

# Dollar Domination- A Tool of Exploitation of Imperialist Forces

In the context of war between Russia and Ukraine, the US imposed unprecedented sanctions against Russia to pull it out of war. This triggered the growing dissent against domination of the dollar for the past one and a half decades. In fact, the decision of the US in relation to the membership of Ukraine into NATO is the true cause for the emergence of the present war in February 2022. Neither any country dares to question it, nor is the US ready to mention it. Many countries in the world including the US and European countries import oil, gas, other valuable minerals as well as agricultural produce from Russia. Now, the US imposed sanctions against these imports and forcing other countries to follow/obey it. The resultant shortage of oil and gas led to the excessive rise in the prices which became a big challenge to the countries which are already suffering from post-Covid effects. Therefore, the countries' resistance against US sanctions intensified.

In addition, the US froze \$630 billion of Russians' deposits in US banks. Further, it could freeze the deposits and financial assets in the form of US dollars of close friends and relatives of Russian President Putin including his daughters, top level officers, political leaders, billionaires and Russian organisations/entities. In fact, global rich used to deposit their wealth in US banks, hoping that it will be safe in terms of US dollars as it is already strengthened as global currency. They purchase US bonds and securities also. Therefore, the dictatorial imposition of individual sanctions by the US as a means to express its domination making the global rich insecure and panic. This creates serious doubts among them that if the same trend continues, it may not be possible for them to utilise their wealth in the future as per their wish, which is in terms of US dollars.

Thus, the emerged dissatisfaction of Western imperialist countries as well as global billionaires is now seriously questioning the domination of the dollar and therefore demanding alternative global currency. However, the US dollar, as global currency is an instrument of exploitation of imperialist forces, even if it is replaced by some other currency, no benefit accrues either to third world countries or to the oppressed class.

What are the indicators that show the US dollar as global financial super power? What is the process that made the US dollar as global currency? And how is it strengthened? What is its effect on the economic structures of third world countries? What is indicated by the sanctions imposed by the US? Will the end of dollar domination result in the emergence of global economic structure based on equality? All these issues are to be discussed seriously.

## **US Dollar**

### **as Global Financial Super Power**

The value of all the global transactions like Exports, Imports, Investments, Loans Repayments etc are being measured in US dollars. Moreover, the exchange rate of all the currencies of individual countries is expressed in terms of US dollar. The International Standards Organisation says that all the 185 countries in the world will have their own individual currencies & it is confined to the respective countries. While, US dollar will have no boundaries, it is strengthened as global currency. Therefore, it is called dollarisation of globe.

All the countries in the world, Central banks, business organisations prefer to hold their reserves in US dollars. As per IMF report 2020, the percentage share of US dollar in the global reserve currency is as high as 61. The share of Euro, which is in the second place has only 20.5 percent. This clearly shows the abnormal level of domination of the US Dollar. It is astonishing to note that fast growing China also prefers US dollars. It owns as high as one trillion US dollar reserves.

The global financial network is dominated and controlled by US. As large as 90 percent in Forex business and 40 percent of SWIFT payments are in US dollars only. Moreover, the SWIFT financial network is in the strong control of US. Further, as high as 80 percent global trade is in US dollars. In addition, the share of US dollars in the foreign exchange reserves of world's Central banks is to the tune of 65 percent. All this clearly shows the commanding dominance of US/ USD in global financial sector.

As the entire international transactions are done in US dollar, the demand for dollar will rise continuously. Further, it is mandatory that all the 189 member- countries of IMF must deposit part of their quota in terms of dollar. This further, raises the demand for dollar. The Supremacy of USD has been firmly established owing to its powerful domination on the emerging economies with strong spread of imperialist globalisation. The powerful International organisations like IMF and World Bank are in the control of US and have been transformed into strong instruments of imperialist exploitation.

These organisations will provide loans and funds to third world countries in US dollars and the repayment will be demanded in dollars only. All this strengthens continuous and commanding domination of dollar.

It is to be noted that as high as 65 percent supply of USD is used outside, other than US. Therefore, US can print dollars in huge quantity which neither raises their domestic prices nor creates problems related to Balance of Payments. In this regard, Paul Samuelson, the US economist opines that due to excessive demand for USD, its Federal Reserve can issue USD at lowest possible interest rate without any default risk. With interest rate changes, it can influence dollar supply in all the countries. Moreover, the deficit in the current account of US will not reduce USD exchange rate. Therefore, USD is considered by the world as a confident, secure asset. It can easily get trillions of USD as debt from global capital market, says Paul Samuelson. This clearly indicates that the dollar domination is useful to dispense the crisis of American capitalist to the entire world.

As high as 80 percent of \$ 100 billions issued by US are in outside circulation. The value of US Treasury market value is as large as \$ 23 trillion. This is double to the Japan

government bond market which is in second place. The value of US foreign treasury holdings is \$ 7.74 trillions.

US, which is dictating global finance market, gives loans to its corporates at lowest rate of interest. Therefore, the growth rate of world's foreign direct investment in 2021 is 77 percent with \$1.65 trillion in which the rate of growth of US is as high as 114 percent with, \$ 323 billions. The estimates of UNCTAD further shows that 39 percent of global debt is in USD. The finance capital under the leadership of US is strongly spreading in emerging economies. This makes it easy to transfer the wealth of native capitalist to global rich continuously through the purchase of shares of finance capital of respective companies. Further, the flow of the movement of USD to the third world is determined by the US rate of interest when US interest rate rises, then dollars will move to US and conversely, when it declines dollars will move to third world. Thus, the flow of foreign investment in third world countries is always unreliable, uncertain and unpredictable. Therefore, always it is a critical task for third world countries as to how to attract and retain foreign investment. In the direction of IMF and World Bank, these countries consistently announce and implement various concessions and incentives to foreign investment. The third world countries as dependent formations caught in the strong vicious circle of finance capital of imperialist exploitative forces is the bitter reality.

It is a well known fact that any crisis will strengthen dominant systems and classes. Therefore, not only in the period of 2008 subprime crisis but also in covid-19 pandemic, the demand for USD excessively increased in unprecedented way. Consequently, dollar domination strengthened further.

### **USD as Global Currency - Third World Countries**

After the Second World War, the Bretton Woods Conference of Nations of World in 1944 seriously discussed the need of a strong monetary system properly regulated by rules and institutions. The agreement accepted the USD as global currency. Consequently, US strengthened as global financial superpower since 1950's. By the time of Second World War, US has a strong gold market with a glut of gold reserves and started exporting investments in the place of commodities. During the war period, US provided more and more loans to alliance countries and promised to extend loans to defeated countries for their reconstruction. Thus, US could pressurize all the nations to accept USD as global currency. In the conference all the 44 nations except USSR accepted dollar dominance. This clearly proved that the nations with socialist systems will have the courage to confront any superpower on the basis of issue without yielding to power tactics.

J.M Keynes is known for his strong policy suggestions to solve 1930's Great Depression of imperialist nations. He participated in the Bretton Woods Conference on behalf of Britain. He proposed a 'currency neutral system' without the domination of any currency. Accordingly, every country should have an account called 'Bancor' to enter credit and liabilities of its exports and imports. If the deficit exceeds a prescribed limit, then exchange rate of the currency will be devalued. US rejected this proposal bluntly. No country dared to

question America's decision. Thus, US could use all methods of diplomacy to pressurize the nations to accept USD as global currency.

In this, all the countries pegged the exchange rate of their currencies to USD now, it is the anchor of the system. The US government guaranteed that other central banks at any time, they could sell their USD reserves at a fixed rate of gold i.e 35 USD per ounce of gold. Thus, as per the agreement, USD reserves possessed by any central bank can be converted into gold by selling them to US. For Vietnam War, US could print dollars excessively. It could collect deposits from all the nations, sold bonds and securities. All this resulted in the erosion of gold reserves in US. Therefore, many countries demanded US that it should give back equivalent gold for the USD reserves that they possess. No dominant country/ class will honour its own promise when it causes inconvenience. Therefore, the then president of US Richard Nixon bluntly declared that they will not give equivalent gold. The entire world accepted it obediently. However, this resulted in the end of gold standard in printing currency. Fiat currency started. Further, fixed exchange rate is replaced by flexible exchange rate.

It is wonder to notice that US rejection to give equivalent gold to USD possessed by various central banks, has not been questioned by any country. The dollar domination continued and firmly established and strengthened as global currency.

### **Effect on Third World Countries**

USD is the domestic currency of US and at the same time it is global currency also. Therefore, it can print any quantity of USD simply by saying IOU and will spend excessively on military, research and development of war related equipment. It creates war fear in all the countries and sells weapons and war equipment in the entire globe. It gives enormous loans and ask them to repay in USD. The printing machine of US dollar is so powerful to push all the developing countries into powerful debt trap. This is really a bitter fact.

The US will have a high share in the deposits of IMF and World Bank. They are controlled by US. These International Institutions provide loan to emerging economies in US dollars and repayment will be in USD only. In the process of providing loan, it makes compulsory for emerging economies to implement neoliberal policies. The entire exercise raises the demand for USD and strengthen control over emerging economies. By printing more USD, America will give loans at zero rate of interest to its big corporates. On the other, the emerging economies which are trapped into the vicious circle of neoliberal policies always bothered to attract foreign investment by offering continuous concessions and incentives. This results in the crowding out of domestic investment and consequently, domestic savings will be seized by foreign investment which strengthens finance capital further. The self-reliance of emerging economies confines to their respective constitutions. Dependency is strengthened.

The indebted emerging economies are forced to implement export-oriented development policy. They will have only option to reduce their currencies exchange rate so as to increase exports. For the same amount of USD, they should export more quantum of domestic goods. As the exports are primarily labour - intensive goods, labour exploitation increases. Thus, the USD directly seizes labour power on the name of raising exports. This

clearly proves the statement of Marxists that imperialism is the main enemy of working class. The devaluation of exchange rate increases the domestic prices of imports. The prices in the emerging economies are not in the purview of their monetary policy but decided by USD. Moreover, foreign investments in emerging economies are not at all stable but volatile and moves between US and UDCs based on the interest rate fluctuations in US. This will affect the economies of emerging countries severely. They are always in the grip of imperialist exploitative forces of US and its allies. All the imperialist nations accept US leadership. They follow its foot steps. The main reason for their collusion is to eradicate socialism and socialist policies from the globe. Therefore, they collide for the continuation of the imperialist exploitation.

The analysis of Ranjeet Sah states that IMF and World Bank determines the exchange rate on the basis of purchasing power parity (PPP). This process will under estimate the exchange rate of backward countries and conversely overestimates the exchange rate of developed countries. Therefore, the foreign investment in backward nations get profits not only from production and trade but also from unequal exchange. Moreover, due to over estimation of exchange rate of developed nations, its turnover will be high as an asset. Thus, dollar domination will continue.

C.T.Kurien's study states that the dimension of global economy is drastically changed owing to the strengthening of Finance Capital by 1990. It is significant to note that as high as 90 percent of financial transactions are not at all related to real economy and the production of goods and services. The financial speculation market has grown rapidly on the estimations of changes in the rate of interest and exchange rate. All these transactions are in USD only. The foreign banks earned more than Rs. 1000 crores as profits in 1991-92 in India with these transactions. The share of value of US securities with foreigners in the GDP is 3 percent in 1970 and has increased to 93 percent by 1990.

According to Trinnial Central Bank Survey of FX and OTC Derivatives Market, the daily transactions of Forex market in 2019 is as high as \$ 6.6 trillions. Thus, it exceeded stock market in the financial market. The value of global Forex market value in 2021 is \$ 2409 quadrillion. Lenin estimated as early as in 1916 in his book on "Imperialism is the Highest Stage of Capitalism" as to how does the finance capital exercise enormous control over the systems are clearly proved.

### **US Sanctions**

US started imposing sanctions on any country which declines to accept the decisions of US for the interests of its Imperialist exploitation. US ban exports and imports, freezes deposits in US banks and will not allow to utilise securities in terms of USD. In certain cases, instead of entire country, US started imposing sanctions on individuals, entities and business organisations. For the past five years US sanctions must be adopted by third party countries. Imposing sanctions increased excessively since 1990 onwards. It is wonder to notice that World Trade Organisation, which always talks about rules for free trade will not question US sanctions rather accept them as they are due to non-economic reasons. Since 1993 US impose 40 sanctions on 36 countries. On the name of violation of human rights US imposed sanctions on North Korea in 1950, Cuba in 1958, Iran in 1979, Syria in 1986, Venezuela

in 2019 and now on Russia. It is really ridiculous to observe that US, which always commands third world countries as a dictator talks about democracy and human rights. UNO General Assembly took resolution unanimously 29 times for the abolition of US sanctions on Cuba. Nom Chomsky has also been demanding on this issue. Moreover, Cuba stood as a powerful ideal model in front of world in combating covid-19 with its strong public health system.

At present, US imposed sanctions on Russia, it's billionaires and 1000 big organisation and banned 7 major Russian banks from SWIFT which makes them difficult for international transactions. The EU countries and some other countries are supporting US and imposing sanctions on Russia. The Britain usually sells Golden visas for the luxurious lives of billionaires. Now, it stopped selling those visas to Russian Billionaires. In 1990's, in the context of privatisation boom in Russia, the kleptocrats who looted nations/ people's wealth purchased securities from London and New York with their a massed wealth. They also purchased super luxury buildings in Britain, Yachts and Private Jets. This clearly shows the way of providing relevant facilities by imperialist exploitative countries to billionaires who loots people's wealth. Therefore, Wikileaks, Panama papers and Pandora papers could show the world as to who possessed boundless black money and in what form? However, the dollar domination is creating troubles to other imperialist countries billionaires in the world. Therefore, demand for de-dollarization is on the rise. Since 2009, China, Russia including IMF are searching for alternative global currency. A serious discussions are taking place about strengths and weaknesses of Euro, Japan's Yen and China's Yuan and which are in second, third and fourth place respectively. Further, they did not hesitate to discuss about the possibilities for crypto-currency, which is a fake currency exploits common people abnormally. Even if some other currency occupies dollar's place it did not stop the expansion of Finance capital and the exploitation of Imperialist forces and articulation of emerging economies as a dependent economies. All this further complicates the critical lives of oppressed class. To end exploitation and oppression, it is necessary to root out imperialist exploitation. For this, oppressed people collectively and strongly should build class struggles under the revolutionary leadership. It is also a necessary condition to eliminate/ destroy comprador bourgeoisie class. A strong and consolidated people's movements are warranted to confront imperialism as well as US dollar domination.