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The Dollar and the F-35: Balance-Sheet Imperialism

Costas Lapavitsas¹

Abstract

Contemporary imperialism is a hierarchical regime of global accumulation enforcing exploitation and subordination without colonial territories. It rests on the structural pairing of internationalised productive capital (multinational-enterprise-led production chains) with globalised financial capital, articulated through the dollar as world money. The article shows that the decisive hinge of domination lies in the monetary hierarchy itself, which became unmistakable after the Great Crisis of 2007–09 as the financialisation of capitalism shifted into a new phase – Financialisation Mark II. Balance-sheet discipline, hierarchical liquidity allocation by the Federal Reserve, payment system control, sanctions, and collateral exactions now function alongside territorial coercion as mechanisms of surplus transfer and crisis adjustment, with monetary instruments predominating at critical moments. Absent a rival world money, productive ascent by peripheral challengers cannot dislodge US hegemony prolonging a coercive interregnum and raising the risk of world war.

Keywords: Contemporary imperialism, Financialisation Mark II, Dollar hegemony, Surplus transfer coercion

JEL classification: E42, F02, F51, F65, P16

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1. Production, Finance and Imperial Hegemony

Imperialism is a characteristic feature of contemporary capitalism and retains the essential content identified by the classical Marxist tradition. It is at root an economic phenomenon arising from the global organisation of capitalist accumulation, generating hierarchy, coercion, exploitation, and the subordination of weaker states. Hilferding, Lenin, Bukharin, and Luxemburg are still indispensable, even though the economic foundations and forms of imperialism have changed. The world today no longer turns on colonies or territorial blocs.

Contemporary imperialism rests on the pairing of internationally organised productive capital with globally active, market-based finance. These forms of capital are distinct but mutually reinforcing, structuring production, circulation, and investment across borders. Their operation depends on a hegemonic state that issues dollar denominated claims, commands payment and collateral systems, and sets the rules of global accumulation. The decisive mechanisms of domination arise at the junction of domestic and international accumulation, turning on access to dollar liquidity and the enforceability of monetary claims. Since the dollar is world money, the USA possesses the coercive power to grant or withhold participation in global financial infrastructures.

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This article proceeds from the Marxist criterion that imperialism is not defined by the presence of military violence or national oppression. Violence is ubiquitous in history, and interstate coercion long predates capitalism. What requires explanation is the specific form that coercion takes under capitalism, the directions in which it is systematically deployed, and the material relations it secures. In Marxist terms,

imperialism is fundamentally an economic phenomenon. It is a historically specific way of organising accumulation, surplus extraction, economic reproduction at the world scale, and national oppression based on hierarchies between capitals and states.

Military power is constitutive of imperialism but not analytically autonomous. It secures monetary hierarchy, disciplines states and capitals, upholds legal reach across jurisdictions, and underwrites compliance with the rules of accumulation. Without military capacity to impose and escalate, world money would be ineffective; without world money, coercion would lack systematic direction. The two form a single structure of domination in contemporary capitalism, not sequential or alternative logics.

The argument developed here therefore treats imperialism as the organisation of global capitalist accumulation pivoting on world money and backed by overwhelming military capacity. The dollar and the F-35 are not metaphors for distinct spheres. They name the two inseparable moments of a single imperial structure, that is, command exercised primarily through balance sheets, and enforcement guaranteed by force.

The monetary hinge does not displace productive extraction. Transfer pricing, intellectual property rents, control over technology, logistics, and overexploitation of labour remain central mechanisms of surplus appropriation within global production chains. What has changed is not the primacy of production but the locus at which domination is enforced. With production internationalised and finance reorganised around state-backed market liquidity after 2007–09, access to dollar denominated claims has become the decisive lever through which existing productive hierarchies are articulated, stabilised, or violently adjusted in moments of stress. Monetary power binds productive and financial power across borders, supplying the critical mechanism of crisis management and enforcement in the world market.

The Great Crisis of 2007–09 marked a turning point ushering in an interregnum of relative stagnation at the core and weaker growth in the periphery.² Profitability recovered only briefly, productivity slowed further, wages stagnated, investment

² The designation of the period as an interregnum was originally put forth by Lapavistas and EReNSEP (2023, ch. 1), which also contains an early analysis of the fundamental mechanisms of balance-sheet imperialism.

remained weak, and inequality deepened. Central banks resorted to sustained monetary intervention, above all quantitative easing, to prevent collapse.

The crisis also clarified two long transformations shaping contemporary imperialism. First, productive capital has been extensively internationalised. Multinationals coordinate fragmented production chains across borders, with suppliers in subordinate positions facing technological dependence, financial exposure, and compressed margins. Second, since the early 1980s finance has undergone sustained expansion, including a structural break in 2007–09. Financialisation Mark I, led by commercial banks, gave way to Financialisation Mark II, centred on shadow banks and dependent on central bank balance sheets. To be sure, there is no systemic division between commercial and shadow banks, and the latter were already prominent during Mark I. But after 2007-09 finance became even more market based and state-backed, thus further revealing the coercive foundations of dollar power.

Dollar denominated claims binds these elements together. The dollar functions as the primary global means of payment, collateral, and liquidity backstop. The Federal Reserve determines which liabilities are globally liquid and whose balance sheets must adjust. Swap-line allocation and sanctions reveal the political nature of world money provision: access to the world market is a permission structure, not a neutral process of exchange. Contemporary imperialism turns on the political management of the world market through dollar power and balance-sheet discipline, ultimately backed by military force.

China's rapid productive ascent during this period has altered global manufacturing but not the monetary hierarchy – the renminbi is not world money, Chinese securities are not global safe assets, and China cannot enforce its liabilities internationally. Europe and Japan are advanced producers but remain monetarily inferior. There is hierarchy but no classical rivalry among leading powers; the USA continues to draw unique power from issuing world money.

The result is a profoundly unstable geopolitical configuration. The main challenge to the hegemon comes from states that have newly emerged from the periphery. Militarism is again on the ascendant, and the hegemonic state relies more openly on coercive power. The threat of world war, even nuclear confrontation, can no longer be dismissed.

The following analysis takes production as the fundamental economic activity and then examines the hierarchy of mechanisms that arise from it. The internationalisation of productive capital, together with the growth of global finance, creates the material relationships of exploitation and surplus extraction. However, these relationships only become truly global in scope, hierarchically structured, stable, and coercively enforced through the operation of world money.

The hierarchy of contemporary imperialism thus has a determinate structure: production chains and financial circuits generate claims and obligations; world money renders them liquid, enforceable, and comparable across jurisdictions; the imperial state administers this monetary hierarchy through payment systems, collateral rules, liquidity provision, and sanctions; and military power underwrites the entire structure as a backstop. Production remains the foundation, but the hegemon's monetary authority is the hinge through which the pairing is disciplined at the level of the world market.

The article develops this argument in eight sections: Section 2 outlines the pairing of productive and financial capitals; Section 3 examines world money as the hinge of imperial domination; Section 4 analyses the shift to Financialisation Mark II; Section 5 addresses subordinate financialisation; Section 6 shows how productive, financial, and monetary mechanisms form a single imperial apparatus; Section 7 situates the argument within the Marxist tradition; and Section 8 concludes on the distinctiveness of balance-sheet imperialism and the continuing logic of hierarchy, coercion, exploitation, and conflict.

2. The pairing of capitals: global production chains and international finance

Contemporary imperialism rests on a pairing of internationalised productive capital and global financial capital. This configuration differs sharply from the finance capital analysed by Hilferding and the classical Marxist theorists of imperialism. Hilferding argued that banks dominated productive capital because industrial investment required long-term credit, tying banks to fixed capital formation and giving them decisive influence.³ Today, neither pole commands the other; instead, they jointly structure the world division of labour and continually refashion the content of imperialism. Global in scope and insatiable in its appetite for profit, this pairing of

³ Hilferding (1981, pp.94-96).

capitals moulds economic life, while constantly altering the contours of core and periphery.

The pairing does not operate in a vacuum. It presupposes a world market in which production and circulation span multiple jurisdictions without a unified political authority. In these conditions, its reproduction requires a universally accepted means of settlement, liquidity, and balance-sheet adjustment. World money is therefore not external to the pairing but the very condition under which it functions globally. Reproduction of the pairing further requires a set of institutions that can operate across the world market as well as a legal infrastructure. Together with world money these constitute the apparatus of contemporary imperial power as is shown in the ensuing analysis.

Productive and financial capital diverge structurally.⁴ Productive capital is tied to conditions of production that have little flexibility, including trained labour, fixed capital, energy, logistics, and the physical limits of time and technology. Finance operates within the broader conditions of accumulation. It organises liquidity, maturity transformation, and credit under an institutional and legal infrastructure that gives it far greater elasticity. A hedge fund can manage one billion or one trillion of dollars from the same rooms in Mayfair; a semiconductor plant cannot double output without years of investment. The relation between the material requirements of financial services and the value extracted by financial intermediation is extraordinarily loose.

This distance gives finance an autonomy that productive capital cannot match. Balance sheets can expand far faster than the productive base, granting finance a relative autonomy in setting the terms of accumulation. Liquidity premia, collateral hierarchies, payment conditions, and duration pricing arise from this autonomy. They do not reflect a “rentier deduction” imposed from outside production, but the inherent consequence of finance’s position in the accumulation process. It is necessary to capitalist accumulation and expansion, while being capable of imposing terms that diverge from the requirements of productive profitability.

The two forms interlock in the world market: financial capital conditions the liquidity of productive circuits while productive capital provides the material basis for profit generation. The interlock is structural rather than being either a merger, or an

⁴ The divergence and the specific character of financial capital are analysed in Itoh and Lapavistas (1999, ch. 3, 4).

amalgam, and its significance lies in continually reshaping global accumulation. The profitability of internationalised production is inseparable from the global availability of finance, which further depends on the liquidity regime governed by the dollar.⁵ The pairing thus marks a novel configuration rather than a revival of Hilferding's finance capital. The rigidities of global production chains are mediated through an elastic financial system, while the interaction of the two is articulated through world money mechanisms anchored in the hegemonic state.

A concrete indication of this altered relation comes from the balance sheets of the largest industrial corporations. Orbis data for the thousand biggest manufacturing firms globally show cash holdings that far exceed short-term borrowing.⁶ Leading firms hold large liquidity buffers, while bank credit has been reduced to a marginal, contingent tool. Most working capital and investment come from retained earnings and securities issuance, with bank loans kept as a backstop. Yet, these corporations remain tied to banks for the essentials of world money, including secure deposit facilities, cross-border payments, correspondent banking channels, and access to the dollar settlement system.⁷ Banks gain fees and cheap deposits; non-financial corporations gain the monetary infrastructure they cannot recreate. The relationship is one of structural interdependence within a hierarchy of money, not bank domination.

Production for the contemporary world market is fragmented into tasks coordinated across borders through international chains dominated by multinational enterprises.⁸ Commercial transactions within and between these chains account for a large share of world trade.⁹ A chain combines the circuits of one or more multinationals with those of affiliates and independent suppliers, creating an articulated productive circuit fragmented across several jurisdictions. Production may be internationalised even when property rights do not cross borders.

⁵ See Seabrooke and Wigan (2017) for the synergies between production and finance in globalised capitalism.

⁶ Moody's Analytics Orbis Database, global manufacturing sample largest 500 manufacturing firms worldwide, selected by NAICS Rev2 Codes 31-33, ranked by 2024 turnover; author's calculations.

⁷ Wersch (2019) estimated that, in 2019, as much as 80 per cent of global trade relied on trade credit, which in turn relied on correspondent banking services to provide guarantees and liquidity to exporters.

⁸ See, for example, Shin, Kraemer, and Dedrick (2009).

⁹ See UNCTAD (2013), which estimates that roughly 80 per cent of international trade took place within global production networks coordinated by large multinational corporations.

The densest and most technologically complex links lie among core economies; core–periphery ties are extensive and growing but remain secondary. The geography of global Foreign Direct Investment (FDI) reflects this pattern. Global FDI inflows in 2023 amounted to about 1.3 trillion dollars, with developing economies taking a little under half of the total but the bulk of greenfield projects still going to developed countries.¹⁰ The stock position is more skewed: total world inward FDI stock reached roughly 49 trillion dollars in 2023, of which developed economies hold just over three fifths and the United States alone accounts for a little more than a quarter. The headquarters of the largest multinationals, and the commanding heights of international capital remain anchored in the North.

Coordination typically falls to a lead multinational that integrates affiliates, suppliers, partners, and customers. Lead firms initiate new products, shape labour deployment, control technology transfer, manage logistics, and concentrate profits. They also manipulate pricing conventions and credit terms to discipline suppliers, such as setting trade credit conditions, determining access to liquidity in financial markets, and mediating the use of risk management techniques. Through these mechanisms they create obligations that bind formally independent suppliers tightly to the chain.

The coordinating enterprise is in privileged position to extract returns. Transfer pricing shifts declared profits to low-tax jurisdictions; charges for intellectual property and management services extract rents on intangible assets; internal debt and interest payments redirect cash flows within the corporate structure. These practices are articulated with financial mechanisms: dollar-based settlement, dependency on foreign currency denominated working capital for swathes of enterprises within chains, and exposure to liquidity cycles. Lead firms enforce dollar invoicing deep into their networks. Over the period 1999–2019, around three quarters of exports in the Asia–Pacific and almost all exports in the Americas were invoiced in dollars, with the only major exception being Europe where the euro dominates.¹¹ These monetary choices reflect the operational requirements of global production, not bilateral trade patterns.

The power asymmetry within chains is clear. It stems from control over intellectual property, product design, and market access as much as from financial leverage.

¹⁰ See UNCTAD (2024), ch. 1, 2; Annex Tables on greenfield and project finance.

¹¹ See Bertaut, C., von Beschwitz, and Curcuru (2025).

The dollar's role is to make these geographically dispersed relations globally operative, for instance, to ensure that a Taiwanese supplier's peso obligations to a Mexican subcontractor can be settled through a system both recognise as liquid. Lead firms retain high value tasks such as product development, research, marketing, and distribution. Peripheral enterprises are typically confined to labour intensive, low technology tasks with compressed margins, long cash conversion cycles, heavy foreign exchange exposure, and reliance on short-term debt.

The productive circuit thus becomes intertwined with globalised financial circuits mediated by the institutions of world money. Roughly half of cross-border payments handled by SWIFT, and closer to three fifths if intra-euro area flows are excluded, are settled in dollars, and around 55 per cent of international and foreign currency bank claims and 60 per cent of liabilities are denominated in dollars.¹² These monetary structures far exceed the US share of global output and ensure that production chain transactions are ultimately settled and financed in the key currency.

The liquidity conditions under which non-financial enterprises support inventories, receivables, and production capacity are set by global financial capital. Thus, trade credit practices, payment terms, discounting rules, hedging mechanisms, and risk management practices within global chains also reflect the preferences of global portfolio managers. Enterprises in peripheral positions are continuously exposed to monetary and financial pressures originating in the core, even when their physical production remains domestic.

The entire chain's cycle is crucially affected by the interest rate decisions of the Federal Reserve. When the Federal Reserve tightens policy, peripheral suppliers face immediate deterioration in cash conversion cycles, rising hedging costs, and restricted trade finance access.¹³ This is a structural mechanism of domination, not an incidental feature of competition. Peripheral firms must finance working capital in currencies they do not issue and roll over foreign exchange liabilities under conditions set by global credit markets.

The global operations of the pairing are thus inconceivable without the institutional power of the hegemonic state. The dollar functions as world money not through

¹² See Bertaut, C., von Beschwitz, and Curcuru (2025); see also, McGuire P., G. von Peter, and S. Zhu (2024).

¹³ See Hardy, Saffie, and Simonovska (2023).

market selection or reserve accumulation alone but because the US state guarantees its role as unit of account, means of payment, and reserve asset.

Figure 1 shows that nearly 60 per cent of official reserves remain in dollars, while the euro has failed to pose a real challenge.¹⁴ The modest rise in the share of minor currencies, such as the Japanese yen and the British pound, is still integrally linked to the dominance of the dollar, as is shown in the rest of the article. The Federal Reserve, the US Treasury, and the legal-regulatory architecture of sanctions, payment systems, and contract enforcement determine what counts as liquid and safe, who has access to liquidity, and under what terms balance sheets adjust across borders.

[Insert Figure 1 here]

The hierarchy of liquidity is, however, only one axis of imperial domination. The world market reflects the global division of labour, including production chains, technological monopolies, intellectual property regimes, international standards, logistics, and investment rules. These structures shape profitability and allocate tasks long before monetary mechanisms appear. Still, the interdependence of productive and financial circuits gives world money enormous leverage. The dollar binds the pairing, enabling coercive intervention by the hegemon through dominant multinational enterprises, institutional preponderance in global finance, and control over payments, liquidity, and balance-sheet adjustment. Dollar scarcity becomes a direct lever of power, transmitted through lead-firm management and financialised procurement.

The balance sheets of the 500 largest manufacturing firms, shown in Table 1, reflect this structure systematically. The table does not imply homogeneous behaviour across firms but captures aggregate constraints on financing maturity and liquidity at the top of the corporate distribution. US enterprises account for 32 per cent of the global sample but hold more than half of all long-term debt and nearly 39 per cent of total cash, while relying little on short-term credit. Chinese enterprises, by contrast, represent over 20 per cent of the sample yet hold only 6.5 per cent of long-term debt,

¹⁴ Official central bank gold holdings have increased in volume in recent years, alongside a sharp rise in the market price of gold. Gold continues to function as a global reserve of last resort, the ultimate means of hoarding. But it is not world money since it does not serve as unit of account and means of payment, anchor collateral chains, or provide elastic crisis liquidity. The turn to gold signals hedging within a dollar-centred system, not the emergence of an alternative monetary order.

while carrying a disproportionately high share of short-term borrowing. India and Brazil show similar patterns.

These are not corporate anomalies. They indicate the financial conditions available to enterprises operating under a state that issues world money, and the constraints faced by those whose states do not. World money determines which balance sheets can be stabilised in moments of stress, thereby setting the outer limits of feasible maturity and liquidity structures in normal times. Enterprises operating under a state that issues world money can sustain longer debt maturities, larger cash buffers, and lower reliance on short-term borrowing than equally large firms whose states lack monetary backstops. The differences are not simply the result of firm-level choices. They reflect structural conditions of financing, transmitted through domestic financial systems and state capacity. Corporate balance sheets register the international hierarchy of currencies as a constraint on accumulation.

[Insert Table 1 here]

The balance-sheet privilege of US enterprises reflects the architecture of world money. Productive capital requires stability in its long-term chains, and financial capital requires liquidity for its claims, but neither can achieve this globally through private contracts alone. The intervention of world money is required, which immediately brings in the monetary authority of the USA, and thus the ability to enforce adjustment without direct rule. The pairing of capitals remains structurally incomplete without state intervention.

The imperial state enters the circuit as the necessary articulator, utilising its own balance sheet to close the gaps left by the jurisdictional limits of private capital. There is no need for territorial control or colonial administration as the Federal Reserve and the Treasury perform the coercion through their consolidated balance sheet. The dollar order thereby transforms the global operations of the pairing into an imperial regime that ultimately depends on the political and military power of the hegemon. It is to this monetary hierarchy that we now turn.

3. World money and the hierarchy of liquidity

World money is a defining feature of contemporary imperialism, and Marxist political economy has long recognised its distinctive role.¹⁵ Domestically, money operates within a coherent institutional order, including a unified credit system, central bank, fiscal authority, and legal framework that contain conflict and anchor settlement. The world market lacks these entirely. There is no global credit system, no international reallocation mechanism, and no unified legal authority. World money is the specific economic form that provides the minimal connectedness required for cross-border exchange.

The structural discontinuity emerges at the point where these spheres meet. When domestic prices, wages, or credit conditions diverge from world market levels, adjustment is never smooth. Exchange rate crises, sudden stops, and payment crises show that international balance-sheet adjustment is governed not by competitive markets but by political access to world money.

World money must therefore perform functions that no domestic currency can. It must serve as universal unit of account across legally separate jurisdictions, as international means of payment settling obligations among states and private capitals, and as globally accepted reserve of value accessible in moments of crisis. These functions are essential precisely because the world market lacks the institutional coherence that domestic monetary systems possess.

The world market is, moreover, a field of interaction among juridically separate states and private capitals. Hence, world money mediates not only transactions among private firms but also sovereign borrowing, reserve accumulation, and inter-state guarantees. Operating across jurisdictions, it inevitably engages geopolitical relations and becomes an instrument of conflict. It is a means to grant, withhold, or manipulate access to the world market.

The state issuing world money therefore has a necessarily political role. It is not simply an autonomous geopolitical actor pursuing external interests, but the institutional authority that guarantees settlement, liquidity, and enforceability for globally mobile capital. The imperial state enters here not as a substitute for capital's logic, but as its administrator at the level of the world market. Control over payment

¹⁵ For instance, Itoh and Lapavitsas (1999, ch. 3).

infrastructures, collateral eligibility, legal jurisdiction, and emergency liquidity provision is the means through which this administration is exercised.

Contemporary imperialism has sharpened this geopolitical role of world money to its most potent form. A coercive monetary dimension now operates alongside and interlocks with coercive structures of production, finance, and trade management. With productive capital internationalised and global finance dependent on state-backed liquidity, the issuer of world money gains the capacity to shape balance sheets, discipline other states, and structure crises without territorial occupation. This power, though economic in its mechanism, is ultimately guaranteed by the issuer's military primacy.

Only the dollar performs the functions of world money today. It is the global unit of account, means of payment, vehicle for settlement, and primary form of liquidity and collateral. Other currencies fall into a hierarchy beneath it. The euro, yen, Swiss franc, and pound serve as regional vehicles and secondary reserves, while peripheral and developing country currencies remain internationally illiquid, accepted only at discount or against collateral. The privileged position of the dollar results less from market competition among currencies than from the institutional and coercive capacity of the US state.

The nineteenth century gold standard also operated through hegemonic power summed up by British industrial and commercial pre-eminence, naval dominance, and the global reach of the City of London. The dollar order was finally established in 1945 based on US command over nearly half of global manufacturing output, overwhelming productive and technological supremacy, and military pre-eminence. This material dominance allowed the USA to enforce gold convertibility, anchor global trade in dollar invoicing, and bind allied central banks into dollar reserve accumulation through the Bretton Woods architecture. When gold convertibility ended in 1971-73, productive supremacy had already eroded, yet dollar dominance persisted and deepened through structural dependence. Global trade, finance, and reserves remained locked into dollar circuits sustained by military power and institutional inertia despite declining US output shares.

What distinguishes contemporary dollar dominance is precisely this divergence. The USA lacks productive and trading predominance but persists in commanding the monetary sphere through direct control over monetary infrastructures, making

exclusion instantaneous and comprehensive. The Federal Reserve determines what counts as globally liquid, which liabilities serve as collateral, and which balance sheets will be stabilised or left to fail. In 2025, the New York Fed's standing repo operations were collateralised only by US Treasury bills, federal agency debt, and agency mortgage-backed securities. The eligible set was therefore confined to US government and agency paper; foreign sovereign bonds, including euro-area "peripheral" sovereigns, are not eligible.¹⁶

For core and peripheral economies alike, access to the dollar is the pivotal condition for world market participation. The price of this access is asymmetrical. The hegemon alone settles international obligations in its own liabilities; all others must acquire dollar assets, manage dollar exposures, and adjust domestic activity to US monetary policy. Hierarchy is fixed at the intersection of domestic and international accumulation. A balance sheet that appears solvent domestically can be critically exposed through foreign currency liabilities, imported inflation, or dollar denominated collateral requirements. These points of exposure are conduits of imperial power.

The hierarchy finds its decisive expression in the global ordering of liquidity. During the Great Crisis of 2007–09 and again in 2020, the Federal Reserve extended dollar liquidity only to a limited circle of central banks. Swap-line access stabilised the balance sheets of recognised states, while others absorbed the shock through contraction, reserve depletion, and higher borrowing costs. The contrast was stark: economies with access could finance fiscal expansion and maintain credit; those without faced currency collapse, capital flight, and procyclical austerity.¹⁷

This allocation differed from earlier crisis lending not in purpose but in speed and selectivity. In the critical weeks of March–May 2020, the fourteen central banks with active Federal Reserve swap lines – five with permanent, unlimited facilities (the ECB, Bank of Japan, Bank of England, SNB, and Bank of Canada) and nine with large temporary ones – drew hundreds of billions of dollars at their peak, obtaining near-instant liquidity to stabilise their financial systems.¹⁸ Major emerging economies with heavy short-term dollar liabilities had no access to these facilities, suffered sharp currency depreciations, and were forced to run down reserves while their private sectors faced acute dollar funding stress.

¹⁶ See Federal Reserve Bank of New York (2025).

¹⁷ See Lapavitsas and EReNSEP (2023, ch. 6).

¹⁸ See Choi, Goldberg, Lerman, and Ravazzolo (2022).

Swap lines operate as instruments of geopolitical recognition by defining membership in the dollar liquidity regime. Outside this circle, self-insurance becomes the only option. Reserve accumulation diverts domestic resources from industrial policy and public investment, while the assets accumulated are low-yielding US Treasuries. The liquidity hierarchy thus reproduces global unevenness even in periods of apparent calm.

Sanctions make the coercive foundations of the world money regime explicit. Exclusion from SWIFT, the international bank settlement mechanism, and asset freezes can disable a state's financial system without military action. These measures operate through payment and settlement infrastructures controlled by the US state. The Treasury, the Office of Foreign Assets Control, and the US legal-regulatory apparatus enforce the terms on which dollar denominated claims are honoured across borders.¹⁹ They are effective because dollar centrality allows contracts across jurisdictions to be enforced or voided through US legal jurisdiction over key payment, settlement, and custodial nodes. Sanctions demonstrate that access to the world market is a permission granted, and that its withdrawal is a direct form of command.

Together, the hierarchy of liquidity and the coercive use of sanctions complete the monetary architecture through which the pairing of productive and financial capital becomes a regime of imperial domination. Production networks, portfolio flows, and global asset markets all operate within a structure ultimately governed by the state that issues world money. This is imperialism without colonies yet no less coercive: a regime in which balance sheets replace territorial rule and monetary authority sets the terms of global integration.

4. Financialisation Mark I and Mark II: a transformation

These mechanisms are not new in themselves but in their operation. Dollar dominance, multilateral institutions, and sanctions long formed part of the imperial repertoire, yet until 2007–09 they functioned within a framework that still contained elements of consensual coordination among core states under US leadership. The rupture of 2007–09 turned these instruments into explicit tools of balance-sheet discipline. Swap lines became hierarchical; sanctions became systematic and

¹⁹ See OFAC (2024).

targeted; institutions that once mediated crises now enforce adjustment. The shift was not from absence to presence but from hegemony with consent to an overtly coercive order backed by military force.

The Great Crisis of 2007–09 was a structural break in financialisation itself, decisive for the imperial form that followed. For three decades before the crisis, financialisation had taken the shape of market-centred extraction of financial profits rooted in the balance sheets of commercial banks: Financialisation Mark I. Regulated deposit taking institutions expanded credit to households, mediated in financial markets, and earned profits chiefly from net interest margins and fees. The regime fused credit creation with household indebtedness and rising transaction volumes, making the commercial bank the central agent of financial accumulation, although shadow banks were certainly present and active, especially during the real estate bubble that preceded the crisis.

After the crisis this regime gave way to a new configuration: Financialisation Mark II. This is the financial form of the interregnum, the counterpart of the global monetary hierarchy outlined earlier. Shadow banks, that is, non-bank financial intermediaries holding portfolios of marketable securities and relying on wholesale funding rather than deposits, emerged as the leading private agents. Shadow banks are a broadly diversified group, including institutions that rely on “real” savings, such as pension funds and insurance companies, as well as institutions that borrow heavily to obtain marketable securities, such as hedge funds. For both, the state – above all, the central bank – is now the pivotal mechanism sustaining financial activity.

As was already mentioned, shadow banking is not new, and indeed commercial banks have long combined shadow activities with more traditional lending. The break between Financialisation Mark I and Mark II, therefore, lies less in the tilt between the relative weight of commercial and shadow banking and more in the shift in state and central bank policy. While securitisation, structured products, and shadow banking expanded steadily from the 1980s onward, Financialisation Mark II is marked by the direct underwriting of market-based finance by public balance sheets through quantitative easing, collateral frameworks, and hierarchical swap-line provision.

After 2007–09 shadow banking became a prevalent mechanism of financial profit extraction and the shift to Financialisation Mark II brought a qualitative change in the

sources of financial profit. Commercial banks earn profits primarily from the net interest margin as well as from fees and commissions generated by credit expansion and high transaction volumes. Shadow banks, by contrast, are portfolio managers that advance loanable money capital to acquire marketable securities; their returns derive from interest and dividends on securities, plus, crucially, capital gains.

In terms of Marxist political economy, commercial bank profits derive from the spread between lending and borrowing interest rates, while shadow bank profits pivot on the spread between the average rate of profit and the average rate of interest, which drives capital gains. Not surprisingly, under Financialisation Mark II, stock-market price inflation became the pre-eminent channel of financial accumulation.

The empirical core of the transformation is the United States, the epicentre of financialisation, imperial hegemon, and country with the richest data. From the mid-1970s to 2007–09, US bank profits rose sharply relative to non-financial enterprise profits, peaking at close to forty per cent of the total in the mid-2000s.²⁰ In the 1980s and early 1990s financial profitability rested on net interest margins as deregulation enabled rapid balance-sheet expansion; when margins narrowed from the early 1990s, banks shifted toward non-interest income – fees, commissions, trading profits, securitisation – and turned households into a prime terrain of extraction, a form of financial expropriation. By 2007 household debt had reached unprecedented peacetime levels in the USA and other core economies.

After 2007–09, major indicators of US financialisation began to exhibit structural rupture.²¹ Household indebtedness declined and stayed subdued for more than a decade, and corporate debt stagnated relative to GDP before rising only moderately. Compressed net interest margins, post-crisis regulation, and weak transaction volumes constrained commercial bank profitability. Financialisation Mark I had exhausted itself.

Precisely as private debt expansion faltered, US public debt exploded from roughly 60 per cent of GDP in 2007 to more than 100 per cent by 2025. Monetary policy became the primary instrument of stabilisation. Policy rates were held near zero for over a decade, while the Federal Reserve undertook repeated waves of quantitative easing, absorbing public and private securities on a hitherto unimaginable scale and swelling its own balance sheet. Where Mark I relied on private debt creation, Mark II

²⁰ See Lapavitsas and Mendieta-Muñoz (2019 Table 7).

²¹ See Lapavitsas & Mendieta-Muñoz (2018).

rests on public debt accumulation and large-scale asset purchases by central banks. This is the financial scaffolding of the interregnum.

In this new regime, regulatory pressure and the search for yield favoured shadow banking, which expanded on a vast scale. By the early 2020s the broad non-bank financial intermediation sector accounted for nearly half of global financial assets and had grown by well over 100 per cent relative to 2009.²² Ownership concentration also intensified enormously.²³ The “Giant Three” – BlackRock, Vanguard, and State Street – nearly quadrupled their combined stakes in S&P 500 companies from about six per cent in 2008 to more than twenty per cent by 2025, becoming universal owners whose management fees rise inexorably with asset price inflation.

It cannot be overstressed that there is no structural antagonism between commercial and shadow banks. Commercial banks are major lenders to shadow banks, and they are also often directly involved in setting up such financial institutions. Furthermore, as interest rates rose substantially after 2022 to confront the escalation of inflation, so did the spreads and hence the profits of commercial banks. There is no doubt that commercial banks remain a pivotal feature of contemporary finance. But the fundamental profit mechanisms of shadow banks are different, and so is their relation to the state.

Shadow banks thrive on rising stock-market prices and finance their securities purchases by pledging collateral in repo markets; their liquidity therefore hinges on the availability and acceptability of public securities as benchmark collateral. Central banks, through quantitative easing and collateral policy, became the decisive arbiters of that acceptability and, in effect, turned into dealers of last resort for the entire shadow system. The post-crisis explosion of shadow finance rests squarely on the liquidity and collateral machinery erected by the state.

The transition to Mark II thus represents a qualitative shift in state agency. Rather than merely regulating banks, the Federal Reserve orchestrated a reconfiguration of the financial system, positioning its own balance sheet as the central pivot for market-based finance. By determining which securities qualify as collateral and which do not, the state actively directs the hierarchy of global credit. Mark II is not a spontaneous market evolution but a state-led stabilisation of financial capital,

²² See FSB (2024).

²³ See Fichtner, Heemskerk, and Garcia-Bernardo (2017); Bebchuk and Hirst (2019)

ensuring that the liquidity required by global production remains anchored in the dollar.

This structural shift is corroborated by official sources. A widely noted lecture by BIS official Hernandez de Cos, for instance, argued that the core of global finance has moved decisively away from the bank-centred intermediation of the pre-2007 era toward a market based regime in which leveraged funds, pension institutions, and other non-bank financial intermediaries determine the pricing and distribution of sovereign credit through dollar denominated repo, collateral, and foreign-exchange-swap markets.²⁴ This transition has created a new nexus between banks, shadow banks, and states, such that even developed countries face abrupt jumps in yields and recurring dollar squeezes due to the accumulation of public debt by shadow institutions relying on repo liquidity. The pressure is alleviated only by the Federal Reserve's swap lines and emergency facilities.

The shift has thus reinforced the global reach of US monetary power. What appears in Hernandez de Cos's lecture as a technocratic stability problem is, in political economy terms, the operational form of imperial hierarchy. US public debt and the Federal Reserve's balance sheet together anchor the collateral and liquidity infrastructure of global markets. It is the US state that determines which assets count as safe and which balance sheets are stabilised. Dollar dominance persists not through the competitiveness of US financial enterprises but through the ability of the hegemon to dictate liquidity conditions across borders. This is the domestic–international fusion at the core of contemporary imperialism.

At the same time, financialisation in both its forms extended beyond the core and penetrated the periphery as a regime of monetary and financial subordination. Imperial domination led to subordinate financialisation examined in the next section.

5. Subordinate financialisation

Subordinate financialisation is the peripheral counterpart of core financialisation. It describes how the dollar-centred world money regime and US-anchored portfolio capital penetrate and reshape peripheral capitalist accumulation. Capital flows, largely originating in core financial systems and driven by portfolio choices tied to

²⁴ See Hernandez de Cos, P. (2025).

core monetary policy, integrate peripheral economies as subordinated sites of valorisation.

Domestic accumulation in the periphery becomes dependent on external liquidity, tethered to the monetary stance of the Federal Reserve, while policy space is restricted by the need to attract and retain volatile loanable capital. Exploitation through production chains and super-exploitation of labour remains systematic but is organised within – and reinforced by – a hierarchical monetary and financial regime built on the pairing of productive and financial capital.

The empirical patterns of capital flows reflect this hierarchy. Despite emerging markets' expanding share of global output, advanced economies still command approximately 60 percent of world GDP.²⁵ More significantly, capital flows remain heavily concentrated within the core: the United States alone captured 41 percent of global gross inflows in 2022–23, nearly double its proportion just five years earlier.²⁶ Subordinate financialisation arises when peripheral economies are inserted into these circuits as dependent financial nodes. Their domestic financial systems are transformed by the flows of loanable capital, and their reproduction becomes structurally tied to liquidity conditions determined in core states.

Work in political economy, much of it associated with the School of Oriental and African Studies at the University of London, has shown how this form emerges from hierarchical world market relations and operates through mechanisms that transfer resources from periphery to core while intensifying instability in subordinate economies.²⁷ It is not a delayed or incomplete version of core financialisation but a distinct mode shaped by peripheral positions in global production and finance.

A central mechanism linking production chain subordination to subordinate financialisation operates through the balance sheet. Subordinate positions in global chains generate structural dollar liquidity dependencies. Suppliers face extended payment terms imposed by lead firms (such as 60–90-day receivables against immediate wage and input costs), requiring continuous working capital financing; dollar invoicing enforced across chain transactions creates operational currency exposure independent of final sales; and technological subordination creates regular

²⁵ IMF, World Economic Outlook (2025)

²⁶ See Allen and Bems (2024)

²⁷ See, for instance, Becker et.al. (2010); Powell (2013); Bonizzi et. al., 2019; Kaltenbrunner & Paineira, 2018; Lapavitsas and Soydan (2022); Alami et. al. (2022).

dollar denominated obligations for licences, imported components, and technical services.

These are not incidental features but mechanisms through which lead multinationals extract value temporally and enforce dependence. Peripheral suppliers are typically unable to finance these gaps from retained earnings (margins being too compressed) or from domestic credit alone (given prohibitive costs under high interest rates), pushing them toward dollar denominated credit accessed through the banking networks of lead enterprises or through local banks reliant on foreign currency funding. The productive circuit thus embeds dollar liabilities directly into the operational requirements of chain participation.

These firm-level dollar dependencies aggregate into macro-level balance-of-payments pressures. Widespread chain integration generates systematic currency mismatches across the corporate sector, produces regular dollar outflows for technology payments and profit repatriation, and creates structural external financing requirements that exceed trade performance. The subordinate financialisation regime, that is, reserve accumulation, high domestic interest rates, capital account openness, and sterilisation operations, becomes the monetary response necessary to stabilise an economy whose productive integration rests on dollar denominated balance sheets. Without this regime, corporate sector dollar obligations would produce recurring payments crises; with it, the state absorbs adjustment costs through reserve creation and procyclical monetary policy.

Subordinate financialisation is the monetary form that renders production chain subordination operative at scale, while production chain integration creates the balance-sheet vulnerabilities that subordinate financialisation addresses. The pairing of productive and financial capital penetrates the periphery through both circuits, bound together by the hierarchy of world money.

Subordinate financialisation produces differentiated class positions within peripheral economies. Large domestic enterprises, often linked to multinationals and having access to foreign currency credit and domestic financial markets, profit from the interest rate differentials characteristic of the peripheral position. They borrow cheaply in foreign currency and reinvest in high-yielding domestic assets, capturing the spread; this is the basic carry trade. Financial intermediaries likewise earn profits from sterilisation operations and public debt trading. These fractions of capital

comprise a domestic bloc whose accumulation depends on continued integration into global financial circuits, even when such integration restricts national developmental space. They form the social base for capital account openness, inflation targeting, and sustained reserve accumulation.

Peripheral currencies occupy structurally subordinate positions within the global currency hierarchy.²⁸ They carry low liquidity premia since they are less readily accepted, traded, or used as collateral in global markets than core currencies. Peripheral states must therefore maintain higher interest rates and offer superior returns to attract loanable capital. They depend on short-term, volatile inflows and typically borrow in foreign currency – the “original sin.” Even domestic currency borrowing does not escape hierarchy as the risk is displaced onto foreign lenders’ balance sheets, who retain the power to exit and potentially trigger crisis.²⁹ In this setting, peripheral currencies are not merely weak monies but subordinated claims on the dollar system, their valuation and liquidity tied to US monetary policy and to global asset manager portfolios.

This hierarchy took shape historically through the evolution of international portfolio finance. The Eurodollar market of the 1960s opened the way for large-scale offshore dollar intermediation; the collapse of Bretton Woods and the removal of capital controls accelerated short-term, yield-driven flows into the periphery. The crises of 1997–2001 revealed the speed with which global capital flows could reverse, pushing peripheral economies toward deeper financial integration after 2007–09. Under Financialisation Mark II, these flows intensified further, extending the influence of asset managers and shadow banks from the core over peripheral markets and embedding subordination more firmly in domestic financial structures.

What distinguishes subordinate financialisation most sharply from core financialisation is the constraint structure faced by peripheral states. Their central banks, unlike those of the core, cannot expand balance sheets freely, conduct large-scale asset purchases, or backstop shadow banks. Their policy space is determined by the exchange rate and the constant threat of capital flight. Peripheral central banks thus become transmission belts for global liquidity cycles, obliged to sterilise inflows, accumulate reserves, and tighten pro-cyclically even when these measures undermine domestic accumulation.

²⁸ See, Karwowski & Stockhammer (2017); Kaltenbrunner (2010).

²⁹ See Chakrabarti & Sen (2023).

International capital flows and dollar dominance impose specific monetary constraints. To attract foreign holders of their liabilities, central banks adopt inflation targeting and maintain high policy rates not because domestic conditions require it, but because these frameworks signal commitment to returns that compensate for low currency liquidity. The resulting flows are inherently unstable, and reversals are typically triggered by shifts in US monetary policy or by portfolio reallocations among large asset managers. Peripheral currencies become instruments of short-term financial positioning, and financial profits depend increasingly on asset price movements rather than on productive activity.³⁰

Subordinate financialisation binds peripheral economies through the interaction of monetary and financial subordination. Peripheral currencies rank as inferior claims within the dollar hierarchy; to attract the capital needed to finance external deficits or roll over debt, central banks must sustain policy rates far above those of the core.

Some simple calculations using BIS data, show that in October 2025 the average policy interest rate in major developing countries (Brazil, India, Indonesia, Mexico, South Africa) was four percentage points above the Federal Reserve's rate. This gap is not a normal reward for risk, but a structural levy imposed by the currency hierarchy itself; it is a form of liquidity tribute. High domestic rates depress productive investment, encourage speculative inflows, and push large firms to borrow abroad where funding is cheaper, deepening currency mismatches and tightening the grip of external finance.³¹

These high interest rates and the inflows they attract typically generate exchange rate overvaluation. Overvaluation boosts financial returns through currency appreciation and lowers the cost of imported capital goods but erodes the profitability of domestically oriented producers and weakens the internationally traded goods sector. Industrial competitiveness is undermined while dependence on continuous foreign financing grows as current account deficits widen. The exchange rate thus becomes a mechanism subordinating productive to financial accumulation, operating through prices as well as balance sheets. Imported goods become relatively cheaper, domestic producers face squeezed margins, and consumption patterns adapt in ways that entrench reliance on external capital. The middle strata become

³⁰ See Bonizzi (2017).

³¹ A process that is by now well understood; see, Pettis (2001, pp. 91-145).

habituated to consumption enabled by continued inflows. The exchange rate thereby becomes a class weapon as much as an economic variable.

To confront capital flow volatility and exchange rate swings, peripheral states accumulate large foreign exchange reserves, predominantly in dollars. Reserve accumulation functions as self-insurance against instability created by capital account liberalisation, yet these holdings earn low returns while domestic borrowing costs remain high. The opportunity cost is substantial. The resources that could fund development are immobilised in low-yielding core assets, effecting a continuous transfer from periphery to core levied by the world money hierarchy. These reserves bind peripheral states more deeply into the dollar collateral system. Their safest assets are claims on the hegemon, while their own liabilities remain illiquid in global portfolios. This structural transfer is reflected in Figure 1, where peripheral self-insurance underpins the liquidity of the dollar order.

Large peripheral firms, able to borrow abroad in foreign currency while earning revenues chiefly in domestic currency, inevitably generate currency mismatches on their balance sheets. These mismatches render them vulnerable to sudden stops and exchange rate collapses, but they are able to handle these better than smaller peripheral firms which also borrow abroad.³² Reserves do not deter such behaviour but actively encourage it. Firms borrow externally not to invest productively but to conduct carry trades and public reserves underwrite private speculation.³³

To neutralise the inflationary impact of reserve accumulation while keeping domestic interest rates attractive to foreign investors, peripheral central banks sterilise inflows by issuing domestic debt. These operations hand to local banks liquid public securities accelerating domestic financialisation and financialising the state itself. Central bank balance sheets thus become transmission belts for global liquidity cycles, subjecting peripheral monetary policy to the rhythms of core portfolio decisions.³⁴

These mechanisms form an integrated system. High domestic interest rates attract inflows that push up the exchange rate, encouraging imports and foreign currency borrowing by large firms. Reserve accumulation necessitates sterilisation through domestic debt issuance, expanding the market for public securities and restricting

³² See, Hardy (2023).

³³ See, Erturk (2003); Demir (2009); Gabor (2010).

³⁴ See, Paineira and Kaltenbrunner (2009).

fiscal room. Currency mismatches and flow volatility produce periodic crises that deplete reserves and compel procyclical austerity.

Together the mechanisms constitute a crucial form of value transfer from periphery to core. Interest rate premia function as liquidity tribute; reserve accumulation immobilises domestic resources in low-yielding core assets; currency mismatches enable carry trade extraction; collateral haircuts discount peripheral securities; sudden stops impose procyclical adjustment costs. Productive extraction in global chains rife with transfer pricing, intellectual property rents, and the appropriation of surplus value through super-exploitation of labour complements these transfers.

Mainstream literature describes these patterns as the “global financial cycle”, that is, the co-movement of capital flows, asset prices, credit, and leverage across peripheral economies, driven primarily by Federal Reserve policy.³⁵ Fed easing increases global liquidity and directs flows toward the periphery; Fed tightening reverses the process, provoking sudden stops, depreciation, reserve loss, and contraction.

The term “global financial cycle” conceals the underlying imperial hierarchy. What it registers is the transmission of US monetary policy as a mechanism of discipline, mediated by mobile portfolio capital. Peripheral states must maintain open capital accounts, adopt exchange rate regimes compatible with investor preferences, accumulate large reserves, and accept pro-cyclical monetary tightening. They absorb shocks originating in core monetary policy.

The result is systematic asymmetry. The hegemonic state retains wide monetary autonomy, setting policy rates according to domestic conditions and issuing liabilities that function as global liquidity. Peripheral countries face monetary subordination since their policy rates must incorporate liquidity premia above the Fed funds rate, their liabilities remain illiquid internationally, and policy choices are constrained by the threat of capital withdrawal. This is not a neutral market outcome, but a structured hierarchy enforced through balance-sheet mechanisms.

Subordinate financialisation functions in conjunction with global production: subordination in one field reinforces subordination in the other. Non-financial corporations in the periphery enter global production chains as suppliers to lead multinationals, occupying subordinate positions characterised by extended cash

³⁵ See Rey (2013).

conversion cycles, foreign exchange exposure, and reliance on short-term debt. Participation in these chains both necessitates and facilitates integration into international financial markets. Large peripheral firms access foreign finance to fund working capital, hedge currency risk, and stabilise operations; their financial practices thereby become conduits for global liquidity cycles.

These same firms increasingly allocate funds to financial assets, especially high-yielding domestic public debt securities, rather than productive expansion.³⁶ This shift reflects both the superior profitability of domestic financial investment under high interest rates and the structural constraints on productive investment, including exchange rate overvaluation, subdued demand, and the compressed margins imposed by subordinate positions in production chains. Peripheral firms integrate into global production on the prior terrain of their integration into the dollar liquidity regime. The pairing of productive and financial capital penetrates through both channels.

Peripheral subordination is therefore not an external supplement to contemporary imperialism but its necessary articulation, especially under Financialisation Mark II. Peripheral balance sheets are structurally incorporated into the dollar system as buffers and investment outlets; without this subordinated layer, the core pairing could not operate at its present scale, and imperial command over the world market would lack essential balance-sheet levers.

Yet, the hierarchy sustained by world money and subordinate financialisation does not rest on balance sheets alone. It presupposes a broader apparatus that governs production, trade, investment, and technology across borders, such as intellectual property regimes, technical standards, logistics chains, and market access rules. These structures are secured through an integrated institutional apparatus and, when required, coercive military force. The dollar hierarchy allocates liquidity and enforces adjustment, but it functions only within this wider framework. This is the integrated mechanism through which the United States rules the world market without territorial dominion.

³⁶ See, Araujo, Bruno, and Pimentel (2012); Cibils and Allami (2013); Akkemik and Ozen (2014).

6. The Imperial Apparatus

It was established in the preceding sections that the global operations of the pairing of dominant capitals require an integrated apparatus governing the distinct but interconnected requirements of each pole. Neither pole can reproduce itself internationally without binding rules, collateral infrastructures, and coercive authority. Production chains require enforceable terms of entry, and financial circuits require the monetary and legal structures that secure liquidity and settlement across borders. Productive capital's internationalisation depends on rules for investment, technology transfer, procurement, and intra-firm pricing. Financial capital's global reach depends on payment infrastructures, collateral standards, and liquidity backstops. Both depend on legal frameworks that can serve their deeper interests.

These requirements are analytically distinct. Thus, the World Trade Organisation (WTO) and Trade-Related Aspects of Intellectual Property Rights (TRIPS) serve production chains, while the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and foreign exchange swap lines serve financial circuits. Yet, they must be coordinated, and world money power is central to this coordination. The state that issues the dollar controls both the terms of production chain control and the infrastructure of financial settlement, thus binding production and finance into a single structure of domination.

Post-1945 US hegemony rested on a combination of productive dominance and dollar-based world money under Bretton Woods. In 1945 the United States produced roughly half of global manufacturing output but, using UNIDO and World Bank figures, simple calculations show that the US share had fallen to about one quarter by the mid-1980s and to just over one tenth by the late 2010s. Over the same period the dollar's share in allocated official reserves remained between 60 and 70 per cent from the 1970s to the early 2000s and slipped only slightly below 60 per cent from 2008 to 2024, as was shown in Table 2. US productive pre-eminence declined, yet the monetary hierarchy hardened. This is the central paradox of contemporary imperialism.

At the same time, US multinationals reorganised global production through vertically integrated affiliates and the first modern production chains, while post-1980s financial deregulation placed US institutions at the centre of international credit and securities markets. Calculations using BIS Global Liquidity Indicators (Q2 2025)

show that cross-border financial claims rose from roughly 35 per cent of world GDP in 1970 to more than 410 per cent by 2007 and remained around 385 per cent in 2025. The material basis of US hegemony thus shifted from domestic industrial strength to the capacity to set and enforce the institutional frameworks that organise global production, finance, and money.

The crisis of 2007–09 marked a decisive turning point. Private sector debt cycles stalled, bank profitability faltered, and Financialisation Mark II took shape, centred on public debt, asset managers, and shadow banks dependent on state-backed collateral and central bank liquidity. A hegemonic structure emerged in which consent stopped flowing alongside hierarchy and domination became more overt. Financial and monetary authority now substitutes for the earlier hegemonic bargain, generating a form of imperial power that relies less on mutual accommodation and more on unilateral capacity to enforce balance-sheet adjustments.

The Federal Reserve emerged as the de facto monetary authority of the world market, extending swap lines to a select group of fourteen central banks. Swap facilities are essentially the right of a foreign central bank to acquire access to the balance-sheet of the Federal Reserve and thus obtain dollars directly at source. Table 2 shows that countries with direct access – such as the United Kingdom, Japan, and Switzerland – tend to have significant trade ties with the US, as well as a notable US military footprint. The currencies of some of these countries have raised their share in global reserves, as is shown in Table 2, but in practice they are little more than dollar proxies resting on swap lines.

Foreign official and private investors now hold US Treasury securities worth roughly 9 trillion dollars, about one third of the marketable stock; meanwhile, central bank balance sheets around the world are stuffed with US public paper.³⁷ The USA borrows heavily across the world and sustains the liquidity of the financial assets it issues through dollar dominance. The hierarchy is institutionalised through a formal architecture of access, most visibly in the geography of the Federal Reserve’s swap-line network. Underpinning this imperial structure is a vast military presence located at pivotal points across the world. The coercive dimension is easily visible and has become more overt since 2007-09.

[Insert Table 2 here]

³⁷ US Department of the Treasury (2025).

This structure evidently requires an integrated apparatus beyond the Federal Reserve. International financial institutions, namely the IMF, World Bank, and BIS, govern monetary relations and allocate crisis liquidity. Trade institutions, such as the WTO and TRIPS Agreement, codify rules for production chains and safeguard lead firm profits. Regulatory bodies, including the International Organization of Securities Commissions (IOSCO) and the Financial Action Task Force (FATF), set binding protocols for payment systems, collateral eligibility, and accounting standards. These organisations are not neutral fora. Rather, they embed the prevailing organisation of production, finance, and money into the operational routines of subordinate states.

World money further requires a legal architecture capable of enforcing claims across jurisdictions. This function is performed by the extraterritorial reach of specific national legal systems, above all those of the United States and the United Kingdom. As Pistor (2019) has shown, contemporary capitalism relies on the legal “coding” of capital through contract law, property rights, collateral rules, bankruptcy procedures, and conflict-of-law doctrines that allow assets to retain priority, durability, and enforceability across borders. These legal techniques are routinely embedded in cross-border financial and commercial contracts, which overwhelmingly specify New York or English law as the governing jurisdiction. The result is the reproduction of a transnational legal space in which certain national legal orders function as *de facto* global law.

This legal coding is integral to the operation of world money. Dollar-denominated claims derive their global acceptability not only from Federal Reserve liquidity provision but from the certainty that they can be enforced, restructured, or seized within legal systems aligned with the hegemonic state. Trade and investment regimes such as WTO disciplines, TRIPS, and investor–state dispute settlement stabilise production chains, while private law governs securities issuance, repo, derivatives, asset custody, and collateral valuation. Together, these mechanisms allow the dollar to operate as world money by ensuring that claims denominated in it are legally protected across jurisdictions. Monetary hierarchy is thus inseparable from legal hierarchy: the command of world money rests on the ability to universalise particular legal forms without universal political authority.

A parallel layer of rules governs the recording and taxation of multinational profits. The guidelines of the Organisation of Economic Cooperation and Development (OECD) on transfer pricing as well as bilateral tax treaties and advance pricing agreements permit intra-firm pricing and royalty flows that shift value to low-tax jurisdictions aligned with the core, systematically eroding fiscal capacity in the periphery. Taxation is not a domestic preserve but a structural mechanism that redirects surplus from fragmented production chains toward the monetary and financial centre.

Payment and bank messaging systems are another integral component of the global dollar order. Networks such as SWIFT enabling clearing among internationally active banks, but also correspondent banking channels and other dollar based clearing systems dominate cross-border transactions. The prevalence of the dollar in these mechanisms has become ever more notable since 2007-09, as Figure 2 shows. Many of these channels are subject to US jurisdiction or fall under the reach of the US Treasury and the Federal Reserve. Exclusion from them can cripple a state's capacity to engage in international settlement without resorting to military force.

[Insert Figure 2 here]

These institutional layers interlock functionally. Capital account liberalisation enables portfolio flows that finance working capital in production chains; dollar invoicing generates payment flows channelled through hegemon controlled clearing systems; reserve accumulation recycles peripheral funds into core debt markets. The apparatus converts hegemonic capacity into operational necessity at every point where capitals cross borders.

This apparatus functions as a mechanism of coercive administration. The imperial state does not merely 'manage' institutions like the IMF or SWIFT; it deploys the connectivity they provide as a weapon. By conditioning access to these infrastructures, the state enforces balance-sheet discipline across the periphery, ensuring that the requirements of the pairing are met even in moments of systemic crisis. The hegemonic state ensures that the risks of global accumulation are socialised and redistributed toward the subordinate layers of the hierarchy.

Yet, this very apparatus creates the conditions for systemic challenge as productive ascent without monetary power generates antagonism rather than accommodation. The EU and Japan illustrate the position of established advanced producers within the contemporary imperial order. Both possess globally competitive multinationals, high industrial and technological capacity, and limited regional influence. Yet, neither issues true world money, controls global payment or collateral systems, nor commands the institutional apparatus that governs the world market.

The relative weakness of the old imperial powers does not, however, amount to emergence of a unified transnational capitalist class. US, European, and Japanese multinational enterprises operate through shared production chains and financial infrastructures, but their strategic horizons remain tied to the monetary and institutional capacities of their own states. Competition among the old imperialists persists in export markets, technology, and industrial organisation, but is contained by the structures of global finance and especially world money.

The asymmetry among these powers is straightforward. Only the United States issues liabilities that function as global liquidity and collateral. European and Japanese capitals may rival US productive capacity, but they lack a state able to stabilise international balance sheets or dictate the terms of global settlement. Their monetary relegation constrains systemic rivalry even when productive competition intensifies. Inability to issue world money corresponds to absence of global authority and second rate military power. This is not to suggest that tensions and rifts are impossible within the core, far from it; rather it is to lay out the structural imbalance within which tensions play out.

IMF COFER data (October 2025) shows that the euro's share of allocated official reserves has never exceeded 25 per cent and stood at around 20 per cent in 2025. The European Central Bank provides no global liquidity facilities, and euro-area sovereign debt does not function as international collateral. The eurozone still lacks a fiscal union, a unified lender of last resort for sovereign debt, and a fully integrated banking system. European states do not possess the coercive monetary infrastructure that sustains dollar dominance.

Germany's position is revealing. Its industrial dominance within Europe coexists with monetary relegation globally because German enterprises depend on integration into dollar denominated trade and financial circuits. Germany exercises conditional

hegemony within the European Union through industrial and fiscal leverage, yet this authority is confined to EU structures and offers no challenge to US global power. German acceptance of US-led sanctions on Russian energy in 2022 at severe cost to its own industrial base confirmed that even the regional hegemon subordinates core interests to the monetary order. Japan occupies an analogous position. Despite its advanced manufacturing base, the yen accounts for less than 4 percent of global reserves and plays no significant international role.

The main challenge to US hegemony now emanates from emergent centres of capitalist accumulation in the former periphery. Over the past four decades, China, Russia, India, Brazil, and others, have built substantial industrial bases, technological capacities, and outward oriented financial sectors. These states maintain domestic anchors that permit resistance to external discipline, even as they remain integrated into the world market. Unlike older imperial powers, they pursue no territorial expansion; rather, they seek greater voice in the making of rules for trade, technology, investment, and over the longer term in creating world money.

China presents the most substantial challenge to US hegemony. Using UNCTAD data, in 2024 China accounted for almost 30 per cent of global manufacturing value added and nearly 15 per cent of world merchandise exports, compared with, respectively, about 10 per cent and 9 per cent for the United States. State-owned enterprises dominate strategic sectors, while China has built parallel institutions that partly bypass US-led multilateral structures: the Belt and Road Initiative, the Asian Infrastructure Investment Bank, and extensive bilateral lending. These instruments extend Chinese influence across infrastructure, logistics, and trade corridors worldwide.

Yet, China's monetary capacity remains sharply constrained. The renminbi accounted for less than 3 percent of allocated global reserves and less than 3 percent of cross-border payments in mid-2025. Roughly half of world trade is invoiced in dollars, while less than 5 per cent is in renminbi.³⁸ Chinese public debt does not qualify as global collateral, and the People's Bank of China provides no liquidity backstop for international markets. Chinese balance sheets – those of large enterprises and banks alike – are embedded in dollar structures, while capital

³⁸ ECB (2025).

controls that safeguard domestic stability block full renminbi convertibility and its emergence as a liquid global asset.

China is a productive superpower hemmed in by a monetary and institutional hierarchy it does not control. Enterprise level balance sheets reinforce the point. Figure 3 shows that for the largest manufacturing enterprises, long-term debt relative to turnover is consistently far lower in China than in the United States or even the United Kingdom throughout 2010–24. Chinese enterprises operate with thin long-term market funding and a heavier reliance on short-term credit, while US and UK firms make extensive use of deep, liquid long-term markets. It is plausible that Chinese enterprises have more reliable implicit backing from their (central and provincial) government. Nonetheless, the maturity structure of corporate borrowing mirrors the monetary hierarchy. A productive challenger whose firms cannot routinely fund themselves at long maturities in their own currency is in no position to sustain a rival world money regime.

[Insert Figure 3 here]

US and UK manufacturing multinationals consistently finance themselves with much higher long-term debt relative to turnover than their Chinese and Indian counterparts. The gap is stable across the period, indicating structurally deeper long-term markets in the world money core. Parallel Chinese institutions mitigate some exposure but cannot dismantle the underlying order. Even these, such as the New Development Bank, bilateral swap lines, and the Cross-Border Interbank Payment System (CIPS), remain marginal. CIPS processes little more than 12 per cent of SWIFT's dollar volume.

China therefore faces a structural dilemma. Capital controls insulate domestic credit from volatile portfolio flows but preclude the renminbi's internationalisation. World money status historically required the opposite: deep integration into global credit markets, high quality collateral, and legal protection for foreign creditors. Chinese state ownership and strategic oversight, which jointly underpinned rapid accumulation after the 1970s, now impede monetary internationalisation. China has become a productive superpower constrained by a monetary and institutional hierarchy it cannot shape. It is subject to rules it did not write, settling obligations in a currency it does not issue, and accumulating reserves in its rival's public debt.

Finally, Russia presents a distinct type of challenge. It is a major military power with a resource-based position in global energy markets and, since 2022, a demonstrated ability to absorb severe financial sanctions and sustain prolonged military conflict. The resilience of the Russian economy under sanctions demonstrates that productive capacity in energy and raw materials, combined with state control and military power, can support partial exit from dollar circuits. Yet, Russia's example also confirms the limits. It maintains resistance but cannot generalise an alternative, leaving it as a geopolitical contestant rather than a rival hegemon.

The pattern of contestation is thus clear. Challenges to US hegemony do not originate from the old imperial powers but from the transformed periphery, where partially or fully successful capitalist development has generated independent centres of accumulation. The struggle for dominance in the contemporary world order carries no ideological dimension; it is propelled primarily by capitalist imperatives to reshape the institutional and monetary framework of global accumulation.

Within this architecture, world money power is exercised through the Federal Reserve and the US Treasury. The Federal Reserve allocates dollar liquidity worldwide, sets the global benchmark interest rate, and extends emergency support via swap lines to fourteen central banks – a network that remains unchanged as of mid-2025. Access to these facilities stabilises recipient economies; exclusion compels contraction and adjustment. The US Treasury oversees dollar clearing channels and correspondent banking, while managing the issuance of public debt that serves as the world's primary collateral.

The 2022 freezing of approximately \$300 billion in Russian Central Bank illustrates how monetary authority can function coercively without territorial intervention. In earlier periods, military force secured territorial control that enabled resource extraction; today, it guarantees jurisdictional control over payment systems and asset custody. The threat is not invasion but severance from clearing networks backed by legal-institutional power ultimately resting on the hegemon's military reach.

The same event can, furthermore, illustrate the potential for rifts and tensions among the established imperialists. Faced with an increasingly coercive US that seeks to cut and impose its own deal with Russia, in December 2025 the European powers

unilaterally opted permanently to freeze roughly \$200 billion of the Russian money aiming to fund the continuation of war in Ukraine. The legality of this action is entirely threadbare, and its political recklessness is extraordinary. But it does demonstrate the degree to which financial mechanisms can be cynically deployed as military weapons and the potential for friction within the core, especially when it comes to war.

Militarism is an integral component of the imperial apparatus, as US military power underpins the conditions of world market integration. It secures critical sea lanes, such as Hormuz, Malacca, Bab el-Mandeb, Suez, Panama, and key Indian Ocean routes, whose disruption would sever global production chains. In effect, the vast bulk of oil, gas, grain, and container shipments, along with the satellite and undersea cable systems that coordinate payments and logistics, operate under a security umbrella ultimately dependent on the United States and its principal allies. By value, around 90 per cent of global trade moves by sea, and US naval strategy explicitly positions American and allied forces as the guarantors of these routes, translating this into enforcement capacity for dollar hegemony itself. ³⁹

US military power also ensures the uninterrupted energy flows essential to industrial reproduction. It further bolsters the legal and technological foundations of global accumulation: intellectual property regimes, semiconductor supply chokepoints, satellite constellations, and cloud infrastructures depend on US jurisdiction, enforced by coercive authority when necessary. Cross-border investment proceeds on the expectation of US diplomatic and military protection.

The role of military power has nonetheless changed since the brief unipolar moment that followed the Soviet collapse in 1991. The United States no longer enjoys uncontested freedom of military manoeuvre. It remains the pre-eminent global force, but the rising challengers now field capabilities that can impose real costs and limit US reach. Evidence from SIPRI (2025) indicates that global military spending rose sharply in 2024 to roughly two-and-three-quarter trillion dollars, an increase of close to 10 per cent on the previous year. The United States accounted for just under one trillion dollars – well over a third of the world total – while China spent roughly three hundred billion and Russia close to one hundred and fifty billion. These outlays have narrowed the technological and operational distance that once separated

³⁹ US Navy (2020).

Washington from its principal rivals, especially in hypersonic weapons, anti-access and area-denial systems, and regional escalation capacities. The coercive underpinnings of the dollar order are no longer unilateral.

The shift is from uncontested hegemony to contested coercion. The hegemon retains primacy but must calculate costs, manage risks of retaliation, and accept that enforcement may fail in specific theatres. This is not multipolarity – no rival commands equivalent global reach. It is constrained unipolarity. The dollar has no serious rival in world money and finance, but the USA no longer dominates production, and its huge military power is insufficient to impose resolution without escalation risks, including nuclear exchanges. The growing gap between monetary reach and military enforceability destabilises the system, as financial coercion can be applied more widely than military power can be credibly exercised.

The emerging hegemonic contestation has intensified coercive conflict during the interregnum. Trade wars, tariffs, technology export controls, and investment screening constitute its milder instruments. Sanctions, reserve seizures, and exclusion from dollar clearing or critical technologies exact a heavier toll. By the mid-2020s the United States maintained sanctions or export control measures against well over one hundred countries, including several large emerging economies, bringing a substantial share of world output under some form of restriction. Sanctions penetrate production chains and financial circuits alike, limiting access to technologies, components, payment channels, and dollar liquidity without recourse to military force.

These measures were overshadowed by the mounting reality of military confrontation in the 2020s. Wars in Ukraine and the Middle East, alongside escalating tensions in East Asia, signalled that the hegemonic order faces challenges from states with sufficient strength to resist. The ensuing struggle is not a clash of social systems but a contest among powers over the institutional and monetary architecture of the world market. This configuration echoes the rivalries among leading capitalist states before 1914 and renders the present moment no less perilous. World war, including the risk of nuclear exchanges, has re-entered the realm of possibility.

The war risk emerges precisely out of the impasse of the interregnum. The challengers have achieved sufficient productive and military capacity to resist

subordination but lack the monetary and institutional power to rewrite the rules. The hegemon retains world money dominance but faces eroding productive primacy and constrained military freedom of action. Neither side can impose resolution; neither can accept permanent subordination. Balance-sheet decoupling proceeds in technology, finance, and payments, dissolving the very integration that once constrained conflict. The systemic basis for war lies not in ideological antagonism but in the impossibility of orderly succession within a monetary hierarchy that is singular, coercive, and increasingly contested.

7. Contemporary Imperialism: Rethinking the Marxist Tradition

The classical Marxist theories of imperialism remain indispensable for understanding global hierarchy, not least because they established a method for analysing imperial power as a concrete historical configuration of capitalism rather than a timeless geopolitical condition. Lenin's formulation, drawing critically on Hilferding and others, treated imperialism as a specific stage of capitalist development, defined by the concentration and centralisation of capital, the fusion of capital and state, and the organisation of global rivalry via territorial monopolistic forms. Crucially, it insisted that imperialism must be grasped through the dominant mechanisms of accumulation operative in its own time. That methodological insistence remains decisive.

The argument advanced here proceeds by applying this method to contemporary conditions. Imperialism now rests on the structural pairing of internationalised productive capital with global financial capital, coordinated through world money rather than territorial control. What matters is not the fusion of industrial and banking capital within national blocs, but the integration of global production chains with a hierarchical monetary and financial system centred on the dollar. Financialisation Mark II has transformed crisis management itself into an instrument of imperial power. Command over dollar liquidity, exercised through the Federal Reserve, organises the world market, disciplines states and firms, and secures value transfer and the hegemonic position of the United States.

Existing theories identify elements of this structure, but they do not centre the global monetary hierarchy as the hinge of imperial power. The present configuration of globally active monopolistic capitals is marked by the colossal scale of production,

trade, and finance. But what truly sets it apart is the interdependence of giant productive and financial capitals in the world market, which pivots on world money. The elasticity of finance facilitates the integration of global production chains and the profit-making of lead multinationals, while command over world money sustains this structure of accumulation, secures hegemonic power for the leading imperialist state, consolidates global value transfers, and reproduces the subordination of the periphery.

Dependency theory from Prebisch and Furtado through Cardoso, Frank, and Amin rightly identified structural asymmetry as reproducing peripheral subordination. Technological monopolies, balance of payments constraints, the multinational corporation as an instrument of private hegemony, and the internalisation of external interests within peripheral states ensured domination by the core. These insights are incorporated into the present analysis.

At the same time, dependency theory under-theorised the independent role of monetary and financial hierarchy. Cross-border balance sheets are autonomous sites of discipline, the dollar dominates as world money, reserve accumulation amounts to tribute, and global liquidity is coercively allocated through swap lines and access to payment systems. In a world economy that is now fully capitalist from core to periphery, subordination is crucially mediated by the hierarchical structure of global finance and the political management of dollar liquidity by the hegemonic state.

More recent theoretical contributions have sought to update the analytical framework. Panitch and Gindin (2012) portrayed post-war US hegemony as the voluntary integration of other capitalist states into an informal empire managed by the Treasury and Federal Reserve for an internationalised capitalist class. Writing at the close of Financialisation Mark I, they interpreted Fed interventions as cooperative crisis management. The watershed of 2007–09 and the subsequent shift to Mark II revealed a far more coercive reality: swap-line hierarchies, secondary sanctions, and SWIFT exclusion transformed access to dollar liquidity from cooperation into imperial leverage. Still, their concept of 'informal empire' remains valuable for understanding European and Japanese subordination: what they mistook for universal cooperation was unstable consent limited to the core,

Harvey's "new imperialism" (2003) reasserted accumulation by dispossession and territorial logics but overstated the return of direct extra-economic coercion. Two decades on, the striking feature of imperial power is the ascendancy of balance-sheet coercion backed, when necessary, by military power. Dispossession continues, but through the routine operations of global production chains, intellectual property regimes, and dollar denominated debt rather than forms of primitive accumulation in the classical sense. The institutional mechanisms through which accumulation is organised have changed. Where Hilferding's finance capital rested on universal banks coordinating industrial combines, today's market based financial system relies on liquid balance sheets, institutional portfolios, and global collateral chains. These operate with a material elasticity unknown to earlier stages of capitalism. It is this that specifies the contemporary organisation of capitalist accumulation.

Cox's neo-Gramscian concept of world hegemony (1987) powerfully highlighted consent across borders when the leading state presents its interests as universal. Poulantzas (1975) had earlier captured the specifically hegemonic moment of mid-20th-century US power when he referred to "structural domination" exercised over allied imperialist states through the internalisation of American interests within their own state apparatuses. The post-2007 trajectory marks the erosion of this internalised consent: European and Japanese ruling blocs experience dollar pre-eminence as external discipline. Peripheral reserve accumulation functions as external constraint and tribute rather than participation. Domination increasingly dispenses with consent altogether, sustained by the absence of alternative world money, and backed by military force.

Arrighi's systemic cycles theory (1994, 2007) anticipated a financialised "autumn" of American hegemony and an eventual eastward shift. The signal crisis arrived in 2007–09, but no terminal crisis or new hegemon followed. China is the world's workshop yet remains marginal in reserves, payments, and collateral; the renminbi is not close to displacing the dollar. Financialisation Mark II has consolidated a single world money issuer presiding over a coercive hierarchy, with no rival currency zones yet able to perform equivalent monetary functions. Yet, Arrighi's crisis may be unfolding, merely without the succession he anticipated. The interregnum described

in this article fits his pattern of hegemonic autumn. What is missing is not the crisis but the emergence of a true successor, blocked by the monetary architecture itself.

Smith (2016) rightly re-centred global labour arbitrage and super-exploitation within production chains but paid less attention to the monetary and financial conditions that govern those chains: dollar denominated credit lines, working capital financing, and liquidity cycles set by the Federal Reserve. Utsa and Prabhat Patnaik (2021), building on their earlier work, reasserted surplus extraction via unequal exchange and commodity dependence but focussed primarily on trade-based and administrative mechanisms of surplus transfer rather than balance-sheet mechanisms that have become central after 2007-09.

This article advanced a different account. Contemporary imperialism rests on the pairing of globally active productive capital with international financial capital. Their circuits converge in a world market lacking the institutional coherence of the domestic market; the decisive hinge is world money. Hudson's (2003) long-standing analysis of financial imperialism anticipated the role of debt and creditor power in enforcing international hierarchy, but the present article demonstrated the role of world money, central bank balance sheets, and institutional command of liquidity as the core mechanisms of contemporary imperialism. The dollar's position does not derive from competitive superiority but from the capacity of the US state to define global liquidity, adjudicate balance-sheet adjustments, and determine whose liabilities count as money. Political access to dollar liquidity governs crisis management worldwide.

The 2007–09 rupture exposed this structure. The long phase of privately led credit expansion and bank-centred intermediation gave way to a regime sustained by public debt, central bank interventions, and shadow portfolio finance. Dollar dominance endured despite stagnant private profitability because it rests on the legal, institutional, and coercive capacities of the US state. Peripheral economies are locked into subordinate financialisation through currency risk, volatile flows, and chronic reserve accumulation, functioning as shock absorbers for instability generated in the core.

An integrated institutional apparatus reinforces this monetary hierarchy. Trade liberalisation, intellectual property regimes, payment infrastructures, and military power interlock to sustain global production chains and the circulation of dollar

denominated claims. Liberalisation enables global portfolio management; mobile capital finances trade and production; production generates dollar flows that require clearing and settlement controlled by the hegemonic state. Peripheral reserve accumulation then recycles money capital into US debt markets. Militarism remains integral, but it does not administer territory; it secures the legal, logistical, and technological conditions under which balance-sheet imperialism operates.

Productive capacity alone does not confer hegemonic power. Europe and Japan are advanced industrial economies yet issue currencies with marginal global roles. China commands nearly 30 per cent of world manufacturing but remains marginal in reserves and payments; its trade and lending are still largely dollar denominated, and capital controls hinder renminbi internationalisation. State ownership propelled industrialisation yet conflicts with the private property regimes historically required for world money issuance.

Since 2007–09 the world has entered an interregnum. The old order persists through institutional inertia and monetary dominance even as the productive foundations of US power erode and challengers strengthen. There is no alternative world money capable of sustaining peaceful succession, no rival institutional complex with comparable reach. The hierarchy is embedded in law, standards, and balance-sheet commitments, and is resistant to renegotiation.

This structural blockage renders the current contest uniquely dangerous. Unlike the Cold War, today's rivalry unfolds entirely within global capitalism, with competing powers deeply integrated into one another's supply chains and financial circuits. Neither side can impose resolution; neither can accept subordination. Escalation therefore proceeds across trade, technology, finance, payments, reserves, and military positioning. The wars in Ukraine and the Middle East, and rising tensions in East Asia, signal that states now possess the strength to resist the hegemon from within the world-market structure itself.

Imperialism persists without colonies because domination is exercised through balance sheets, collateral hierarchies, payment systems, and the institutional mechanisms of the world market rather than territorial rule. The distinctiveness of contemporary imperialism lies precisely in the hegemonic state acting as the indispensable articulator of the world market, ensuring that the pairing of productive and financial capital remains globally coherent. The US state, backed by its military

power, makes the dollar the dominant lever through which global claims are validated or voided.

Yet, the very apparatus that renders territorial empire unnecessary also renders hegemonic transition unmanageable. That contradiction defines the contemporary moment and drives the capitalist world toward conflict not by ideology, but by the structure of global accumulation and the monetary hierarchy that organises it. The option of consensual reconstruction of multilateral rules and world money is foreclosed by the structural antagonism between the hegemon's monetary power and the challengers' productive rise. The current configuration does not point to a single deterministic outcome. Three trajectories remain possible.

First, a prolonged interregnum in which dollar hierarchy persists but with rising frictions: fragmented payment corridors, defensive industrial policy, military enforcement, and periodic crises routed largely through balance sheets.

Second, a managed fragmentation in which regional monetary and productive blocs consolidate more autonomy – yuan zone, euro zone, dollar zone – while remaining tethered to US liquidity through swap lines, sanctions risk, and the centrality of dollar assets. This outcome is highly unlikely under present rivalry.

Third, a contested transition in which geopolitical rivalry spills more directly into the monetary and financial sphere. Confrontation takes the form of pressure on chokepoints, technology controls, and aggressive use of finance. The end point is war, which has often been the source of systemic change in the history of capitalism, especially among imperial powers. The nuclear constraint makes outright world war unlikely, but the possibility can no longer be excluded.

What follows from these trajectories is not an abstract dilemma but a concrete historical impasse. The monetary order cannot be peacefully re-made, the hegemon cannot recover its former foundations, and the challengers cannot reshape the world market while settling obligations in a currency they do not issue. As the gap widens between productive weight and monetary authority, coercion becomes the primary instrument of adjustment. The escalation already underway — reserve seizures, payments exclusion, technology embargoes, militarised logistics, and proxy wars — is not a temporary disturbance but the early phase of a deeper conflict.

Nuclear arsenals do not remove the driving logic of military confrontation. Capitalism has resolved blocked hegemonic succession through great power wars before; it

offers no guarantee that it will not do so again. Should such a conflict break out under current conditions, the result would not merely reorder the world market but imperil the existence of humanity itself.

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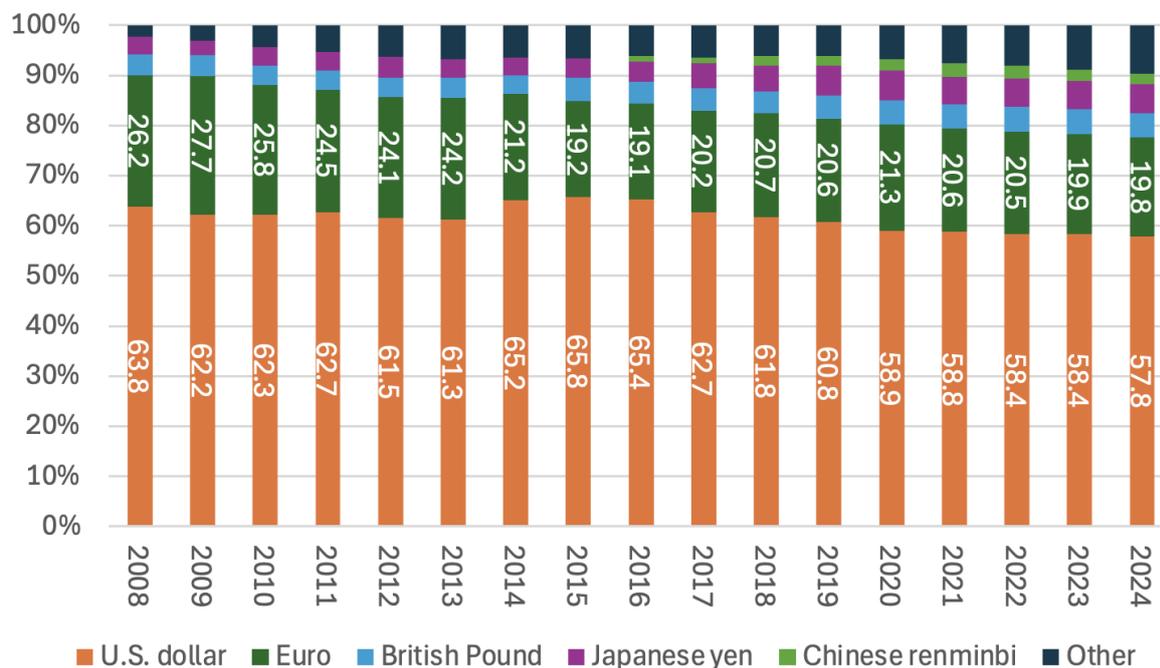
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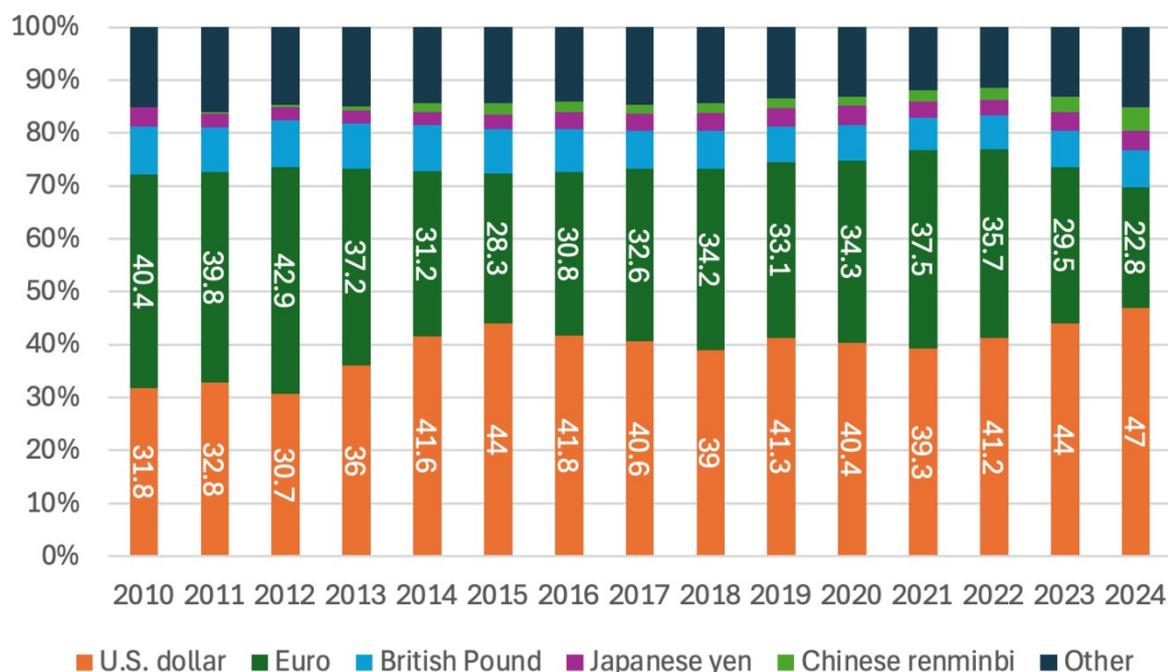
Figures

Figure 1. Central Bank Foreign Exchange Reserves, 2008-2024



Source: IMF COFER; Bertaut, C., von Beschwitz, and Curcuru (2025).

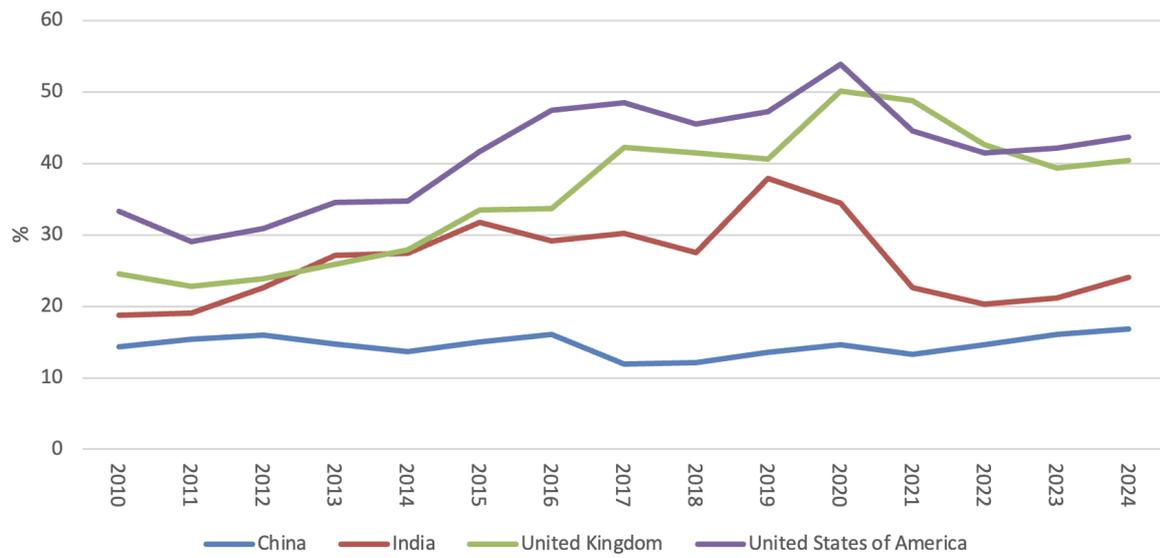
Figure 2. Leading currencies' share of international payments



Source: Federal Reserve (2025);

<https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-accessible-20250718.htm#fig1>

Figure 4. Long-term debt relative to turnover, major manufacturing enterprises, 2010–24.



Source: Orbis; authors' calculations.

Tables

Table 1. Characteristics of major global manufacturing enterprises: Numbers, turnover, cash, and debt, in percentages ⁴⁰

| Country | Number of enterprises | Turnover | Total Cash and Cash Equivalents | Short Term Debt and Loans | Long Term Debt |
|--------------------------|------------------------------|-----------------|--|----------------------------------|-----------------------|
| United States of America | 32.00 | 40.73 | 38.88 | 27.12 | 50.61 |
| China | 20.60 | 14.14 | 19.71 | 27.30 | 6.46 |
| United Kingdom | 4.00 | 7.65 | 5.14 | 3.79 | 7.39 |
| France | 5.40 | 7.31 | 9.53 | 12.64 | 6.54 |
| Netherlands | 4.00 | 4.31 | 5.34 | 4.11 | 3.88 |
| India | 3.40 | 3.46 | 1.48 | 4.79 | 2.81 |
| Brazil | 2.00 | 2.27 | 1.61 | 1.93 | 4.36 |
| Switzerland | 0.80 | 1.64 | 1.06 | 2.02 | 1.69 |
| Sweden | 1.80 | 1.48 | 1.59 | 1.29 | 1.02 |
| Ireland | 2.00 | 1.48 | 1.13 | 0.85 | 1.98 |
| Rest of World | 24.00 | 15.52 | 14.51 | 14.18 | 13.27 |

Source: Orbis; authors' calculations.

⁴⁰ Data for this sample was taken by searching for firms with the NAICS primary codes 31, 32 and 33 (manufacturing) on the Moody's Orbis database, and sorted in descending order of 2024 operating revenue to extract the largest 500. Filters were applied to select only active enterprises with consolidated accounts (and no unconsolidated companions). The data represents the total for the years 2010-2024.

Table 2. Central bank swap line access, regional share of trade with USA, and US military personnel posted in region.

| Central Bank | Federal Reserve Swap Line Limit (2021, \$US bn) | % Share US Imports (2021) | % Share US Exports (2021) | % Share US Military Personnel Overseas (2025) |
|---------------------------------|--|----------------------------------|----------------------------------|--|
| Bank of Japan | Unlimited | 4.52 | 3.79 | 35.06 |
| European Central Bank | Unlimited | 14.66 | 12.62 | 34.8 |
| Bank of England | Unlimited | 1.89 | 3.13 | 6.55 |
| Bank of Canada | Unlimited | 11.99 | 15.7 | 0.1 |
| Swiss National Bank | Unlimited | 2.13 | 1.2 | 0.01 |
| Bank of Korea | 60 | 3.19 | 3.34 | 15.46 |
| Reserve Bank of Australia | 60 | 0.42 | 1.34 | 0.2 |
| Monetary Authority of Singapore | 60 | 0.99 | 1.79 | 0.17 |
| Banco de Mexico | 60 | 12.84 | 14.06 | 0.06 |
| Banco Central do Brasil | 60 | 1.05 | 2.38 | 0.04 |
| Sveriges Riksbank | 60 | 0.5 | 0.27 | 0.01 |
| Norges Bank | 30 | 0.23 | 0.2 | 0.05 |
| Danmarks Nationalbank | 30 | 0.41 | 0.18 | 0.01 |
| Reserve Bank of New Zealand | 30 | 0.17 | 0.19 | 0.01 |
| Total | | 54.99 | 60.19 | 92.53 |

Source: New York Federal Reserve Bank (2021)⁴¹, US Census Bureau (author's calculations)⁴², Defence Manpower Data Centre (author's calculations)⁴³

⁴¹ <https://www.newyorkfed.org/medialibrary/media/markets/omo/omo2021-pdf.pdf>

⁴² <https://www.census.gov/foreign-trade/balance/>

⁴³ <https://dwp.dmdc.osd.mil/dwp/app/dod-data-reports/workforce-reports>