financial expansion following intensified competitive pressures.

Beneath the appearance of convergence, China’s state-directed growth model reinforced neoliberal accumulation in the short term, while simultaneously contradicting its political logic and undermining its long-term economic viability. Beijing deliberately suppressed household income and consumption relative to economic value creation in order

to sustain growth driven by continued investment (Klein & Pettis, 2020). This involved a large transfer of income from households to producers and local governments, enabling rapid accumulation and the emergence of historically unprecedented trade surpluses, which now approach \$1 trillion annually (Hale & Leahy, 2025).

This strategy was shaped by both regime-security concerns and historical experience (Tobin, 2020). Chinese leaders closely observed the Asian Financial Crisis and were “horrified” by the collapse of authoritarian regimes following private-sector debt crises (Klein & Pettis, 2020). Determined to avoid dependence on foreign finance, Beijing maintained an undervalued exchange rate and strict capital controls. As foreign direct investment inflows generated upward pressure on the currency, policymakers faced a choice between liberalizing capital outflows or accumulating reserves; to preserve political control over the domestic economy, they chose the latter. Between 1996 and the eve of the global financial crisis, China accumulated roughly \$1.8 trillion in foreign reserves—around two-thirds invested in the United States—followed by a further \$2 trillion after 2008 to contain renewed appreciation pressures (Klein & Pettis, 2020).

As Klein and Pettis (2020) show, rapid Chinese industrialization sharply increased global demand for commodities—especially oil—causing the combined current account surplus of energy exporters to rise from roughly \$90 billion in 2002 to over \$600 billion by 2008. These surplus flows into the US help explain why the current account deficit widened even as the dollar appreciated and real interest rates declined. In the late 1990s, when the deficit stood near 1.5 percent of GDP, inflation-adjusted long-term Treasury yields were around 4 percent; by the mid-2000s, with the deficit approaching 6 percent of GDP, real yields had fallen below 2 percent while the dollar remained roughly 15 percent stronger than in the mid-1990s. This pattern indicates that US deficits were financed by excess foreign savings rather than domestic capital scarcity.

Given weak domestic demand rooted in inequality, these inflows did not fund productive investment but instead fuelled credit expansion, speculative activity, and continued deindustrialization (Pettis, 2024). A strong dollar further eroded export competitiveness, accelerating manufacturing job losses: between 2000 and 2003, over 80 percent of net private-sector job losses occurred in manufacturing, concentrated in regions most exposed to import competition, particularly from China (Klein & Pettis, 2020). To avoid politically destabilizing recessions, demand was sustained through household credit expansion and a shift toward service-sector employment (Pettis, 2024).

China's rise thus posed not only an economic but a political challenge. Deindustrialization and wage stagnation in advanced economies generated popular discontent, while China did not evolve into a subordinate pillar of the US-led order but into a systemic competitor. This divergence reflected incompatible conceptions of political economy and world order (Tobin, 2020). Whereas Western policymakers expected integration to produce convergence toward liberal norms, Chinese leaders treated integration instrumentally, accelerating development while retaining sovereign control over finance and accumulation. The post-Cold War ideological climate reinforced this misrecognition: the Washington Consensus rendered industrial policy a “dirty word” (Macron, cited in Rutten, 2024c), weakening Western productive capacity even as those willing to utter it—and deploy it—pressed ahead. The resulting global imbalances would culminate in the most severe financial crisis since 1929.

6.2 The Great Financial Crisis (GFC) of 2008 & the Emergence of Cloud Capital

Prior to 2008, US fiscal policy did not expand sufficiently to absorb rising global demand for safe assets, forcing surplus capital to be intermediated through private finance rather than public balance sheets. As Treasury issuance proved insufficient, foreign investors increasingly turned to agency debt and mortgage-backed securities, compressing yields and inflating housing prices (Klein & Pettis, 2020). The housing boom thus became the main mechanism through which global surpluses were recycled into US markets. When asset prices stopped rising, this debt-based adjustment mechanism collapsed, precipitating the GFC. Once again, crisis became the motor of change.

After 2008, private-sector deleveraging foreclosed further adjustment through household and financial borrowing, shifting stabilization onto public balance sheets. Fiscal deficits and foreign official purchases of US Treasuries became the primary channels for absorbing global surpluses (Klein & Pettis, 2020). Rather than producing convergence, this shift entrenched divergence: China and core European economies reinforced export- and investment-led growth, while the US consolidated its role as global consumer and financial absorber of last resort.

As Howell (2020) shows, once adjustment moved onto public balance sheets, the Federal Reserve intervened through large-scale quantitative easing⁵ (QE) to stabilize expanding stocks of public and private debt. QE was not designed to redirect investment but to prevent collapsing asset prices, collateral values, and refinancing channels by compressing yields and sustaining balance-sheet rollover. The distributive consequences reshaped the composition of dominant capital. As Varoufakis (2023) argues, post-crisis liquidity expansion occurred in a context of weak demand and fiscal restraint, discouraging productive investment. Cheap credit instead accumulated within large technology firms able to borrow at near-zero rates despite holding substantial cash reserves. Advances in digital infrastructures—particularly cloud computing, data processing, and algorithms—enabled this liquidity to be deployed into scalable systems with high fixed costs, low marginal costs, and strong network effects. These infrastructures generate rents through control over access, data, and intermediation rather than through commodity production. In this configuration, QE facilitated the consolidation of a new fraction of capital centred on platform-based rent extraction and asset inflation—what Varoufakis (2023) terms *cloud capital*. While this does not imply a transcendence of capitalism as Varoufakis (2023) suggests, it does mark a deepening of financialized accumulation in which state-backed liquidity underwrites private control over the infrastructures of exchange.

6.3 The Emergence of Cryptocurrency

Amid bank bailouts and declining trust in financial institutions, the anonymous author Satoshi Nakamoto (2008) published *Bitcoin: A Peer-to-Peer Electronic Cash System*, proposing the first cryptocurrency. Built on blockchain technology, Bitcoin enables peer-to-peer value transfer through a decentralized, publicly verifiable ledger, replacing trusted intermediaries with cryptographic consensus. Conceived in direct response to the GFC, Bitcoin reflected opposition to central-bank money creation and fractional-reserve banking, viewed as structural sources of instability (Davis, 2011). A textual critique was encoded in the first mined block, which referenced the 2009 UK bank bailout (Bitcoin Wiki, n.d.).

Early adoption was driven largely by libertarian, cypherpunk, and anti-statist communities who framed Bitcoin as a project of private monetary sovereignty. As Filippi and

⁵ Central banks purchase government and other securities on a large scale, expanding their balance sheets and altering the supply of safe assets available to private markets.

Loveluck (2016) note, a second wave of adoption followed with platforms such as Silk Road after 2011, broadening its user base beyond ideological circles. Its subsequent mainstreaming, however, was driven primarily by speculation: Bitcoin was increasingly accumulated as an asset rather than used as a medium of exchange, embedding it within logics of accumulation, wealth concentration, and renewed centralization of power (Filippi & Loveluck, 2016).

As Bitcoin failed to function effectively as money, its enforced scarcity reframed it as a form of “digital gold.” To address volatility and transactional limits, stablecoins emerged from 2014 onward, with Tether (USDT) becoming the first successful example. Ironically, their stability rested on linkage to fiat currency through reserves held in cash, Treasury securities, or commercial paper (Schöllauf, 2025). Together, the financialization of crypto assets and the rise of fiat-backed stablecoins laid the groundwork for subsequent transformations in the international monetary system, which will be discussed in chapter 8.

6.4 Conclusion: Weaponized Interdependence

The dynamics described in the preceding sections—US reliance on foreign savings, the recycling of surpluses through dollar markets, and China’s rise as a surplus producer—generated a structurally asymmetric form of interdependence. While neoliberal globalization sustained US financial hegemony through persistent demand for dollar assets, it simultaneously enabled the emergence of China, as a productive base capable of contesting that dominance. This asymmetry mattered above all because, unlike European surplus economies, China developed outside the institutional and security framework of the US-led order, transforming interdependence into a potential source of strategic rivalry rather than cooperative adjustment.

The promise of neoliberal globalization was that economic integration would dissolve geopolitical conflict by embedding states in decentralized networks of exchange. Instead, globalization concentrated control over key nodes of the world economy. As Farrell and Newman (2019) argue, financial clearing systems, payment infrastructures, digital platforms, and critical supply chains function as chokepoints through which power can be exercised. These networked structures enable surveillance, leverage, and exclusion, turning interdependence itself into an instrument of coercion rather than a constraint upon it.

This outcome reflected a profound asymmetry in how integration was interpreted and used. Western policymakers, operating under what Newman describes as a form of “neo-colonial hubris,” assumed that integration would socialize others into liberal norms and

institutional dependence (Rutten, 2025a). By contrast, Chinese strategy was to “hide your strength and bide your time” (Chen & Wang, 2011), treating integration instrumentally, as a means of accelerating development while preserving strategic autonomy.

As US firms offshored production to China while retaining control over intellectual property and branding, dollar hegemony appeared secure despite widening trade deficits (Schwartz, 2019; Klein & Pettis, 2020). Simultaneously, China consolidated control over key segments of global supply chains, including critical processing stages such as rare earths (Rutten, 2024b), gradually converting economic integration into leverage.

The result is a contradiction at the core of contemporary globalization. US dominance rests on infrastructural and financial control—legal, monetary, and network-based capacities that allow it to weaponize interdependence through sanctions, payment systems, and regulatory reach. Yet this mode of power is internally fragile. Because it relies on open capital markets and external production, it simultaneously enables the accumulation strategies of states that organize growth through production rather than finance, thereby undermining its own foundations and amplifying perceptions of economic insecurity (Gehrke, 2022). As a result, market integration has come to function less as a vehicle of liberal convergence than as a terrain of geopolitical contestation. As one participant at the Helsinki Geoeconomics Week put it, “the economy has become the preferred theatre of war” (Rutten, 2025a).

7. The end of US Neoliberalism and the Age of Geoeconomics

This chapter analyses the end of neoliberalism in the US and the emergence of a geoeconomic state, showing how hegemony is reframed as a burden, globalised production as a security risk, and fiscal dominance as a necessity for strategic reindustrialisation and late-stage hegemonic financial expansion⁶. It situates this shift within the oligarchic transformation of US politics and demonstrates how the international monetary system generates new constellations of power that reshape world order.

7.1 America First, for the second time

The deindustrialization of the United States following neoliberal restructuring, alongside the rapid rise of Chinese manufacturing, generated growing discontent among

⁶It should be cautioned that I do not draw direct causality in intention, though I believe this could be argued if space allowed it. The more important point is that structural limits imposed by the historical structure necessitate this policy move.

segments of the American electorate who increasingly came to view trade not as mutually beneficial but as a zero-sum process in which the US was losing economic capacity and global standing (Mutz, 2021). As manufacturing employment declined and trade deficits widened, China came to be seen as the primary beneficiary of globalization and a direct threat to American jobs. This resentment was politically mobilized by Donald Trump, who campaigned in 2016 on a promise to reverse “unfair” trade, confront China, and restore national industrial strength. His “America First” agenda echoed earlier moments of hegemonic recalibration, though now under conditions of far deeper globalization and financialization.

Trump’s election, the subsequent Biden interlude, and Trump’s return to office in 2024 together marked a bipartisan break with the neoliberal paradigm of global economic governance, both rhetorically (White House, 2017; White House, 2023) and in policy practice (Gehrke, 2022). Policymakers increasingly acknowledged that the strategy of sustaining US dominance through infrastructural control of global markets had generated strategic vulnerabilities within the very architecture of American power. As Vice President J.D. Vance put it, globalization was underpinned by the assumption that advanced economies would permanently “move up the value chain” while others remained behind proved false, as competitors began “overtaking us from the top” (ThePrint, 2025). Within the Republican Party, a new consensus associated with the “New Right” emerged, premised on the view that US hegemony is no longer sustainable and that the international system has entered a multipolar phase (US Department of State, 2025; Cass, 2025). This reassessment is echoed by the 2025 National Security Strategy, which declares that the United States can no longer “prop up the entire world order like Atlas” (White House, 2025).

7.2 Technological Oligarchy

US capitalism has increasingly concentrated power in a narrow oligarchic stratum controlling digital, financial, and communicative infrastructures. A central nucleus of this group emerged from the so-called *PayPal Mafia* who accumulated early capital in digital payments before expanding into venture capital, platform monopolies, defense technology, and cryptocurrency (Alexander, 2025). Their accumulation strategy combines monopoly rents, financialization, and access to state contracts, producing an oligarchy structurally hostile to competition, labor organization, and democratic constraint.

Peter Thiel has been the bloc's most influential ideologue. His anti-competitive worldview is explicit: in *Competition Is for Losers* (2014) he treats competition as profit-destroying and monopoly as the basis of durable power. Thiel pairs this with hostility toward what he calls a "finance gerontocracy" and sympathy for bitcoin as a "revolutionary youth movement," (Reyes, 2022) a framing echoed by Elon Musk and David Sacks. Thiel's libertarianism extends beyond deregulation toward ideas of "exit" from democratic governance, including privately governed technological systems and for-profit enclaves insulated from state authority (Murphy, 2025). In this vision, crypto and fintech matter less as neutral technologies than as instruments to "exit" Westphalianism while preserving elite control over asset creation.

Thiel's influence has been institutionalized politically. As Alexander (2025) describes, he advised the 2016 Trump transition, embedded several allies across technology, defense, and national security, and functioned as a key financier of Trump-aligned candidates. Most importantly, J.D. Vance—now vice president—emerged directly from Thiel's patronage networks, benefiting from substantial financial backing and ideological mentorship. Elon Musk has played a complementary role as public mobilizer and infrastructural power broker. His acquisition of Twitter (now X) converted a central communications platform into an asset aligned with conservative and populist politics, including the restoration of Trump's account and the amplification of anti-regulatory narratives (Ingram, 2024). Musk's hostility to central banking (Hyatt, 2025), sympathy for cryptocurrency, and preference for executive discretion mirror the broader oligarchic worldview. His temporary role in the Department of Government Efficiency (DOGE, named after a crypto-memecoin) gave him the power to directly influence government operation and access sensitive data valuable to cloud capital (Stanger, 2025). David Sacks, another PayPal alumnus and venture capitalist, has been appointed as crypto czar—marking the direct incorporation of venture capital into executive governance (Alexander, 2025).

Taken together, these developments indicate the consolidation of a dominant oligarchic social force. This fraction secures political influence through concentrated ownership of digital infrastructures, systemic infiltration of government (Gutman, 2021), speculative assets, and media platforms. Its preference for executive discretion, and Thiel's case open desire for abolition of democracy, over institutional constraint reflects the incompatibility of monopoly-based accumulation with democratic accountability.

7.3 Financing Late Stage Hegemony: Debt, Consent, and Treasury-led Liquidity Management

The costs of maintaining dollar hegemony in the current constellation (as traced in all previous chapters) are most visibly expressed in the expansion of US public debt, which, as shown above, is a structural outcome of the US' financialized mode of global control. The federal deficit has grown from 0.26 percent of GDP in 1970 to 6.2 percent in 2023, while household debt rose from 43.9 percent of GDP in 1970 to 74.4 percent in 2022 (Pettis & Hogan, 2024). US federal debt now stands at roughly 125 percent of GDP (US Treasury, 2025) and is projected to reach 156 percent by 2055 (Congressional Budget Office, 2025). An already observed surge in Treasury issuance, combined with expectations of gradually weakening demand from some official foreign holders, has contributed to upward pressure on long-term Treasury yields. As Patterson (2025) notes, this reflects prospective rebalancing rather than active divestment: central banks and commercial banks alike are signalling incremental diversification away from dollar assets, increasingly toward gold—a trend reinforced by China's reserve reallocation (Zhou, 2025).

Rising yields have alarmed policymakers because long-term rates serve as a critical pricing anchor for household credit that sustain consumption (Patterson, 2025) and, by extension, political consent. In response, the Treasury shifted issuance toward short-term Treasury bills, beginning under Secretary Janet Yellen—a strategy often referred to as “Yellenomics.” As Howell (2025) argues, this bill-heavy approach amounts to a form of “Treasury QE” distinct from Federal Reserve quantitative easing (Fed QE). Whereas Fed QE functions as a broad and largely indiscriminate liquidity injection that primarily supports the financial economy, short-term issuance channels liquidity through fiscal spending that more directly affects the real economy. Treasury bills turn over rapidly, are readily absorbed by banks and money-market funds, and function as near-money within the financial system, thereby monetizing⁷ fiscal deficits through market demand rather than central-bank balance-sheet expansion.

This shift has important distributional and political implications. Whereas Fed QE directly injects reserves into the banking system (boosting financial markets), Treasury-QE boosts real economic activity. Under the Trump administration, Treasury Secretary Scott Bessent largely maintained this strategy despite earlier criticisms that it blurred the boundary between fiscal and monetary policy (Bessent, 2025). Its persistence reflects a recalibration of

⁷ In crude terms, this means printing money i.e. monetary inflation.

state power: a move away from reliance on Federal Reserve balance-sheet expansion toward Treasury-led market engineering as a means of sustaining demand, managing debt, and preserving domestic consent within an increasingly constrained and security-oriented hegemonic order that necessitates increased spending on security-related industrial policy.

7.4 Conclusion: Capitalism with American Characteristics

The retreat from US hegemony has coincided with a shift from neoliberal claims of market neutrality toward a more explicitly geoeconomic mode of governance. Under Biden, accelerating under Trump, economic policy has been increasingly organized around security and strategic competition rather than efficiency. This is not a turn to state capitalism, but a securitized successor to the globalized neoliberal state, reflecting the growing use of market-based coercive instruments to pursue geopolitical objectives (Nadeau, 2025). As critical and realist traditions have long argued, such oscillations between liberalism and economic nationalism are recurrent features of historical world orders rather than anomalies (Arrighi, 2010; Gilpin, cited in Gehrke, 2022).

In response to supply-chain vulnerabilities and rivalry with China, the federal government has expanded its direct influence over private firms. It has acquired equity stakes and veto powers in strategic sectors, intervened to block or condition transactions involving firms such as Intel and U.S. Steel (Acton, 2025; Co, 2025), and entered public–private partnerships to secure critical inputs, including rare earths through MP Materials (Moerhout, 2025). Export controls on advanced semiconductors (Uren, 2025), together with large-scale subsidy programs under the CHIPS and Science Act and the Inflation Reduction Act (Roosevelt Institute, 2025), have further subordinated market allocation to security objectives. Rather than withdrawing from markets, the US state has re-entered them as a coordinator, acting in the interest of national accumulation within a world order increasingly structured by geopolitical rivalry.

This shift is now widely recognized by policymakers and elite commentators as a transition to a “new age of geoeconomics,” increasingly reflected in corporate strategy and elite university, think-tank and institutional knowledge production, in which trade, finance, and technological control are mobilized as instruments of power rather than governed through neutral rules (Tett, 2025). The inheritance of earlier orders has saddled the US with macroeconomic constraints that function simultaneously as infrastructural strength and productive weakness. It is in this context that recent efforts to regulate digital finance—

culminating in the GENIUS Act, examined in the concluding analytical chapter—should be understood: not as technocratic reform, but as an instance of infrastructural power innovation under conditions of systemic rivalry.

8. The Crypto-Coup: The GENIUS Act and the Rentierization of Seigniorage

The preceding chapters traced the evolution of international monetary order from Bretton Woods to a dollar-centred, financialized system sustained by offshore finance, capital mobility, and global imbalances. As US productive capacity weakened, this system enabled continued dominance through external financing, asset inflation, and monetary power, while surplus economies accumulated reserves and pursued export-led growth. Over time, these arrangements generated mounting tensions: financial fragility, geopolitical rivalry, and the growing securitization of economic interdependence. Central to this evolution has been the diffusion of dollar-based monetary functions beyond the formal institutions of the US state. From Eurodollar markets to global payment infrastructures, dollar creation and circulation increasingly occurred through decentralized private networks that remained anchored to US power while escaping direct public control, enhancing flexibility but also creating new vulnerabilities and instruments of coercion.

Simultaneously, the US has faced growing constraints in sustaining this order. Rising public debt, weakening foreign demand for Treasuries, and the political limits of monetary expansion have intensified the search for new mechanisms to absorb dollar liquidity and stabilize demand. These pressures have coincided with the rise of powerful technological and financial actors whose business models rest on digital infrastructures, platform control, and the monetization of network effects. As money and payments become increasingly digitized, they open new terrain for reorganizing monetary governance itself.

The Trump administration's GENIUS Act crystallizes these dynamics. It represents a new phase in the evolution of dollar power in which monetary functions are increasingly delegated to private digital infrastructures under state oversight, a process that can be described as the *rentierization of seigniorage*, as elaborated in the following chapters. While often framed as innovation or deregulation, this arrangement combines decentralized issuance with centralized control, enabling new forms of rent extraction and political leverage. It also reveals a core contradiction of crypto-libertarianism: projects initially framed as emancipatory become vehicles for elite capture, as monetary authority migrates toward actors with the greatest capital and political access.

The chapter proceeds by first situating the rise of stablecoins within the contemporary historical structure⁸. It then examines how their regulation reshapes the institutional architecture of dollar creation by reallocating monetary functions between the Federal Reserve, the Treasury, and private issuers. The final section analyses the social forces behind this transformation and its international implications, showing how stablecoins may deepen hierarchical dollarization and extend US leverage over peripheral economies as part of a new phase in the ongoing process of US efforts to establish hegemony in the global financial system as part of its geopolitical strategy.

8.1 Fiscal-fixes: The stablecoin-Treasury Nexus and the Public-Privatization of Money

State-Capital Fusion: the Institutionalization of Rentiers

The GENIUS Act grants formal regulatory recognition to dollar-backed stablecoins and seeks to expand their role within the US monetary system. Stablecoins are privately issued, monetary liabilities that run on blockchain technology, denominated in official currency units and designed to maintain a one-to-one parity with the dollar (or any other asset) through redemption commitments and reserve backing. These reserves typically consist of Treasury bills, bank deposits, or other highly liquid assets. While stablecoins derive credibility from regulatory recognition and implicit state support, they remain outside the central bank balance sheet and lack legal-tender status. Their stability therefore depends not only on asset backing but also on regulatory enforcement of redemption, liquidity, and prudential requirements, making them a form of privately issued money whose public reliability ultimately rests on state governance rather than direct issuance (Van 't Klooster et al. 2025).

A crucial institutional backdrop to the adoption of the GENIUS Act is President Trump's executive order prohibiting the issuance of a "digital dollar" or US central bank digital currency (CBDC) (White House, 2025a). This prohibition forecloses a publicly issued digital alternative and channels monetary innovation decisively into private markets. The distinction is theoretically and historically consequential: a CBDC would constitute a direct central-bank liability and could expand public control over payments, settlement, and

⁸ See chapters 6 & 7

potentially credit allocation. Stablecoins, by contrast, preserve private issuance and intermediation, with balance-sheet expansion occurring through regulated firms rather than the state.

While some interpret this shift as a retreat of the state in favour of market governance (Marmefelt, 2024)⁹, it is better understood as a reorganisation of state power that privileges specific private actors while retaining strategic public direction through the Treasury. Public authority is redeployed to license, supervise, and stabilise privately issued money, while the rents associated with issuance and intermediation accrue to a narrow set of authorised firms. In this sense, the GENIUS Act institutionalises not a simple marketisation of money, but a public–private fusion in which state power underwrites private control over dollar-denominated digital infrastructures.

The Treasury occupies a central position in this arrangement. Stablecoin credibility depends on reserves composed of high-quality liquid assets, above all US Treasury securities. By mandating full reserve backing, the GENIUS Act integrates stablecoin issuers into the architecture of dollar liquidity and public debt absorption. Although issuers have sought partial workarounds, the Act prohibits the payment of interest on stablecoins—a rule already followed by most major issuers (Klein, 2025). The result is the consolidation of stablecoin providers as major intermediaries (rentiers) within Treasury markets, creating new powerful private monetary actors while keeping the strategic levers of authorization and rule-setting concentrated in the Treasury-centred state apparatus. An irony for an industry originally conceived to disintermediate finance and bypass the state.

As of Q3 2025, Tether, the largest dollar stablecoin issuer, reported total assets of \$181 billion, of which \$135 billion were held in US Treasuries and cash-equivalent instruments, including overnight reverse repos (12.8 percent) (Tether, 2025b). This positions the firm as an active liquidity manager within short-term dollar funding markets and, by virtue of its Treasury holdings, among the world’s largest holders of US public debt. The interest income generated from these reserves is projected to yield roughly \$15 billion in profits in 2025, implying margins approaching 99 percent—comparable to or exceeding those of major investment banks such as Goldman Sachs (2025).

⁹ Marmefelt (2024) argued that there was a binary choice between an authoritarian path of monetary world order characterized by widespread CBDC adoption, and an “open” monetary world order based on stablecoins.

Parallel Money Creation and Fiscal Dominance

Beyond issuer-level profitability, the expansion of stablecoins has systemic implications for US fiscal and monetary governance. Demand for stablecoins translates directly into demand for Treasury bills, creating an additional channel through which public debt is absorbed by private actors. As stablecoin liabilities expand, dollar liquidity is increasingly created outside the banking system, with deposits shifting from bank balance sheets toward blockchain-based instruments. This reduces the centrality of the Federal Reserve's balance sheet in liquidity provision while strengthening the Treasury's capacity to finance deficits through market demand.

In this sense, stablecoins constitute a parallel monetary circuit in which private issuers transform public debt into money-like liabilities. Whereas the Federal Reserve creates liquidity through open market operations and lender-of-last-resort facilities, stablecoin issuers perform a similar function by issuing redeemable claims backed by Treasury assets. As Armstrong and Snower (2025) note, "stablecoin issuers thus conduct a miniature version of what the Federal Reserve does: creating and withdrawing liquidity from the financial system—but for profit rather than public purpose." This circuit has expanded rapidly: total stablecoin issuance more than doubled from \$138 billion in early 2024 to \$308 billion by October 2025, with projections reaching \$3–4 trillion by decade's end (Federal Reserve, 2025).

This expansion coincides with a broader policy shift away from reliance on conventional central-bank tools and toward fiscal dominance¹⁰ (Curran, 2025), rooted in the deficit-based architecture inherited from Bretton Woods, in which the provision of global liquidity depends on persistent US deficits and the accumulation of a large public debt stock, now exceeding 125 percent of GDP, through which foreign savings are absorbed via dollar-denominated liabilities. The Trump administration has openly criticized quantitative easing and restrictive monetary policy (Bessent, 2025), signalling preference for alternative mechanisms of liquidity provision and debt absorption, including regulatory easing. Proposed relaxations of leverage requirements would allow large banks to expand balance sheets and absorb substantially larger volumes of short-term Treasuries—potentially in the trillions, depending on leverage assumptions (Kosonen, 2025). Together, these measures point toward a strategy of debt accommodation through inflationary channels, in which stablecoin holders increasingly bear the associated risks.

¹⁰ The subordination of monetary policy to fiscal concerns.

Repatriated Seigniorage

GENIUS reshapes both the distribution of seigniorage and the locus of monetary control. As deposits migrate toward blockchain-based instruments, seigniorage shifts from public authorities to private issuers, weakening traditional interest-rate transmission and raising concerns about coordination between fiscal and monetary policy (Armstrong & Snower, 2025). Yet this development is not without precedent. As Kaminska (2025c) notes, countries operating fixed or tightly managed exchange-rate regimes—most notably oil exporters such as Saudi Arabia—have long issued domestic liabilities backed by US Treasuries, capturing dollar seigniorage through interest on reserve assets.

From this perspective, stablecoins represent less a rupture than a reallocation of seigniorage within the dollar system. To the extent that issuance is concentrated in US-domiciled, taxable entities, part of the seigniorage previously accruing to foreign monetary authorities may be repatriated. This allows global dollar usage to expand while partially internalizing the fiscal benefits of offshore dollarization (Kaminska, 2025c). Stablecoins thus appear as hybrid instruments: privately issued yet publicly anchored, decentralized in form yet increasingly embedded in state fiscal strategy. Rather than signaling a retreat of state power, they illustrate its reconfiguration through delegated and market-mediated control.

8.2 Crypto-Oligarchy: the Trump-Pump

At the signing of the GENIUS Act, Trump openly acknowledged the political basis of his alliance with the crypto sector, stating that he supported it “for the votes” (Associated Press, 2025). The legislation followed a broader shift toward active state promotion of crypto markets, including the creation of a digital-asset working group within the National Economic Council, expanded banking access for crypto firms, relaxed enforcement, and the establishment of both a national digital-asset stockpile and a “strategic bitcoin reserve” (Montgomery, 2025). Together, these measures signal a reorientation of federal policy toward positioning the United States as a global “crypto capital.”

This shift was underwritten by an unprecedented mobilization of crypto money in electoral politics. During the 2024 cycle, pro-crypto super PACs—most notably Fairshake—spent roughly \$131 million on congressional races, while total crypto-linked political spending exceeded \$238 million once affiliated and dark-money vehicles are included (Schouten, 2024; Terrett, 2024). At the presidential level, crypto executives and firms

donated tens of millions of dollars to pro-Trump committees and to his 2025 inauguration fund (Weiss, 2025).

Beyond campaign finance, a deeper fusion of political authority and crypto accumulation emerged. According to a Financial Times investigation (Miller et al., 2025), Trump-linked ventures generated over \$1 billion in pre-tax profits within roughly a year, concentrated in memecoins, token platforms, stablecoins, and related intermediaries. Trump personally reported \$57.3 million in crypto-related income in 2024, with additional revenues accruing through family affiliated entities. \$TRUMP and \$MELANIA tokens alone generated hundreds of millions in trading revenues, while World Liberty Financial, a crypto-company owned by his family, issued roughly \$2.7 billion in dollar-pegged stablecoins and sold large volumes of governance tokens. Additionally, Trump Media & Technology Group has accumulated roughly \$2 billion in bitcoin as part of a broader push into the crypto sector, as well as striking deals with Trump donor crypto.com (Miller, 2025).

These gains coincided with regulatory forbearance. Enforcement actions against major crypto firms were paused or dropped, while senior officials disclosed direct exposure to crypto assets, and members of Trump's inner circle actively promoted crypto ventures at home and abroad (Miller et al., 2025). Clientelistic dynamics were further illustrated by the case of Justin Sun, whose \$150 million investment in Trump-linked platforms was followed by the suspension of fraud investigations and plans for a Trump-linked public listing (Steer & Stafford, 2025).

Taken together, these developments point to a pattern of systemic crypto oligarchy rather than isolated conflicts of interest. Campaign finance, regulatory forbearance, and private enrichment increasingly reinforce one another, allowing concentrated digital-asset wealth to translate directly into political access and policy influence. The GENIUS Act thus marks not merely regulatory accommodation but a deeper fusion of state power and crypto capital. A technology once framed as a libertarian alternative to centralized authority has been absorbed into, and now helps reproduce, an oligarchic configuration of political and economic power.

8.3 Stablecoin Geography and Demand

I have now discussed the changes in the US fiscal–financial system signified by the GENIUS Act. While the oligarchic turn in US crypto governance appears increasingly entrenched, the rents and infrastructural power it may generate depend critically on the

geographical expansion of stablecoin adoption beyond the U.S. core. It is therefore necessary to examine the empirical sources of stablecoin demand and their implications for U.S. Treasury markets.

A central source of current and future stablecoin demand lies outside advanced economies, where access to safe and liquid dollar instruments remains constrained. This dynamic was already foreshadowed in the introduction. Accompanied by a promotional video featuring a Kenyan shop advertising USDT, framed through narratives of currency depreciation and economic hardship, Tether (2025b) announced that it had reached 500 million users, presenting dollar-denominated stablecoins as a solution to Africa's economic problems (see Figure 2).

Figure 2.

A shop in Kenya advertising USDT



Note. Reprinted from *USDF Just Reached 500 Million Users* by Tether, 2025, October 21, X. https://x.com/Tether_to/status/1980619567157191113

Empirical evidence supports this pattern. Chainalysis (2024), the IMF (Reuter, 2025), and private-sector studies show that stablecoin adoption is disproportionately concentrated in emerging and volatile economies, where they function less as speculative assets than as practical substitutes for dollar deposits under conditions of inflation, capital controls, and weak payment infrastructures. In these settings, stablecoins dominate small- and medium-scale transaction volumes, indicating use for payments, savings, and remittances rather than investment (Chainalysis, 2024; IMF, Reuter 2025; Standard Chartered, 2025; BCG, 2025). Across these cases, stablecoins operate as de facto offshore dollar accounts, valued for non-yield benefits such as protection against depreciation, rapid settlement, low transaction costs,

and continuous access. Remittance corridors are particularly important, as stablecoins reduce fees, delays, and reliance on correspondent banking networks (Nestor, 2025).

Different forms of dollar(-like) liabilities matter because stablecoins transform the composition of global dollar demand. Unlike bank deposits or Eurodollars, stablecoins are overwhelmingly backed by short-term US Treasury securities. Conversions into stablecoins therefore generate new demand for Treasuries rather than merely reallocating existing dollar claims (Federal Reserve, 2025). As a result, stablecoin diffusion reinforces global demand for dollar liquidity. Standard Chartered (2025) estimates that up to \$1 trillion could migrate from emerging-market bank deposits into stablecoins over the medium term—around 2 percent of deposits in the most exposed economies—potentially intensifying balance-of-payments pressures and narrowing domestic policy space.

The spatial pattern of these flows further reinforces U.S. monetary power. North America functions as the central liquidity hub of the stablecoin system, exporting stablecoins globally rather than importing them (Reuter, 2025). Simultaneously, stablecoins operate as instruments of capital mobility. Their self-custodied, blockchain-based architecture enables cross-border dollar transfers that circumvent bank-based capital controls and settlement systems. In doing so, they technologically enforce capital mobility and intensify the Mundell–Fleming trilemma, constraining policy autonomy in economies that seek to retain exchange-rate management or financial controls. Unlike earlier phases of financial globalization, this constraint no longer requires political consent in recipient states.

At the macro-financial level, large-scale deposit substitution therefore poses significant risks. Khendrick & Jha (2025) and BCG (2025) warn that displacement of bank deposits can weaken domestic credit creation, fragment financial intermediation, and sharpen tensions between capital mobility and monetary sovereignty. China illustrates this tension clearly. Stablecoin usage rises during episodes of renminbi depreciation and heightened capital-control pressure, with inflows correlating with exchange-rate stress and capital-control intensity, indicating their role as vehicles for hedging and capital flight rather than domestic payments (Reuter, 2025). In this sense, stablecoins simultaneously deepen dollar hegemony and undermine political economies that rely on monetary control.

In developed economies, by contrast, future stablecoin demand is more contingent and hinges on regulatory outcomes. Alternatives such as tokenized bank deposits are likely to absorb much of the efficiency gains from digital settlement while remaining within the banking system (Wang, 2025), placing stablecoins under competitive pressure. Nonetheless, exchanges such as Coinbase and Kraken continue to offer high “rewards” on USDC by

exploiting regulatory distinctions between funded rewards and interest (Klein, 2025). This has alarmed U.S. banks, which fear deposit flight and a shift in financial power toward the Treasury and stablecoin issuers (BPI, 2025). Banks and crypto firms are therefore engaged in an active lobbying struggle over this loophole, as policymakers openly seek to integrate dollar-backed stablecoins into U.S. capital-market access (Sacks, 2025).

Taken together, these dynamics show that stablecoins are not merely a technological innovation but a reconfiguration of the global dollar system. They extend the dollar's reach through private infrastructures, link peripheral demand for monetary stability directly to U.S. Treasury markets and embed capital mobility at the core of the emerging crypto-financial order—deepening U.S. monetary power while reproducing the structural asymmetries of global finance.

8.4 Currency Competition & Regulatory Responses

Dollar-stablecoins account for roughly 99 percent of global market capitalization, while euro-stablecoins amount to only around €395 million (Aerts et al., 2025). This asymmetry matters because the dollar's extraterritorial reach ensures that U.S. regulatory developments shape monetary governance far beyond its borders, compelling other jurisdictions to adapt their institutional frameworks to defend monetary autonomy and financial stability.

While exchange-rate policy remains relevant, currency competition today increasingly unfolds through regulation, infrastructure, and standards. In this context, the governance of digital money becomes a terrain of indirect power exercised via payment architectures, legal classifications, and network effects.

The euro and the renminbi constitute the most significant non-dollar responses to this dynamic. Their strategies do not represent symmetric alternatives, but structurally conditioned adaptations to a monetary order shaped by dollar dominance and the extraterritorial reach of dollar-based stablecoins.

In the EU, policymakers increasingly frame digital currencies as an issue of monetary sovereignty and strategic autonomy, warning that privately issued, foreign-denominated digital money could undermine public control over money and payment infrastructures (ECB, 2025; Schaaf, 2025; Confino, 2025). This concern has translated into a regulatory strategy aimed at containing private stablecoins and preserving public authority, notably through MiCA and renewed emphasis on the digital euro (Council of the European Union, 2025).

Simultaneously, EU response reflects domestic power relations: pressure from the banking sector has shaped the digital euro's design through holding limits, non-remuneration, and other safeguards intended to protect existing intermediation structures (Fanta & ECB, 2024; Bezemer et al., 2025). The European approach thus combines geopolitical defensiveness with internal accommodation to private financial interests.

As established, for China the expansion of dollar-based stablecoins is a threat to monetary sovereignty, capital controls, and long-term renminbi strategy. In response authorities have suppressed private digital currencies while accelerating the development of the state-controlled e-CNY (Liu, 2025; People's Bank of China, 2025). This response reflects a system in which monetary authority, capital allocation, and political control are tightly integrated. As the literature has long noted, meaningful internationalisation of the renminbi would require greater capital-account openness and tolerance of private money creation, both incompatible with domestic governance priorities (Germain & Schwartz, 2017). This means that if China seeks to reduce reliance on international dollar settlements, it is more likely to pursue alternative strategies such as the accumulation of gold reserves and bilateral settlement arrangements, rather than full currency internationalization under liberal financial conditions.

Taken together, these responses illustrate that the blockchain-transformation of the monetary system is not a neutral technological process but a site of geopolitical contestation. The rise of stablecoins exposes enduring conflicts over sovereignty, hierarchy, and control in the world economy. In this sense, the GENIUS Act and private digital money mark not a rupture but a new phase in a longer historical pattern: after the neoliberal moment of market expansion, monetary governance is increasingly shaped by open confrontation between competing political-economic models, with the US, the EU and China serving as their respective institutional anchors.

Conclusion

The GENIUS Act represents a state-mediated privatization of seigniorage under conditions of late-stage hegemonic constraint: a historically conditioned outcome that provides the dollar-centred international financial system with a privately owned, blockchain-based update. Throughout the postwar period, the US has acted as the principal architect of the international monetary system, progressively expanding the role of private actors: first via the Eurodollar market; second through the petrodollar system and crisis-driven capital

account liberalization underpinning the Dollar–Wall Street Regime; and third through the authorization of private actors to issue dollar-like liabilities backed by US Treasuries. These shifts do not constitute a linear evolution, but successive systems of control shaped by changing world orders, material conditions, and class relations.

The analysis has shown that the US trade deficit has been a central motor of change within the global political economy. During the Cold War it enabled allied development while simultaneously undermining the dollar–gold parity underpinning Bretton Woods. After the system’s collapse, the international monetary order shifted toward free capital mobility, allowing the US to govern increasingly through instability: crises externalized adjustment pressures, reshaped domestic social relations through IMF enforcement, and generated sustained demand for dollar-denominated assets.

During the unipolar era, the integration of 2-3 billion workers into the global labour force, most decisively through China’s export-led rise, generated unprecedented global surpluses, financialization and deindustrialization in the West. Recycled into US financial markets, these surpluses suppressed interest rates and drove demand for safe assets. In the absence of sufficient fiscal absorption, excess savings were intermediated through private credit expansion, producing leverage, asset inflation, and ultimately the GFC. China’s rise was simultaneously complementary and contradictory: it sustained the US deficit, expanded world trade, and generated vast rents for US capital, while eroding US relative power, generating social discontent through deindustrialization, and constituting a systemic security threat through its control of critical supply chains and its rejection of political convergence as antithetical to regime survival.

This contradiction marked the limits of neoliberal globalization. Neoliberalism relied on decentralized control through markets and private governance; China’s centrally coordinated political economy exploited this openness while resisting convergence, transforming interdependence into strategic vulnerability. As supply chains, finance, and technology became instruments of power rather than neutral allocative mechanisms, economic integration was reinterpreted as a security risk. These dynamics precipitated the dual election of Donald Trump (2016 and 2024), the rise of multipolarity, the bipartisan end of neoliberalism, and the emergence of its successor state form in the US: the geoeconomic state.

After the GFC, accommodation of global imbalances increasingly shifted onto the US fiscal deficit, intensifying budgetary pressures and necessitating new sources of demand for US Treasuries. Simultaneously, the delegitimizing of financial and public institutions created

space for technological experimentation in money, including cryptocurrency. As speculative accumulation took hold, this project was captured by a narrow technological–financial oligarchy, transforming crypto from a critique of monetary authority into a mechanism of rent extraction.

The political articulation of this process took the form of corruption. Crypto-financial interests aligned with the technological oligarchy and found a political vehicle in Donald Trump, who, in his second term, did not merely represent these interests but joined them. Through the erosion of regulatory boundaries and the direct fusion of private enrichment with public authority, corruption became an organizing principle of monetary governance. The resulting wave of cryptocurrency legislation, most notably the GENIUS Act—alongside the prohibition of a US central bank digital currency—foreclosed a public solution to monetary digitization while generating new, privatized demand for US government debt. In doing so, it entrenched oligarchic control over monetary infrastructure and exported the consequences of this settlement globally.

The costs of this arrangement are borne most directly at the periphery of the international monetary system. The story of Ngozi and Ekene captures the lived reality of millions navigating structurally disadvantaged and monetarily unstable environments. For such actors, stablecoins function as pragmatic tools for remittances, savings, and payments in the absence of credible domestic alternatives. Yet this reliance embeds them within a hierarchy they neither control nor meaningfully consent to, and weakens the policy choices of their states. Decisions taken in Washington, increasingly shaped by oligarchic interests, now structure everyday economic life far beyond US borders. While risks and dependencies are borne locally, rents accrue overwhelmingly to financial actors in the core. It is through these asymmetries, in which peripheral vulnerability underwrites core accumulation, that contemporary dollar hegemony is reproduced in digital form.

This thesis has analysed the contemporary transformation of the dollar-based international monetary system by situating developments in digital money within a longer historical trajectory of US monetary power, global imbalances, geopolitical rivalry, and changing class relations. Rather than treating stablecoins, fiscal adaptation, or cryptocurrency regulation as isolated phenomena, the analysis has approached them as conjunctural responses to mature structural contradictions within the international political economy. Only a historical-structural perspective that treats monetary arrangements, state power, and social forces as co-constitutive makes it possible to arrive at a conclusion of this kind. Approaches

that abstract finance, technology, or policy from their historical context treat innovations that preserve existing power relations as evidence of change, and in doing so reproduce the very illusions that sustain those relations.

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