

The Problem of Money in International Monetary Reform

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Thirteen years before the penning of the 'Arusha Initiative', a strident and purposeful declaration echoed through Tanzania: Julius Nyerere's 'Arusha Declaration', a vision for an African socialism that would bring prosperity, harmony and well-being to a continent ravaged by colonialism. The declaration emphasized the importance of self-sufficiency and hard work. It envisioned a sovereign Tanzania carving out its own path to prosperity.¹ Alas, the vision failed to materialize and a few years down the road, Nyerere found himself in the last place he wanted to be: contending yet again with the International Monetary Fund (IMF) to negotiate relief, owing to a severe balance of payments crisis in Tanzania in the late 1970s.

Aspirations of the newly independent Tanzania ran up against the reality of unequal integration and racial hierarchy in the global economy. Recognizing the necessity of economic and monetary sovereignty for the actualization of self-determination, postcolonial leaders demanded a New International Economic Order (NIEO) built on just terms of trade, preferential and non-reciprocal treatment in economic agreements, transfer of technology, financial assistance and, importantly, monetary reform that promoted 'the development of the developing countries and

1 Nyerere, Julius (1967). *The Arusha Declaration by Julius Nyerere 1967*. Accessible at: [The Arusha Declaration by Julius Nyerere 1967 \(marxists.org\)](https://www.marxists.org).

the adequate flow of real resources to them'.² Once again, these ambitions were quashed by world powers obsessed with crushing socialist leanings in the Third World. Henry Kissinger said of the NIEO:

I agree that we should not accept the proposition of the new economic order; on the other hand we must not go to the barricades. We will be totally alone if we do – beaten back and back, with no support. My position is that we should not debate whether it is a new order or an old order but fight on technical issues.³

In 1980, Third World countries made yet another attempt at international monetary reform. Tanzania's and Jamaica's battles with the IMF in the 1970s inspired a South–North conference in Arusha, the outcome of which was the Arusha Initiative, a call for restructuring the international monetary system (IMS) to deliver monetary stability alongside acceptable employment and sustainable growth. It went as far as to propose a universal and democratic world central bank and a new international currency unit that would accommodate the needs of non-capitalist economic and social systems. Conference participants concluded by calling for a Conference on International Money and Finance to negotiate monetary reform.⁴ Sadly, this never materialized.

Fast forward to 2020. Sri Lanka and Pakistan negotiate IMF relief packages, as their economies teeter under the strain of Covid-related restrictions and climate disasters. Export earnings (US dollars) dwindled in Sri Lanka, severely restricting the country's ability to pay for essential food and fuel imports. Despite the IMF's record of making liquidity assistance conditional on austerity and other detrimental reforms, Sri Lanka went to the IMF. In fact, countries that most need US dollars

2 UN General Assembly (1974). Resolution adopted by the General Assembly 3201 (S-VI). *Declaration on the Establishment of a New International Economic Order*. Accessible at: <https://digitallibrary.un.org/record/218450?v=pdf>.

3 Memorandum (1975). Memorandum of Conversation on Foreign Relations of the United States 1973–1976. *Foreign Economy Policy Document* 294.

4 Arusha Initiative (1980) The Arusha Initiative: A Call for a United Nations Conference on Money and Finance. *Development Dialogues* No. 2.

continue to have very limited access to them: the best option for peripheral countries is still the IMF's Special Drawing Rights (SDR) system, whereas core economies now have permanent central bank swap lines with the Federal Reserve.⁵

The inequity of the IMS remains a major concern for Third World countries, as articulated by the participants at the Monetary and Economic Sovereignty of Africa conference in Dakar in 2022. The ineffective allocation of SDRs during the Covid crisis, with most of it going to rich countries, geopolitical rivalries involving trade restrictions on China and sanctions on Russia, and assertive Southern leadership, particularly in Latin America, have reinvigorated the call to delink from the dollar. These proposals take three forms:

- a) A multilateral clearing union (MCU) modeled after Keynes's original proposal at Bretton Woods: A MCU would issue a unit of account that is the weighted average of national currencies. With international commercial payments and financial flows denominated in this new unit, the MCU would clear imbalances in payments, lend to countries with deficits, importantly 'on terms that would be reliable and well known in advance to all'.⁶
- b) Regional initiatives to de-dollarize: For example, Brazil and Argentina announced plans to establish a common currency (the 'sur') which would eventually grow into a regional union. IMF's former chief economist Olivier Blanchard described the initiative as 'in-

5 Murau, Steffen; Pape, Fabian & Pforr, Tobias (2022). International Monetary Hierarchy through Emergency US-Dollar Liquidity: A Key Currency Approach. *Competition & Change* 27(3–4) 495–515. The Fed's newly inaugurated repo facility for Foreign and International Monetary Authorities (FIMA) offers dollar liquidity but costs are high and it requires countries to have already accumulated US treasury bonds which can be pledged as collateral.

6 Dutt, Devika & Dos Santos, Pablo F.P. (2023). A Multilateral International Monetary System. *Progressive International*. Accessible at: <https://progressive.international/blueprint/1b9059a7-7c60-4d60-8874-02f9ce26df88-dutt-dos-santos-a-multilateral-international-monetary-system/en>.

sane'.⁷ Pooling monetary sovereignty, however, would give these countries more autonomy from the US (as some contend the euro has done for Europe), but trade imbalances and concerns such as inflation stand in the way of such a union. Another initiative comes in the form of local payments systems. Unlike SUCRE,⁸ which was ushered in with much hope and faltered due to complications, the Mercosur Local Currency Payments System (SML) between Argentina, Brazil, Uruguay and Paraguay has enjoyed limited success. An initiative led by central banks, it allows small and medium-sized enterprises (SMEs) to access the market in Mercosur member countries by trading in local currency and thus avoiding the cost of foreign exchange operations. The reach is limited, however, and central banks continue to settle net differences in US dollar since no central bank wants to hold another member's currency as reserves.⁹

- c) Coalitional initiatives such as the BRICS (Brazil, Russia, India, China, South Africa) campaign: In an effort to de-dollarize, BRICS have introduced rival institutions such as the New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA). The introduction of yuan oil futures is another attempt to decrease the weight of the US dollar in international trade. Russia and China also introduced alternative payment systems to the US-dominated

7 Harris, Bryan (2019). Bolsonaro's Central Bank Chief Vows to 'Reinvent' Brazil Economy. *Financial Times*. Accessible at: <https://www.ft.com/content/60713664-ec34-11e9-a240-3b065ef5fc55>.

8 Sistema Unitario de Compensación Regional de Pagos; Unified System for Regional Compensation proposed by Cuba to facilitate trade between 'Bolivarian' regimes (Bolivia, Venezuela, Cuba, Nicaragua). The proposal was to create a regional unit of account, sucre, that would replace the US dollar in trade invoicing in regional transactions but also was to serve as a store of value in the medium and longer term. The system remains in its initial stages, however, in part due to complications involving determination of bilateral exchange rates and countries such as Venezuela employing multiple exchange rates.

9 Fritz, Barbara; Kaltenbrunner, Annina; Mühlich, Laurissa & Orsi, Bianca (2023). South–South Monetary Regionalism: A Case of Productive Incoherence? *New Political Economy* 28(5), 1–14.

SWIFT network. At the same time, the BRICS have demanded reform of the IMF SDR, with one of those demands – the inclusion of the renminbi in the SDR basket of currencies – succeeding in 2016.

Of the proposals to reform the IMS, this chapter will argue that regional arrangements and the BRICS initiative (that seek to decrease the weight of the US dollar in global transactions) hold more promise than multi-lateral arrangements underpinned by a depoliticized international unit of account. To explain this position, the chapter will now review some of the material and political realities of money that have implications for international monetary reform.

Material and Political Realities of Money

This chapter is an invitation to critically engage with the realities of *money* in proposing monetary reform. In the following sections, drawing extensively on extant literature, the chapter puts forward five features of money that complicate existing proposals for reform: (1) Money is part state, part market (hybridity) and thus private confidence and participation is necessary for credible money (social dimension); (2) Money is credit, and therefore functional money requires a creditworthy entity, the state being the most creditworthy in the national space owing to political contracting (political dimension); (3) Historically, the rise of world money (key currency) has been associated with commodities such as gold and oil (material dimension); (4) The expropriation of value in colonial and postcolonial settings has been essential to world money (imperial dimension); and (5) Infrastructure to store value is key to the reproduction (and acceptance) of (world) money (infrastructural dimension).

Money and the State

Hybridity of Money and the Importance of Private Participation

Proposals for monetary reform overstate the capacity of states or (international) formal institutions to create what Keynes called ‘money itself’.¹⁰ Money itself refers to what settles debt contracts and price contracts whereas money-of-account is the unit in which such contracts are expressed. As Mike Beggs argues, states can assign or nominate what counts as money (money-of-account) but they do not necessarily create all money forms (money itself), nor are they able to singlehandedly determine the value of money.¹¹ In fact, states at the top of the monetary hierarchy create very little of money-proper (money itself); most of the money in circulation consists of private bank deposits. The public and private–public money forms currently in use often originated as private money.¹² Through a process of ‘private money accommodation’, state actions such as the deployment of lender-of-last-resort operations during systemic crises transform private money into private–public money.¹³

There are two key takeaways from the above discussion. First, money is both public and private, that is part state, part market.¹⁴ The hybrid character of money is often obscured by the fact that in a given currency

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- 10 Bell, Stephanie (2001). The Role of the State and the Hierarchy of Money. *Cambridge Journal of Economics* 25(2), 149–163.
 - 11 Beggs, Michael (2017). The State as a Creature of Money. *New Political Economy* 22(5), 463–477.
 - 12 Murau, Steffen (2017). The Political Economy of Private Credit Money Accommodation: A Study of Bank Notes, Bank Deposits and Shadow Money. *Thesis*. University of London.
 - 13 Ibid. In fact, as Murau argues, money comes in many forms. He divides the money supply into three segments over which the state has varying control: public money (issued directly by the state); public–private money (created by private entities that have explicit or implicit state guarantees); private money (issued by private institutions with no public guarantees).
 - 14 Mehrling, Perry (2013). Essential Hybridity: A Money View of FX. *Journal of Comparative Economics* 41(2), 355–363.

area, private money forms such as bank deposits are offered immediate convertibility at par with money-proper or base money.¹⁵ This ‘essential hybridity’ of money underscores the importance of private actors to well-functioning money. As Kindleberger said of money, ‘States may propose, but markets dispose’.¹⁶ Private issuance of money facilitates production and exchange in the wider economy, meaning that the actions of private agents are quite important in establishing the infrastructure (and value) of money. Proposals for monetary reform therefore cannot ignore the fundamental challenge of the private stake in money. The second take-away is that by the mere fact of holding a monopoly over the production of money-proper and its ability for private money accommodation, the state occupies a strategic position in the world of money. It has a non-negotiable role in making money forms *credible*. That is, states may not create all forms of money but they certainly aid in the reproduction of money.¹⁷

Hierarchy of Money and the Necessity of Political Contracting at Scale

As Minsky wrote years ago: ‘Everyone can create money; the problem is to get it accepted.’¹⁸ To generate acceptance of a unit of account as money, the entity that issues the currency must be creditworthy. After all, money is an IOU, a debt obligation, a promise to pay. Anush Kapadia, in his book *A Political Theory of Money*,¹⁹ proposes, along with Knapp and others, that the state is the most creditworthy entity in (most) national spaces. With Susan Strange, he understands creditworthiness to be a relative measure

15 Ibid.

16 Kindleberger, Charles P. quoted in Mehrling, Perry (2022). *Money and Empire: Charles P. Kindleberger and the Dollar System*. New Edition. Cambridge/New York: Cambridge University Press, 213.

17 Beggs (2017), op. cit.

18 Minsky, Hyman P. (1986). *Stabilizing an Unstable Economy*. First Edition. New York: McGraw-Hill Education, 228.

19 Kapadia, Anush (2023). *A Political Theory of Money*. Cambridge: Cambridge University Press.

that signifies asymmetrical, ‘structural power’. A creditworthy entity has the ability to set the terms of credit and impart discipline to less creditworthy entities. The question that confronts us now is what makes an entity creditworthy? Moreover, why are some sovereigns more creditworthy than others such that their currency gets voted in as world money? The answer to the first may be found by engaging with political theories of money whilst the latter question requires a more historical approach.

One good place to begin is Mehrling’s view of money, in which he conceptualizes credit as promises to pay, and money as the final means of settling payments. What counts as money therefore varies depending on where one stands: For the citizen consumer, bank deposits, for banks, national central bank reserves and for national central banks settling with one another, world money, which in the contemporary period is the US dollar.²⁰ Money is thus, in its very essence, hierarchical. Some things count as better money than other things.

Within the national space, state money sits at the top. With Chartalists, we can think of this as resulting from the requirement to pay taxes in state money. Delving deeper, Kapadia notes the importance of political contracts to the creditworthiness of the state. Political contracts, encoded in criminal law and carrying higher penalties, are more robust than economic contracts, which pertain to civil law. In the language of creditworthiness, political contracts ensure a higher likelihood that a credit claim will be paid.²¹ Scale matters too. Drawing on Knapp, Mehrling proposes that the state has the best money not because the state is stronger than others but because it has the largest ‘pay community’. Kapadia combines these insights to note the importance of *political mutualization at scale*. Following Keynes, we can treat money as a two-sided balance-sheet operation: credit is always also debt – that is, one entity’s assets are another’s liability. Economic mutualization is where

20 Mehrling, Perry (2012). *The Inherent Hierarchy of Money*. Prepared for Duncan Foley festschrift volume, and conference 20–21 April 2012. Accessible at: https://sites.bu.edu/perry/files/2019/04/Mehrling_P_FESeminar_Sp12-02.pdf

21 Kapadia (2023), op. cit.

a bank's liabilities (promises to pay) are the assets of the depositor. Following Knapp and Goodhart, Kapadia extends the concept to political mutualization, where taxpayers' liabilities are the assets of the state. Kapadia goes on to argue that an ideal type of state is more creditworthy than a private bank because political claims (mutualization) are more robust than economic claims, *and* operate over a broader catchment area. Political mutualization at scale then is also what allows states to perform lender-of-last-resort operations: political contracts tie the future earnings of the largest pay community to state finances.

But politics is not all. The commercial success of the pay community matters. As Mehrling writes, 'the value of national currency derives in most cases not from the raw power of the state but from its creditworthiness in commercial terms. National currency is not a fiat currency but a promise to pay'.²² That is to say, a state's taxation powers are not only backed by the political contract, but also by the potential *economic output* of the political unit. Thus, economic strength, and the political power to command (some of) this strength, are essential to the success of money. This account of money does not bode well for attempts to create a new unit of account that is backed by a non-political non-state entity such as a multilateral clearing union. The 2010 Eurozone debt debacle is a case in point: while the euro is issued by a nonstate *political* unit, it is still limited relative to, say, the US dollar because the European Union lacks a fiscal union (political mutualization at scale) that can tap the economic strength of the Eurozone.²³ Thus, Mario Draghi's 'whatever it takes' came well after the southern end of the Eurozone had collapsed and sufficiently shrunk the size of lender-of-last-resort operations needed for recovery.²⁴

22 Mehrling, Perry (2003). Mr. Goodhart and the EMU. In: Bell, Stephanie A. & Nell, Edward J. (eds.). *The State, the Market and the Euro: Chartalism versus Metallism in the Theory of Money*. Cheltenham/Northampton, MA: Edward Elgar Publishing, 33f.

23 Kapadia (2023), op. cit.

24 Tooze, Adam (2019). *Crashed: How a Decade of Financial Crises Changed the World*. Reprint Edition. New York: Penguin Books.

In this section we proposed that because money is credit, the entity that issues it has to be creditworthy for functional money. While private participation in creating money is essential for the capitalist economy, it is state money that is most credible. The robustness of political contracts, and political mutualization at scale, enhance the creditworthiness of the state. But some states are more creditworthy than others, and this can be traced to its potential ‘pay community’. The larger the economic space (in terms of territorial resources and economic transactions) under the command of a political unit, the greater its creditworthiness. This is where the story of money intersects with the messy and violent history of empire.

Money and Empire

Control of Key Commodities and World Money

If state money sits at the top of the hierarchy within the national space, world money sits at the top of the international monetary hierarchy. World money, or a global key currency, serves as the final means of clearing and settling *cross-border* payments. For example, the pound sterling served this function during the golden years of the British empire.²⁵ Eventually the US dollar came to replace the pound sterling. Today’s international monetary system may be described as an ‘offshore USD system’²⁶ where US dollar-denominated credit money instruments, created offshore, dominate global transactions. This places the US Federal Reserve at the apex of the global monetary hierarchy and simultaneously pushes others into a peripheral position. While there can be regional key currencies such as the euro or the Japanese yen, these are one level

25 De Cecco, Marcello (1975). *Money and Empire: The International Gold Standard, 1890–1914*. Oxford: Blackwell Publishers.

26 Murau, Steffen; Rini, Joe & Haas, Armin (2020). The Evolution of the Offshore US-Dollar System: Past, Present and Four Possible Futures. *Journal of Institutional Economics* 16(6), 767–783.

below the US dollar in the monetary hierarchy. As scholars have noted, the periphery can be conceived of in three layers depending on their access to the US Federal Reserve's balance sheet: a first layer that has access to swap lines, a second layer which can use the Fed's repo facility, and a third layer (where most Global South countries are clustered) which can only access dollars through the IMF's SDR system.²⁷

The histories of the pound sterling and the US dollar underline the importance of the control of key commodities in elevating currencies to the status of world money or a global key currency. The gold standard of 1870–1914 was essentially a sterling standard based on Britain's vast endowment of coal and its access to gold reserves via its colonies. Indeed, key currency systems are built, according to Aglietta and Coudert, on the dominant energy source of the time. Hence, the international monetary system was a coal sterling system in the nineteenth century and a dollar oil system from 1944 onwards.²⁸ The discovery of the Witwatersrand gold fields in South Africa in 1886, containing the world's largest gold deposits, gave the British empire a near monopoly over gold reserves in the late 1800s. It enabled the expansion of international trade, the flow of real resources (cotton, sugar) to Britain, and put London at the centre of the global economy.²⁹ Political power was, of course, crucial in crowning the pound sterling as world money. The British government backed the labour practices of British mining companies that kept labour costs low in order to stabilize the value of gold. Conflicts between white Afrikaner republics and British gold-mining companies came to a head in 1899 in the brutal South African War which saw Britain introduce concentration camps in which thousands of black and Afrikaner civilians died.

With Britain in decline by the end of the Second World War, owing to wartime expenditures that bled gold bullion from British and Euro-

27 Murau et al. (2022), op. cit.

28 Aglietta, Michel & Coudert, Virginie (2019). The Dollar and the Transition to Sustainable Development: From Key Currency to Multilateralism. *CEPII Policy Brief*. Accessible at: <https://ideas.repec.org/p/cii/cepipb/2019-26.html>.

29 Mitchell, Timothy (2013). *Carbon Democracy: Political Power in the Age of Oil*. First Edition. London: Verso Books, 70.

pean allies' treasuries to the US, a new rivalry emerged between Britain and the US over the next commodity to crown world money: oil. By the end of the war, the US produced two-thirds of the world's oil, and more than half of the remaining third was produced in its sphere of influence, in Latin America and the Caribbean.³⁰ More importantly, oil was traded in the currency of the company that controlled production: 'sterling oil', mostly from Iran, was traded in pounds sterling, whereas the majority of global oil was traded in US dollars, thanks to the wide reach of US corporations in Latin America and the Middle East. Denominating oil trade in dollars boosted the US dollar, a privilege that the US sought to protect and strengthen through various diplomatic efforts, notably in 1945 and in 1971. The empire in decline (Britain) and the empire on the rise (the US) understood the importance of oil to the strength of their currencies and fought the battle over world money in the 1940s and 1950s in 'pipeline routes and in rival diameters of pipe'.³¹ The techniques of militarism and diplomacy in securing key currency status through commodity control were visible throughout the period. The link between money and commodity in theory may not be as strong as that between money and credit. However, when it comes to *world* money, history emphasizes its material dimension: sterling backed by gold and coal, and the dollar backed by oil.

Value Expropriation and World Money

If economic power enhances the creditworthiness of a state, then it stands to reason that the more value an entity can lay claim to (including outside its formal political unit), the more creditworthy the state attached to it is. Creditworthiness of a political entity is enhanced by its ability to expropriate value outside its immediate political space, through public channels (expropriation of reserves) and via private channels (profits accrued by lead firms in global value chains). Britain, and later the US, expanded their access to gold by requiring colonies

30 Ibid.

31 Ibid, 119.

to keep gold reserves with the colonial office. Under the sterling-exchange standard, London held a large proportion of the export surplus of British colonies. While India was indebted to Britain, it had an export surplus with the rest of the world, which had to be deposited in London. Access to India's gold reserves provided elasticity to the pound sterling: reserves held in the Gold Standard Reserve and the Paper Currency Reserve (Indian accounts at the Bank of England) went towards purchasing sterling securities, and part of the reserves were made available to select finance houses in London, and placed on deposit in joint stock banks.³² India's reserves elevated the pound sterling and the city of London. Thanks to its monopoly over gold production (in South Africa) and gold reserves of its colonies, England was able to increase its money supply while maintaining the value of sterling, thus delivering sound world money during this period. The US made efforts to dislodge the pound sterling. US companies faced severe constraints in international trade owing to the dominance of sterling and the centrality of Lombard Street in foreign exchange transactions.³³ Between 1900 and 1905, the US undertook efforts to create a bloc of gold-standard countries whose coinage would be denominated in US gold coin and whose gold reserves were to be kept in the US.

Similarly, in the franc des colonies françaises d'Afrique (CFA) zone created in 1945, France, with its economy in tatters after the war, was able to boost its economy and currency thanks to the resources and reserves of its former colonies. Not only did the monetary union allow France to secure privileged access to raw materials vital for economic recovery by paying for them in French francs and below market prices, but the arrangement also required the centralization of foreign exchange reserves

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- 32 Vasudevan, Ramaa (2022). The Gold-Exchange Standard in Colonial India: Fore-shadowing the Monetary Hierarchy of the International State-Credit Standard. *Review of International Political Economy*, 31(5):1496-1519.
- 33 Rosenberg, Emily S. (1985). Foundations of United States International Financial Power: Gold Standard Diplomacy, 1900–1905. *The Business History Review* 59(2), 169–202.

in an ‘operations account’ held at the French Treasury. Following independence, former colonies were required to deposit 100% of reserves in the account, a ratio that was lowered to 65% between 1973 and 2005, and since 2005 at least half of the pooled foreign exchange reserves of member states has to be deposited in this account.³⁴

The private channel is just as important. In the early seventeenth century, the British East India Company provided the raw materials necessary for industrialization in England. The flow of real resources such as cotton and timber to England from the periphery amounted to a major transfer of value,³⁵ which helped bolster the English economy and, with it, the pound sterling. Today, we see similar trends with American companies that dominate the global space despite anxiety over the decline of the US.³⁶ Through military might and its surplus power at the end of the Second World War, the US made the world hospitable to US firms. US firms today capture a disproportionate share of global profits, and US firms with robust intellectual property rights (IPR) obtain a disproportionate share of US and global profits.³⁷ IPR provides US firms with (near) monopoly power in global commodity chains, thus concentrating profits at the top of the value chain. The importance of Washington-based institutions such as the World Trade Organization in reproducing dollar hegemony cannot be overstated. Trade treaties enforced and adjudicated through WTO-sanctioned processes secure access for

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- 34 Koddenbrock, Kai & Sylla, Ndongo S. (2019). Towards a Political Economy of Monetary Dependency: The Case of the CFA Franc in West Africa. *Working Paper 19/2*. MaxPo Discussion Paper. Accessible at: <https://www.econstor.eu/handle/10419/202323>.
- 35 Patnaik, Utsa (2017). India's Global Trade and Britain's International Dominance. In: Sen, Sunanda & Marcuzzo, Maria C. (eds.). *The Changing Face of Imperialism*. New Delhi: Routledge India.
- 36 Starrs, Sean (2013). American Economic Power Hasn't Declined – It Globalized! Summoning the Data and Taking Globalization Seriously. *International Studies Quarterly* 57(4), 817–830.
- 37 Schwartz, Herman M. (2019). American Hegemony: Intellectual Property Rights, Dollar Centrality, and Infrastructural Power. *Review of International Political Economy* 26(3), 490–519.

companies to overseas markets and offer them legal protection against incursions by peripheral states.

Reproduction of Money

Infrastructure to Move, Store and Grow Value

In the context of a capitalist system that is built on a constant drive for accumulation, world money, in addition to serving as a means of payment, has to provide avenues for actors to move, store and grow value. This becomes particularly important when we consider the growth models of powerful export-led countries that send real goods to the US in return for dollars. One reason why manufacturing powerhouses such as China and South Korea accept dollars (a promise to pay sometime in the future) is because the US state is creditworthy. But that is not all. A secondary reason, closely related to the first, is that US financial markets provide the *infrastructure* to move, store and grow value. A highly financialized housing market, combined with an accessible and deep securities markets, allows holders of dollars to park their savings in dollar-denominated assets. Financial markets in the US, particularly capital markets, then reproduce dollar hegemony because they contain the depth and scale that can accommodate the dollar savings of the rest of the world. There are not enough supplies of other currency denominated securities that can act as stores of value.³⁸ The channelling of surplus into assets and liabilities denominated in dollars serves to enmesh non-US actors in the dollar system and increase their reliance on the Federal Reserve.³⁹ Not only that: the flow of foreign capital to the US (at relatively low rates) allows

38 Lysandrou, Photis & Stassinopoulos, Yorgos (2020). Resisting the Gravitational Pull of the Dollar: The Economic Rationale behind a Large Eurozone. *Economy and Society* 49, 1–24.

39 Schwartz (2019), op. cit.

the US to export capital back to the world at higher rates, thus strengthening the reproduction of the US dollar.⁴⁰

The Problem of Small, Uneven and Combined

Given the realities of money and world money, international monetary reform appears daunting. Money seems to be tied to political power, while also operating in a semi-independent fashion in the economic space. World money, thus far, has been forged through imperialism and militarism that tie a currency to key commodities in the global space. Furthermore, financial markets that store and grow value appear to be crucial to the functioning of world money, particularly in the context of uneven and combined development.

For peripheral (and semi-peripheral) countries to emerge out of the dollar trap, the question is not specific to money, but *world* money or a global key currency. The following questions present themselves: is it possible to have world money that is not tethered to a formal political unit (that is, a state or a political union)? What kinds of characteristics should world money possess in order for it to be accepted by other agents? Given the realities of money, it is difficult to see how an international unit of account created by a multilateral union can pass the first two tests of money: the social and political dimensions. Without a credible political union backing the unit of account, how to incentivize private agents to deal in it?

Regional currency unions and payment systems mentioned above do hold promise but they require political compromises which can be hard to come by in the face of trade imbalances and economic woes such as inflation and instability, not to mention entrenched nationalism. Successful currency or monetary unions need the backing of successful fiscal unions to lend credibility to the unit of account that serves as money. In the absence of such compromises, the political and social dimensions of money remain unaddressed. Important to note here is that postcolonial

40 Ibid.

leaders and thinkers were acutely aware of these realities of money. The problem of size raised by Eric Williams and the pan-Africanist vision of Kwame Nkrumah in many ways went to the heart of the problem of economic domination via monetary subordination. Black Atlantic Federalists saw federation (a political union backed by a fiscal union) as the ‘spatial and institutional fix for the postcolonial predicament’.⁴¹ They saw in federation the possibility for a larger and more diverse economy, and the political weight necessary to make demands on the international stage.

For the moment, the most plausible challenge to dollar dominance comes from the BRICS initiative, primarily led by China. In contrast to regional unions, the BRICS initiative brings together the economic heavyweights of the Global South. Moreover, the goal, at least for the moment, seems to be not to create a new unit of account but to increase the weight of national currencies, in particular the renminbi, in trade among the BRICS. As a national currency backed by considerable capital and a powerful state, the renminbi already satisfies the social and political challenges of money. It increasingly satisfies the material and imperial dimensions as well: while the country itself is rich in mineral resources, it has also inaugurated the ‘yuan oil future’. As the largest oil importer, and Russia as the largest oil exporter, the capacity of BRICS to challenge the US dollar by attacking dollar dominance in global oil trade is considerable.⁴² Furthermore, confidence in the renminbi can grow as China’s vast lending to other Global South countries, some of it through the Belt and Road Initiative (BRI), increases the returns to the renminbi from outside of its own borders. Where the renminbi performs poorly is on the infrastructural dimension – that is, it remains, at least for the

41 Getachew, Adom (2020). *Worldmaking after Empire: The Rise and Fall of Self-Determination*. Princeton, NJ/Oxford: Princeton University Press, 108.

42 While the oil futures are priced in renminbi, renminbi is also convertible to gold on the Shanghai Gold Exchange and Hong Kong Gold Exchange. This means that China’s oil supplies that receive renminbi in payment can immediately convert this into gold (Liu, Zongyuan Z. & Papa, Mihaela (2022). Can BRICS De-Dollarize the Global Financial System? *Elements in the Economics of Emerging Markets*).

moment, a poor conduit for moving, storing and growing value, thanks to China's strict capital controls.

Challenges remain, of course. The crowning of the renminbi as the global key currency, should it come to pass, may not be an ideal solution, as the cases of the pound sterling and the US dollar show: when the prerogatives of one nation dominate in the management of the global key currency, the interests of the rest are undermined. But given that functional money requires a political union, it is not surprising that key currencies, both global and regional, have had strong national dimensions (as an example of the latter case, Germany's interests when it comes to managing the euro). The BRICS initiative's success may be measured not in how far the renminbi itself goes, but in how successful the coalition is in increasing the use of their national currencies in cross-border trade. For example, the share of US dollars in Russia–China bilateral trade decreased from 90% in 2015 to 46% in 2020.⁴³ Regional and coalitional payments systems can flourish, but world money will continue to remain relevant as an uneven and combined global economy render it extremely difficult, but perhaps not impossible, to attain self-sufficiency within a trade zone.

43 Liu & Papa (2022), *op. cit.*