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Through the Looking Glass: Connecting the Dots Between U.S. Hegemony and Its Trade and Investment Policies

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Many aspects of the hegemony status of the United States of America are hidden behind a veil of secrecy. It is however well established in scholarly literature that the U.S. emerged from the Second World War as the absolute dominant military and economic power in the world. With this newfound hegemony status, the U.S. built an interconnected rules-based system that relied on shared norms and values of economic and political liberalism. While this liberal world order has indeed been largely beneficial to the countries subscribed to it, it has been argued that the U.S. has benefitted from it the most, using the key financial institutions of this order to shape the international economic playing field to its liking to further its own hegemonic interests. This study therefore aims to connect the dots between the U.S. hegemony and its key economic manifestations. Building on existing work on the United States Hegemony, it asks: How are the trade and investment policies of the United States of America related to its role as the world hegemon?

Based on a literature review and a theoretical framework on the hegemony status of the U.S., its connection to globalization, and its hypothetical decline, a secondary data analysis was conducted to find out the correlation between the trade and investment policies of the U.S. and its hegemony status. Analysis of the gathered data show that through the decades since the Second World War until the present day, the trade and investment policies of the U.S. have grown to be so interconnected with the country's hegemon status, that one is merely a continuation of the other. The main argument of this paper is that a phenomenon known as the "dollar hegemony" is the core and the enabler of the U.S. hegemony at large, as it enables the country to live beyond its means, maintain its global military presence, and impose its will internationally through the international banking system. Many of its trade and investment policies have been designed to further and maintain that status and access of the dollar, especially by linking conditions of structural readjustments to its trade deals and loans programs.

Keywords	United States, hegemony, trade, investment, economics

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1 Introduction

The period after World War 2 saw the rise of the United States as the dominant military and economic power in the world. It was the only country in possession of the atomic bomb, its military strength was unrivalled, and it alone had a navy that could project power across the oceans and an intercontinental air force. It was also the richest country in the world. The U.S. was in possession of two-thirds of the world's gold reserves and three-fourths of its investment capital. Its GDP was the highest in the world, three times that of the Soviet Union and five times that of the United Kingdom (Leffler 2019).

After the war, the United States with its newfound hegemony led the creation of what is now known as the liberal international order. This order was created to prevent mass conflicts like the two world wars, but also to provide means necessary for countries to thrive economically (Biswas, Goel 2018). This order has been emphasizing liberal norms and values like economic liberalism (free trade and open markets), political liberalism (representative government and human rights) and other liberal concepts (Brands 2016: 2).

For countries that signed up for this global order promoted by the U.S., the alliance paid off handsomely, creating robust economic growth and collective security arrangements. However, it is not an unfair statement that the United States itself has benefitted most from this arrangement. Washington drew more and more countries to its sphere of influence, supported their conversion to democracies and profited from increased economic trade (Biswas, Goel 2018). Indeed, for most part of the last 100 years, the United States of America has engaged in trade negotiations believing that open markets encourage democracy that in turn supports and builds world peace. U.S. trade policies have in fact been a foundation of its foreign policies since the Second World War (Wolff 2018). The values and norms of this order have been manifested through international institutions like the International Monetary Fund, World Bank, World Trade Organization, United Nations and European Union, with the United States directly or indirectly leading many of them (Brands 2016: 2).

American policies have been promoting the expansion of global trade, investment and finance (Brands 2016: 2). At the heart of this is the role of the U.S. dollar. The role of the U.S dollar as the global reserve currency is critical in not only understanding the international financial system but understanding the bigger picture of political and economic ramifications of the status accorded to the dollar. Indeed, maintaining the role of the US dollar as the world's reserve has been the strategic foundation of the American grand strategy since 1945, relating directly to the country's military superiority. How that dollar hegemony has been maintained till the present day is directly linked to different hegemonic pursuits of the U.S, like wars, financial warfare, debt crises and even threats of nuclear war (Costigan et.al. 2017).

Scholars like Chalmers Johnson underline the fact that the hegemony of the United States and its many manifestations are hidden behind a veil of secrecy and that often many people, especially American citizens themselves, do not even recognize that the U.S. dominates the world through its military power (Johnson 2004).

This thesis takes us through the looking glass with an aim to look behind that veil of secrecy. While the scope of the thesis is not directly on American military dominance that Johnson discussed, it aims to connect the dots between the hegemonic status of the U.S. and its key economic manifestations, further discussing how these aspects enable the U.S. to pursue its hegemonic discourses, like the mentioned military dominance.

The research question this thesis sets out to answer is therefore the following:

- How are the trade and investment policies of the United States of America related to its role as the world hegemon?

While research around the subject of U.S. economic hegemony is already plentiful, this thesis aims to expand on the earlier research by building a cohesive narrative from the end of the Second World War all the way to present day. This topic is very current, as during the four years of the Trump presidency there was a lot of talk about the "decline" of American hegemony, as the country seemed to distance itself from the liberal order that it created and has maintained for all these years. The emergence of China as a real contender to the United States also makes the topic an intriguing one.

Against this background the next chapter reviews and critically analyses the academic literature pertinent to the research question.

2 Literature review

2.1 United States Hegemony

The research question is closely interconnected to the hegemony the United States has enjoyed since the Second World War. This hegemony status has been a subject of much debate in the research community.

The national interests of the United States became globalized in the wake of the post-war international system and the US-led liberal order has given it enormous positional advantages. It has enabled the country to shape the international preferences of other countries, externalize domestic economic crises and construct the kind of international economy it wished for (Stokes 2018).

Beeson and Higgott (2006) agree on many accounts. The post-WW2 order with its Bretton Woods system paved way for the highly institutionalized multilateral system that greatly benefitted a number of countries, while simultaneously enhancing and constraining the power of the United States. Beeson and Higgott emphasize that the roots of American foreign policy are national, and policy has always been facilitated by American domestic interests and priorities, as opposed to reflecting the logic of the international system itself. However, while many critics claim that the post-war order that was arguably the creation of the U.S. was designed primarily to further the interests of American capital, the liberal order was widely seen and accepted as functionally necessary and ideologically legitimate.

The notion that U.S. foreign policy is merely an extension of the U.S. domestic policy was already famously advocated by Charles Beard in the early 20th century. He argued that foreign policy and international relations were especially emerging from the *failure*s of domestic economic policy. Even then Beard saw the pursuit of free trade, open market and U.S. interventionism as political distractions from the emerging economic and social reforms at home. Eerily accurately, already before WW2 Beard was sure that would the U.S. win the war, but the consequent imperialism would destroy the social-democratic promise of the early 20th century, as the country would find itself in a never-ending series of military and political diversions that would channel economic resources and political energy into a permanent war economy (Barrows 1997).

Beeson and Higgott (2006) further underline that the scope for the US ambition for the institutional architecture of the key international financial institutions should not be underestimated, and the U.S policy, especially during the cold war era, could be described as “institutionalist” rather than “multilateralist”. While the U.S. was indeed critical in creating and building the multilateral institutions (like the Bretton Woods institutions and NATO), the ruling to behave in a multilateral manner was always applied more to the junior partners than the hegemon US.

Liu (2008) further emphasizes the importance of monetary and financial institutions, describing what he calls “the dollar hegemony” as a critical part of the U.S. hegemony. Dollar hegemony, based on the status of the U.S dollar as the world´s reserve currency, is a geopolitically constructed phenomenon through which commodities (like oil, to name the most critical one) are denominated in fiat dollars and not backed by gold. It further essentially gives the U.S a power to indirectly own the whole global economy via requiring its produced wealth to be denominated in fiat dollars that the U.S. can print at will with basically zero monetary penalties. He further argues that the whole world trade has become a game in which the U.S. produces fiat dollars with an uncertain exchange value and zero intrinsic value, while the rest of the world produces goods and services that these fiat dollars can then buy at “market prices” quoted in dollars.

Norrlof (2018) suggests that the United States does benefit from being the dominant power in the world. The gains that come from this position are not just quantifiable in monetary terms but come in many different forms, like an unusually wide policy autonomy window, longer time horizon and a greater capacity for risk-taking. Because of this dominant position, the U.S has leverage over other states, and can therefore pursue policies that would be unthinkable for other countries. While Norrlof does not see the U.S as invulnerable, she does see the country in a better position to gain from international economic relations than other states are. The United States actively benefits from running persistent trade deficits as a result of its special position in the international system. The size of the American market, the role of the dollar and American military power are all related and interact to make a trade deficit policy efficient and protect the country from any extreme consequences that such a policy would otherwise have.

Through multilateral treaties and international organizations, the US has both advanced its own interests as a superpower, but also promoted global security and prosperity. It has fostered the spread of free market capitalism through trade deals and intergovernmental bodies such as the WTO and IMF (Keay 2018). Even before the Second World War, the international financial and monetary systems acted in a manner that enhanced U.S. power and capabilities in its relations with other states. During the years of the Bretton Woods system the leading ideology was that of a market-oriented and internationalist philosophy, but one that was still skeptical of unchecked market forces. Kirshner argues that the second order started around 1994, and dubs it as a “globalization project”. This second order was based on the philosophy of “market fundamentalism”, a philosophy that believes that free and unsupervised markets, including financial markets, always know best and provide the most efficient outcomes (Kirshner 2013).

This chapter leads to an assumption, that furthering and promoting globalization has been in the best interest of the United States.

2.2 Hegemony and Globalization

Liu (2008) argues that while globalization has been seen and talked about as an irresistible trend of progress, the priority for the U.S. has been to advance its superpower economic objectives rather than its obligations as the center of the global monetary system. Sheetz (2006) agrees that as globalization means opening up of national borders to foreign economic, cultural and political influence, then globalization indeed does serve an American vision of the world order. Further, the hegemonic status of the United States largely leans on the fact that the country has been able to impose its set of rules on the international system. He boldly argues that globalization is a part of American hegemony, and that hegemony created it and keeps it alive through the political and economic institutions that govern the liberal international system.

As hegemon, the U.S. has not only set the rules of the system, it also supplies public goods in order to get other nations to accept those rules. The United States in the current international system has agreed to pay a disproportionate cost to supply those public goods. This is because in return it receives a disproportionate benefit from getting other members of the international community to play by its rules. These `public goods` include a global economic and financial order firmly based on free trade (World Trade Organization), free flow of capital (International Bank for Reconstruction and

Development) and flexible exchange rates (International Monetary Fund), an international order based on sovereignty and human rights (United Nations), and global security provided by American military might (NATO). In one sense, globalization can be seen as merely an expression of US hegemony (Sheetz 2006).

Ikenberry (2018) further states that in the Cold War decades the United States came to have a direct role in running the international liberal order, finding itself increasingly tied to the other countries within the order. As Sheetz stated, it became the provider of public goods, it upheld the rules and institutions, fostered security cooperation and led the management of the world economy. The Bretton Woods financial institutions became directly tied to the American dollar and market. As American hegemony was built around open trade, the question during the cold war was “how large a geopolitical market space would the United States need to remain a global hegemon?” The strategic decision was quite simple: The post-war world needed to be open and accessible to the United States.

The Washington Consensus led to deregulation and government rollback, elevated from domestic policies to international programmes. The era of President Reagan can be seen as a consummation of US victory of the Cold War, acknowledging no rival or competition. Ever since, this footprint has been evident in the policies of international financial institutions, as there has been evidence of the willingness of the US to reward friends and punish enemies since 1990. Indeed: The IMF and the World Bank were agreed upon at Bretton Woods mostly as a result of the U.S. Treasury. While the forms were international, their substance was dictated by a single country (Pietarse 2003).

The export-oriented path to growth that the U.S. has been promoting makes emerging markets dependent on U.S. market access, makes them vulnerable to US trade policies and reduces their maneuvering. The Washington Consensus is said to promote free trade and export-oriented growth; the actual policies it includes range from using trade as an instrument of foreign policy (granting most favoured trading nation status, lifting or imposing tariffs etc.) to including legalism into the world trade rules via the WTO and influencing the exchange rates of other countries. What further underlines the U.S. hegemon status, and how it is connected to the country’s trade and investment policies, is the fact that instead of empowering the UN (which US sees as a rival for world leadership), the U.S. has preferred to act through the IMF and the World Bank, which both operate on the basis of financial voting rules. These are both agencies that the U.S. can control. The outcome of this path is the Washington Consensus (Pietarse 2003).

Tabb (2003) argues that neoliberalism is a mask used by the United States to further its hegemonic interests, and “spreading democracy” is a mere rallying cry of the Washington Consensus and the Bush doctrines of the past. Especially for the anti-globalization and anti-war movements these establishment doctrines are nothing but a façade for global dictatorship of the U.S and the core corporate governing elites. The Washington Consensus indirectly claims that neoliberalism and core finance capital´s economic control of the world through International Monetary Fund and the World Trade Organization is the only vanguard against misery and disaster, whereas the Bush Doctrine, named after the second President Bush, is merely a justification of global military domination and preemptive war.

Tabb further discusses how neoliberalism and “spread of democracy” have offered an opportunity for the U.S to pursue even more ambitious program of control militarily, but that goes beyond the scope of this research. This does, however, underline how Tabb sees that neoliberalism goes hand in hand with the foreign policy of the U.S and its hegemonic control agenda. While he states many aspects as possible opinions of others (like anti-globalization campaigners), a strong feeling of bias is unavoidable. He does, however, state that even by many mainstream economists neoliberalism is seen as a failure in terms of its announced goals: Growth has slowed, poverty has increased and economic and financial crises have been rampant (this was even before the depression of 2008).

When read in present day, Moon (2005) offers an almost prophetic remark: Instead of looking for different alternatives, the U.S has been silencing the nay-sayers by underlining globalization as natural, irreversible and inevitable, and the explanation for recent evolution of the system is due to the puzzling character of American hegemony. Only an ideological hegemon would not see the need for more aggressive action and only an isolationist one would fail to act on it. This peculiar vision of the hegemonic role of the U.S is as serious a threat to globalization as its diminished hegemony.

Alas, by not providing solutions or answers to the problems that neoliberal globalization has brought with it, the United States paved way for a president that would challenge the worldview and leadership of the previous administrations.

That leadership presented itself in the form of Donald Trump.

2.3 Hegemony In Decline?

With the leadership of President Trump, the United States no longer seems to be entirely willing to pay the disproportionate costs that Sheetz (2006) highlighted. Neoliberal globalization has weakened the approval of American leadership among large sections of the American working class, who have rejected continued US commitment to this system, as it has deepened economic inequality in the country. Donald Trump rode this wave of discontent all the way to the White House, and no matter what happens after the Trump presidency, these structural issues remain the same (Stokes 2018).

As was already discussed, it has been understood that the postwar liberal order has been serving the interest of the United States. President Trump however disagrees with this argument and has been promising a redistributive programme that would rebalance global wealth and power (Norrlof 2018). Ikenberry (2018) consequently sees that the international liberal order is in crisis. For the first time since the World War 2 the United States has a president who is openly hostile towards liberal internationalism. President Trump has made many statements regarding trade, alliances, international law, multilateralism, environment, torture and human rights, and acting on those statements would mean bringing America´s role as leader of the liberal world order to an end.

Norrlof (2018) further argues that while Trump has correctly identified the opportunity that redistribution could play in strengthening America hegemony, he misidentifies the nature of the distribution problem. Trump´s “America First” platform is based on zero-sum logic and poses a risk to the liberal international order and therefore to the security and prosperity of the U.S. For the liberal international order to endure, the U.S should look into redistributive *domestic* policies. Same ideas are shared by Stokes (2018) who also calls for a new domestic and international social contract, in order to revive the US global leadership.

Mearsheimer (2019) warns against thinking that the liberal international order is declining only because of Trump´s rhetoric and policies. More fundamental problems are present, which play their part in why Trump has been so successfully able to challenge the liberal order that enjoys almost universal support between the foreign policy elites in the West. Hyperglobalization is however integral to the liberal order, yet it has created economic problems among the lower and middle class within the liberal democracies and has therefore caused a backlash against that order.

Indeed, Kirshner (2013) believes that the US will face many complications in the future managing the dollar as global currency. He sees that especially the 2007-2008 financial crisis accelerated the relative reduction in the dollar´s role as an international currency. The author sees that countries will start to demand more autonomy and insulation from global financial instability. Due to shifts in ideology and the acceleration of material trends, the power and influence of the United States will be relatively weakened. The challenge to the U.S. is that these pressures for adjustment, new macroeconomic vulnerabilities and dangers of financial crisis are all unfamiliar to the U.S. political system.

2.4 Theoretical Framework

2.4.1 Hegemony

Stephen Gill (1993: 42) argues that in academic literature the concept of hegemony is often too simplified into meaning dominance and leadership of a powerful state acting within the system and sphere of international relations, and effectively achieving a power position over other states. He believes that Robert Cox has described hegemony in the most efficient manner:

"Hegemony is a structure of values and understandings about the nature of order that permeates a whole system of states and non-state entities. In a hegemonic order these values and understandings are relatively stable and unquestioned. They appear to most actors as the natural order. Such structures of meaning are underpinned by a structure of power, in which most probably one state is dominant but that state´s dominance is not sufficient to create hegemony. Hegemony derives from the dominant social strata of the dominant states in so far as these ways of doing and thinking have acquired the acquiescence of the dominant social strata of other states" (Cox cited in Gill 1993: 42).

Parmar (2012) describes the term "hegemony" as a set of processes by which a group, class or state (through coercion and persuasion) is able to attain so called "buy ins" from different classes, states or groups for its own purposes, values and objectives. To be able to establish hegemony, the hegemonic power usually culturally, financially, intellectually or militarily penetrates the target group, society or state, providing substantial thrust in socializing elements in the target group. The bargain struck between hegemonic forces and target groups is normally further characterized by inequality of rewards.

While both of these descriptions are similar, as descriptions of such abstract concepts tend to be, Cox´s description fits into this framework the best, as it suggests that hegemony comes from and is kept alive through the acceptance of other states. This rings true here: The U.S. has not done any of the actions described in this thesis in secret from other states, but with their acceptance (pressured or not), which legitimizes their hegemony status.

Further, the whole point of this paper rests on the fact that the U.S. hegemony appears as the natural order of things, and thereby the values and understandings of this post-war liberal order *are* largely stable and unquestioned.

At least until quite recently. This statement bleeds into the other aspects of this thesis: the much discussed "decline of U.S. hegemony". It has been evident that different states and their citizens and even citizens of the U.S. itself have begun to question this "natural order", especially in the wake of problems caused by neoliberal globalization that Tabb (2003) described. This has eroded the trust in U.S. hegemony, underlining the fact that hegemony needs approval and legitimacy from the other states. This can be further seen in the largely unsuccessful unipolar actions taken by the United States.

Like Beeson and Higgots (2006) and Sheetz (2006) suggest, this theoretical framework acknowledges that U.S. hegemony can further be described as an "institutional hegemony", as the bulk of the power that the U.S. holds comes from the institutions that the state has been instrumental in creating, especially monetary institutions like the IMF and the WTO.

IGI Global´s (2021) definition of institutional power is also accepted into this framework:

- The status that enables certain agent, particularly when act in specific roles, to create or modify institutional facts (i.e., facts that exist hold to the collective agreement of the interacting agents or of their designers).
- A feature of a normative system whereby designated agents, when acting in specified roles, are empowered by an institution to create relations or states of affairs of special significance within the institution.

As the findings chapter moves from one time period to the other, it must be noted (and will be further analyzed in that chapter) that the character of U.S. hegemony changes between time periods.

2.4.2 Globalization

Globalization is here defined and meant to be seen as described by Beeson and Higgott (2006): “A process of enhanced global economic integration via the progressive liberalization of trade, deregulation of finance and privatization of assets and hollowing out of state activities”.

Like suggested by Sheetz (2006), Ikenberry (2018), Pietarse (2003) and Tabb (2003), this theoretical framework joins in assuming that furthering and promoting globalization has been in the best interest of the United States and central to its foreign policy, especially since the fall of the Soviet Union. The country has indeed been a critical player in advancing globalization, as tying the countries to this global financial system also ties them to the sphere of Washington’s influence.

2.4.3 The Role of the Dollar

The role of the dollar as the world´s reserve currency and the dollar hegemony discussed by Liu (2008) ties together the hegemonic status of the U.S., and the country’s mission to push for further globalization. The superpower economic objectives of the U.S. that were discussed already in the literature review include the global expansion of U.S. economic dominance through dollar hegemony, reduction of all domestic economies (the U.S included) to merely act as global units of a global empire. Liu further argues that when the U.S. pushes for what it claims are healthy and strong economies around the world, it is essentially declaring a neocolonial claim on those economies.

While this paper does not further participate in the debate of “hegemony or empire?” Liu makes a compelling case of how dollar hegemony is at the very heart of the hegemonic status of the U.S. at large. Therefore, it presents a lens through which the findings of this thesis will be viewed.

3 Methodology

3.1 Research Philosophy

The research philosophy the thesis followed was that of critical realism. Critical realists believe that we experience mere sensations and images of the things in the real world, not the things directly. Critical realists argue that the only way to make sense of what is happening in the social world is if we understand the social structures that have given rise to the phenomena that we are trying to understand. Therefore, what we are seeing is only part of the bigger picture. Critical realists believe that it is possible to identify that which we do not see through both the practical and theoretical processes of the social sciences (Saunders et.al. 2009: 106). Critical realism is further an epistemological position that is derived from both objective and subjective ontologies (O´Gorman & Macintosh 2015: 61, 62).

Following this research philosophy makes sense given the research question of this thesis, as the best way to understand the phenomena is to understand the social structures that have made the hegemonic status of the United States possible. This in turn enables us to efficiently answer the research question, which will be answered through both practical (real life cases) and theoretical processes.

3.2 Research Approach, Purpose and Data Collection and Analysis

This thesis followed the deductive approach. In the deductive approach the researcher develops a theory and/or hypothesis and designs his/her research strategy to test that hypothesis (Saunders et.al. 2009: 124).

Deduction has five stages through which deductive research will progress, and which this thesis followed (Saunders et.al. 2009: 124, 125):

1. **Deducing a hypothesis.**

The literature review and the analytical framework sets the basis for explanation and development of a theory.

2. **Expressing that hypothesis in operational terms, which propose a relationship between two specific concepts or variables.**

The concepts were measured by conducting secondary data research using both qualitative and quantitative measures, with an aim to provide examples to test the hypothesis presented in and drawn from the analytical framework.

3. **Testing the operational hypothesis.**

The operational hypothesis was then tested by analyzing the evidence presented in chapter 4, which is a sample of the literature discussing the topic.

4. **Researching the outcome of the inquiry.**

The outcome of the secondary data analysis was researched in the proposition chapters in chapter 4, The proposition chapters each end with a proposition that acts as a preliminary conclusion, even a deduction.

5. **If need be, modifying the theory in the light of the findings.**

Deduction aims to explain causal relationships between variables. In the case of this research, that causal relationship can be seen to be between US hegemony and trade and investment policies. Deduction further dictates that the researcher should be independent of what is being analysed. In the conducted research this posed no problems, as the research strategy used was secondary data analysis. The secondary sources presented in chapter 4 were chosen by authors whose work is descriptive in nature, and who describe situations as they happened without presenting their own views or ideas. This was done to make sure that the analysis of that data would be done by the author of this thesis, and not by the authors of the presented sources in chapter 4. Both qualitative and quantitative data was collected but was analyzed in a more qualitative manner.

The next chapter presents the data and analyses the findings in relation to the literature reviewed in chapter two.

4 Data presentation and Analysis

4.1 The dawn of the liberal world order

Total war production in the U.S. brought an end to the Great Depression, brought full employment and rapid economic growth. As a country that was not devasted by the war but remained prosperous domestically, the U.S. emerged as the unquestioned powerhouse post-WW2. The dollar reigned supreme compared to all other currencies and New York usurped London as the world´s financial center (Advameg Inc. 2021).

To form a series of new rules for the post-WW2 international monetary and financial system, a conference between 44 nations was held in 1.7.1944 in Bretton Woods, U.S.A. The pre-WW2 experiences led the international leaders to believe that global economic cooperation was the only way to achieve peace and prosperity (U.S. Department of State 2009). At this conference, the U.S. led the creation of the World Bank and the International Monetary Fund. These institutions would issue loans and assistance to help the west with postwar economic recovery. There was however a catch to this aid: In order to be receive aid and loans, they needed to meet certain criteria compatible with free market capitalism. The Soviet Union never joined these Washington-based and U.S. dominated international financial agencies (Advameg Inc. 2021).

An example that makes it clear who was really in charge at the gathering is the fact that the British delegation, under the leadership of John Maynard Keynes, proposed a system of a global clearing union to compensate balance-of-payments disequilibria and the adoption of a truly international reserve unit. These ideas did not however go together with the American hegemonic project – or the so-called grand strategy – and eventually a “gold-dollar” standard” was established. This meant that the US dollar was pegged to gold and all the other international currencies were pegged to dollar, meaning that the US dollar was as good as gold (Lagna 2012).

From 1948-1952 the Marshall Plan encouraged Western European countries devastated by war to shift from bilateralism in trade towards a multilateral balancing of payments. This can be seen as the starting point for the fast growth of trade that has taken place in the world for the past 70 years. This financial support and the flexibility in the enforcement and following of international commitments hastened the recovery of the financial stability and facilitated an efficient allocation of resources and quicker liberalization of trade (UN 2017).

The Marshall Plan ensured that the chaos in postwar Europe did not lead to democratic governance collapsing, a revival of trade blocks, or protectionism. An equally important part of its goals was to halt the advance of communist influence in the critically strategic region of Western Europe by turning it into a safe haven of market-based prosperity. In Japan, the U.S. used aid and trade preferences as tools of economic rehabilitation instead of punishing the country, with similar motives in mind. The Truman Administration essentially mobilized the unrivaled economic power of the United States to strengthen the capitalist and democratic key areas from which the liberal order would spread, and to further give that core a long-term advantage over the Soviet Union. The Truman administration made long-term investments in U.S. power and built strong positions that would benefit the liberal order for decades to come (Brands 2016: 4, 5).

Established in 1947 the General Agreement on Tariffs and Trade (The GATT) continued on the path of more open trade to be shared between all nations in line with U.S. wartime objectives. Trade policies were also used to limit trade with communist countries under CoCom (Coordinating Committee) of the western countries. It was used to limit exports of munitions to the Soviet block and China, and as China intervened in the Korean War, CoCom imposed a full trade embargo with China in 1950 (Wolff 2018).

By the late 1940s the Marshall plan was already fostering European economic recovery and political confidence. This program along with the Bretton Woods institutions brought forth the postwar order in which the U.S. was the unquestionable leader (at least in the Western world), and it advanced the American campaign for global financial hegemony (Advameg Inc. 2021).

4.1.1 Proposition 1

After WW2 the U.S. created a global interconnected system that helped rebuild countries devastated by the war, but one that it could also use to pursue its interests as a superpower.

In the U.S.-led Bretton Woods conference the country effectively *created* the hegemonic structure of values and understandings that Cox described as quoted in section 2.4.1.

The U.S. acquired the acquiescence of the social strata of the European states first by helping them with the war and then by establishing the European Recovery Program. By linking loans and assistance to liberal free-market capitalism reforms, it integrated the European states into the new liberal world order and therefore into Washington's sphere of influence. As Beeson and Higgott (2006) pointed out, while furthering the interest of American capital was a part of the deal, the liberal order was welcomed and accepted as a necessity and ideologically legitimate.

One can also recognize a sort of "hegemony out of necessity" mindset that the U.S. and its allies had: The devastation of the world, especially Europe, left behind a power vacuum. If the United States did not step up to fill that vacuum with a capitalist world order, the Soviet Union would do so with its socialist/communist world order. The fight was now about the system: Capitalism cannot survive in a communist world order and vice versa. Therefore, by linking as much of the world to this U.S.-led liberal world order, the U.S. was also fighting against the Soviet influence. Naturally, more countries integrated into the liberal order also meant greater access for American capital. It was critical that the countries under this system would also thrive, which in turn would legitimize the U.S. hegemony and ward off Soviet influence.

This can also be seen as the early steps of modern globalization, as the Marshall Plan was a starting point for decades of integration between the U.S. and Europe.

Proposition 1: After WW2 the U.S. created a global interconnected system that helped to rebuild countries devastated by the war, integrating them into Washington´s sphere of influence and thus repelling Soviet influence.

4.2 The Dawn of the Dollar Hegemony

The biggest advantage of the U.S. economy and the foundation of its financial dominance is the role of the dollar, aka the dollar hegemony. Because the dollar acts as the world´s reserve currency, the U.S. is able to maintain its twin fiscal and trade deficits and it can count that the money keeps coming in, while being able to live beyond its means (Hensman and Correggia 2005).

In the 1960s something known as the “dollar glut” took place. Essentially this meant that non-resident dollars were floating globally, which caused disruptions to the US balance of payments and the ability to back up dollars with gold. As Keynes had originally proposed, advanced economies once again were asking for creation of an international reserve asset issued by the IMF. This happened in the form of special drawing rights (SDRs), which were adopted in 1969. SDRs however failed to challenge the strength and the importance of dollar reserves. This made the IMF adopt a new function: It became the issuer of the dollar as the world currency (Lagna 2012).

By the 1970s the Bretton Woods System was close to collapsing. That system required the U.S. to stabilize the international monetary system by pegging the dollar to gold, while at the same time providing the world with a steady outflow of dollars. The relative decline of the economic power of the U.S. post WW2 made this burden hard to bear. By early 1970s the U.S. balance of payments was costly and deteriorating, and frequent emergency interventions were the only thing holding the Bretton Woods system together. All this happened against the background of the Soviet Union becoming a truly global military and geopolitical competitor, while the Vietnam War was showing the world the limits of the U.S. power and draining the country’s resources (Brands 2016: 7).

When the SDRs were failing, President Nixon announced the end of the gold-dollar parity in 1971. It was clearly understood inside the U.S. administration that the expansion of the American Banks strengthened the ability to sell dollar-dominated assets. This paved the way for a fruitful environment for establishment of a flexible monetary regime based on the “pure dollar standard”. This enhanced the power of the U.S. drastically. This move further freed the U.S. from the discipline of the gold-dollar parity and the balance-of-payments deficit. The European and Japanese governments slowly gave in and agreed to accumulate dollar-dominated assets rather than just dumping them on the market. This left the deficit merely unchecked instead of solved (Lagna 2012).

In August 1971, the Federal Reserve took a drastic monetarist turn and opened a new page for the monetary hegemony of the United States. The Federal Reserve deflated the domestic economy by letting the interest rates increase quite freely, which resulted in taming of the inflationary tendencies. This move cemented the financial power of the U.S. in the global economy. The U.S. power was now largely applied via financial and monetary means. The U.S. had become a haven for global capital flows, and it became possible for American financial markets to effectively absorb global flows of funds. The stability of the U.S. economy was further guaranteed by imposing neoliberal discipline on the working class (Hensman and Corregia 2005).

The position of the dollar was further strengthened in 1974 when the U.S. and Saudi Arabia reached an agreement that the oil trade would be denominated in dollars. Most of the countries in the world import oil, and it therefore made sense to accumulate dollars in order to guard against oil shocks. Third World countries on the other hand hoarded dollars to protect their fragile economies and currencies from any sudden collapses. With the world hoarding dollars, all US needed to do was keep printing fiat dollars (meaning government-issued currency that is not backed by any commodity like gold) and other countries would accept them as a payment from their exports. These dollars then circled back to the U.S, where they would be invested in bonds and similar instruments, offsetting the outflow (Hensman and Corregia 2005).

The upkeep of US hegemony is in other words largely being paid for by the rest of the world. Other countries were willing to accept the fiat dollars because that was their only option: It was the world’s only reserve currency, and so it remains till the present day (Hensman and Corregia 2005).

The abandonment of the Bretton Woods system and the shift to a “system” of floating exchange rates paved way for gradual abandonment of national currency and capital controls, effectively liberating international finance and acting as the starting point for the modern era of globalization (Brands 2016: 7). Figures 1 and 2 below visually demonstrate how the dollar still dominates as the world´s reserve currency to this day.

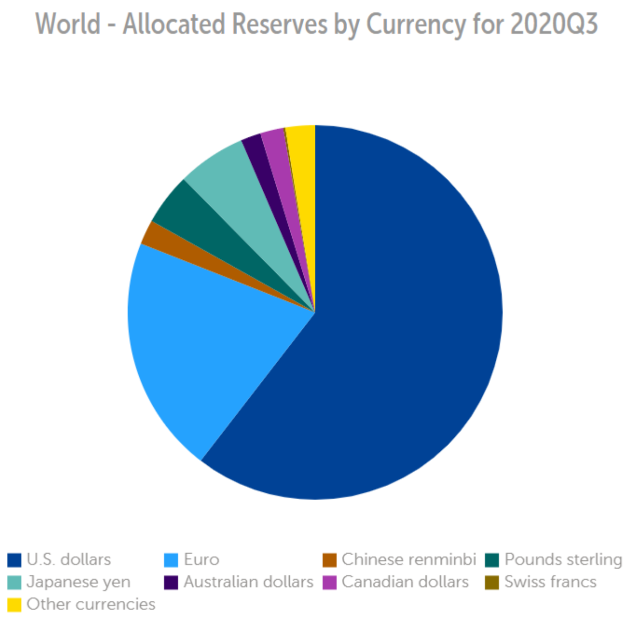

Figure 1 Allocated Reserves by Currency for 2020Q3 (International Monetary Fund 2021)

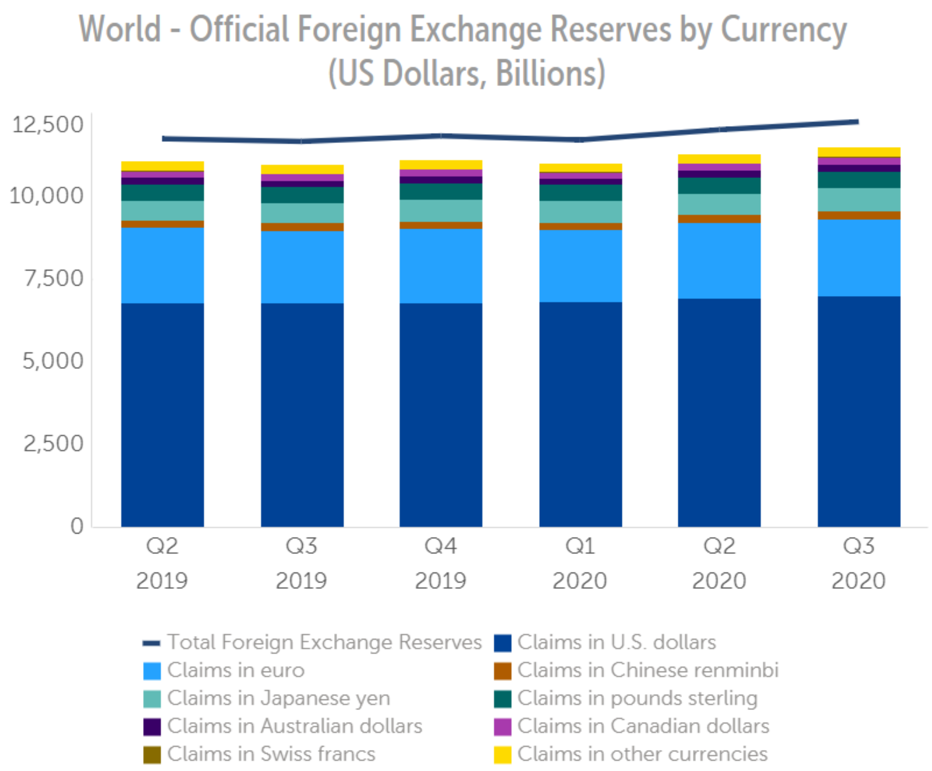

Figure 2 Official Foreign Exchange Reserves by Currency (Us Dollars, Billions) (International Monetary Fund 2021)

The hegemony of the dollar is a critical tool for exerting global influence for the United States, helping the nation to achieve its foreign-policy goals. The status of the dollar enables the U.S. to push policy priorities at the global financial institutions, like IMF and the World Bank. These institutions have been critical tools of U.S. influence and its rule-based order against more autocratic competitors. The role of the dollar combined with the importance of the U.S. financial system makes sure that the United States remains a dominant voice in global affairs (Entz 2020).

4.2.1 The Weaponization of the Dollar

Let us briefly take a break from the chronological order of this Findings chapter to further explain how the U.S. uses its economic leadership role to further its hegemonic interests.

While the dollar’s role in the world economy was discussed above, let us recap: It lets the US finance its trade and budget deficits with ease. As it imports and services borrowing in its own currency, it is effectively protected against balance-of-payments crises, while monetary policies like quantitative easing can influence the value of the dollar, thus gaining competitive advantage (Das 2018).

Its true power and significance to U.S. hegemony however goes beyond all that. The power of the dollar has enabled the U.S. to “weaponize” its currency via different legislation and sanctions programs. The Trading With the Enemy Act, International Emergency Economic Powers Act and the Patriot Act all allow the U.S. government to weaponize payment flows. This, added to the access that the US has to data from the Society for Worldwide Interbank Financial Telecommunication´s (SWIFT) global messaging systems, means that the U.S. exercises an extraordinary control over global economic activity (Das 2018).

These sanctions can target entities, persons, organizations, regimes or even whole countries. Secondary restraints restrict foreign financial institutions, individuals, and corporations from entering into any business dealings with sanctioned entities. The dollar payments that flow through the U.S. banks or the American payment systems provide the necessary nexus for the U.S. to prosecute any offenders and / or act against any of their American assets (Das 2018).

These aspects give the United States an extraterritorial reach over non-U.S. citizens and non-U.S. entities trading with or in any way financing a sanctioned party. Just the threat of prosecution is enough to destabilize trade, finances and currency markets: In other words, disrupting activities of non-Americans in the name of national security (Das 2018).

The loss of dollar hegemony would weaken the possibilities of the U.S. to wage economic warfare. The wars in Vietnam, Afghanistan and Iraq have made the American citizens (and also those of other nations) to look at direct U.S. intervention abroad cynically, which has led the political leaders in the U.S. to search for alternative means of challenging adversaries. Economic warfare can be identified to be the most favored alternative, serving as a replacement for military operations in recent decades. As of 2020, the U.S. Treasury Department operates over 30 sanctions regimes. These sanctions programs are designed to block the assets of targeted individuals and entities via the compliance of private-sector actors. Businesses and banks that do business or transact with sanctioned entities are slapped with enormous penalties and fines, encouraging submission. Sanctioned entities are further prohibited from accessing the U.S. financial system (Entz 2020).

The dollar’s position as the world´s reserve currency cements the compliance with these sanctions. The banks are left with a simple choice: Have access to the U.S. financial system or transact with the sanctioned entity. Naturally, this decision is a no-brainer for most banks and private companies. All these examples show that the U.S. gains a tremendous foreign-policy leverage from the dollars reserve-currency status (Entz 2020).

4.2.2 Proposition 2

If we believe the old saying that “money rules the world”, then after the abandonment of the gold standard the IMF now ruled the money, and the United States ruled the IMF as it now was the issuer of its national currency.

As Lagna (2012) stated, after 1971 the U.S. power has been critically linked to dollar hegemony, which has been applied through monetary and financial means through different institution like the IMF, the Federal reserve and arguably later through the WTO. The abandonment of the gold standard in addition to other mentioned trade and investment policies enabled U.S. to turn the dollar into an instrument of hegemony. This weaponization of the dollar has enabled the country to impose its will internationally.

This all makes way for an argument that the dollar hegemony is the foundation of the U.S. hegemony status, and many of the trade and investment policies of the U.S. are directly linked to further and uphold the dollar hegemony, and thus U.S. hegemony at large. The hard side of US hegemony, like its military supremacy, is largely based on the use of the US dollar as the world´s reserve currency. The dominance of the dollar ties together the US financial dominance and the apparently limitless spending power that enables it to act as the world hegemon and upkeep the world's largest military and its presence around the world.

This argument also leads to a second one: As the dollar hegemony is established and upheld through various monetary and financial institutions, this leads us to join Beeson and Higgott (2006) in arguing that U.S. hegemony is indeed largely institutional by nature. This consequently legitimizes the statement presented in the analytical framework that the U.S. holds tremendous institutional power, as described by IGI global.

As Entz (2020) stated, losing dollar hegemony would weaken the ability of the United States to wage economic warfare. As direct military interventions, which have been largely unipolar pursuits and quite uncelebrated by the allies of the U.S, the U.S. must see economic warfare as much more preferable. This means that most likely the United States will keep fighting to maintain the position of the dollar, so it can keep imposing its will around the world without direct military intervention.

Following the news today, it can be argued that these sanctions programs enjoy wide-spread support within the liberal world order. It has been rare to see arguments against them, on the contrary: It caused an uproar when President Trump *stopped* blocking the assets of targeted Russian oligarchs. It can therefore be seen that the sanctions programs are an effective avenue for the United States to pursue their hegemonic interests, as they are widely supported by their allies, unlike direct military interventions. One key exception to this being when Trump withdrew from the Iran nuclear deal, against the wishes of the European allies.

Proposition 2: The dollar hegemony is the foundation of the greater U.S. hegemony, blessing it with basically unlimited spending power and enabling the U.S. to weaponize the dollar, allowing the country to impose its will internationally through the global banking system.

4.3 Promoting Globalization

4.3.1 The Dawn of Neoliberalism

When Ronald Reagan became president in 1981 the international environment was more favorable to advancing the liberal order. The so-called “Third-wave democratization” raised the number of electoral democracies in the world from 39 in the early 1970s to 120 at the end of the century. The dawn of the modern-day globalization was at the same time integrating the global economy even tighter together, while encouraging the proliferation of neoliberal, market-oriented approach. The Soviet Union was also facing critical decline, making the rise of a more unipolar system possible, in which liberal norms and institutions were no longer held back by geopolitical division (Brands 2016: 8).

These aspects helped Reagan push through a strategy that he called “a forward strategy for freedom”. It was a move to expand the liberal order in a more aggressive manner than perhaps ever before. For one, the administration made promoting democracy a central element of its foreign policy. Second, its role was crucial in deepening the liberal economic order. Faced with the third-world debt crisis, the Reagan administration used its power and influence in the IMF, World Bank and other different international institutions to make lending to governments short on cash linked to neoliberal reforms, effectively pushing globalization into the global south (Brands 2016: 8, 9).

The policy recommendations of neoliberalism include deregulation of business, privatization of public activities and assets, cutbacks (or elimination) in social welfare programs and reduction of taxes on business and the investing class. When it comes to international aspects, neoliberalism calls for free movement of goods, services, capital and money across national boundaries. In other words, banks, companies and individual investors should be free to move their property and acquire property across national borders (Kotz 2000).

The shift to neoliberalism was instigated by the Reagan and Thatcher administrations in the U.S and the U.K. The policies of these governments were transported and implemented globally, both forcefully and through hegemonic discourse by the International Monetary Funds “Structural Adjustment Programs” and the formulation of economic policy positions known as the “Washington Consensus” (Wallerstein 2008).

Washington consensus is a name given to a set of economic policy recommendations for developing countries, especially to Latin America, brought forth during the 1980s. Washington consensus more accurately refers to the level of agreement on those policy recommendations between the International Monetary Fund, World Bank and U.S. Department of the Treasury. These institutions believe developing countries should adopt market-led development strategies, resulting in economic growth that would benefit everybody. They all shared the common neoliberal view that the operation of the free market and the reduction of state involvement were of utmost importance to development in the global south (Hurt 2015).

The World Bank and IMF promoted these views throughout the developing world by attaching policy conditions, called “stabilization and structural adjustment programs”, to the loans they made. The first stage was a set of policies designed to create economic stability by controlling inflation and reducing government budget deficits. The second element was the reformation of trade and exchange-rate policies in order to integrate the country into the global economy. Part of this stage was lifting of state restrictions on imports and exports, and often also the devaluation of currency. The final stage involved allowing the market forces to operate in a free fashion by removing subsidies and state controls and consequently engage in further privatization (Hurt 2015).

The slogan of this joint policy was created by Mrs. Thatcher, and reflects that globalization was no longer only promoted and encouraged, but almost forced: TINA, or “There Is No Alternative”. This slogan was a message to all governments that they had to follow their policy recommendations, or they would be punished by slow growth and denied international assistance in any difficulties they might face (Wallerstein 2008).

It is important to understand that the implication of the Washington Consensus went beyond the third world countries. The Washington Consensus extended the affirmation of markets beyond the mere economy and into a wider spectrum of societal activities that were now subjected to economic as well as other forces, and into all societies. Markets were no longer just one of the instruments to use in order to achieve economic and social objective, but the only one. Markets now set the rules and enforced them (Wachtel 2000).

In the international economy of trade, finance, and investment the absence of any neutral legal or “refereeing” process can be seen the most. The policies of the Washington

Consensus began to tear down borders that used to be regulated by states via a combination of market and political forces. The consequent `free trade´ was used to release the movements of goods, services, capital, intellectual property and the movement of money and finance from the regulatory forces of governments (Wachtel 2000).

The Washington Consensus therefore consisted of post-cold war organizing rules, its exclusive reach into almost all aspects of economy and society and its application in a truly open global economy to carry all the weight of economic reform and vitality. The Washington Consensus has become a controversial subject because it changed the post WW2 social contract of national autonomy (Wachtel 2000).

4.3.2 From Clinton To Bush

The two major Clinton era contributions to further globalization and multilateral trade were NAFTA and China PNTR. It helped some American industries to be globally competitive, but on the downside lots of domestic production simply moved outside of the U.S. Permanent Normal Trade Relations (PNTR) with China brought China into the World Trade Organization and eliminated many barriers to U.S. exports and investment in China, integrated China more into the world economy, and enhanced prospects for peace and security in Asia and the world (Wolff 2018).

The Clinton administration also started a wave of financial deregulation by dismantling the “firewalls” that had been put in place in the depression-era to contain instability in the domestic financial sector. These efforts to get rid of the regulation and supervision of the financial sector were further pushed forward by the Bush administration (Kirshner 2013: 28-31).

This campaign for liberated finance, both domestically and internationally, was designed to maximize the comparative advantage of the United States and enhance its geopolitical primacy. Mirroring the Washington consensus, the U.S. and the IMF were once again not asking for but *insisting* on financial liberalization. In the mid-1990s, the IMF forced its members to eliminate all and any capital controls. The U.S. acted in an even more aggressive fashion: During the 1995 free trade agreement talks with Chile, the representatives of the U.S. Treasury insisted that the country eliminate its controls of short-term capital inflows as part of the agreement. In 1996 as Korea was seeking to be included as a member to the Organization for Economic Cooperation and Development (OECD), the U.S. made it clear that to be accepted, Korea must make even more haste with their financial deregulation and provide increased access to U.S. firms. Again in 2003 the U.S. had similar demands in Free Trade Agreements with Chile and Singapore (Kirshner 2013: 31, 32).

This deregulation led to the rise of the so-called Washington-Wall Street culture, where Wall Street translated its growing economic power into political power. This meant that the ideology of financial innovation became conventional wisdom in Washington. It tells a story of its own that between 1998-2008 the financial sector invested $5 billion in the political process. Between 1980-2002, the U.S. Manufacturing fell from 21% of GDP to 14%, while finance rose from 14% to 21%. in 2007 finance already accounted for 47% of all U.S. corporate profits (Kirshner 2013: 28-29).

Figure 3 shows the global net inflows of foreign direct investment. Notable is the rapid rise after neoliberal paradigm shift of the Reagan administration and after the birth of the World Trade Organization in 1995 that replaced GATT.

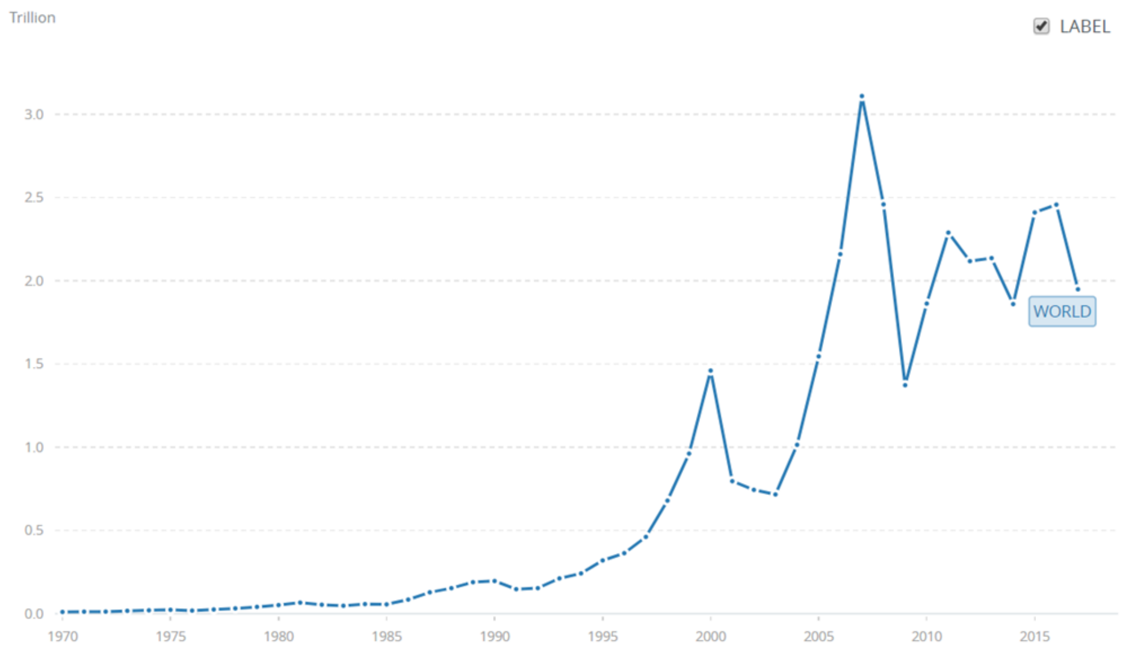

Figure 3 Global Net Inflows of Foreign Direct Investment (The World Bank 2018)

The era of George W. Bush's administration showed some cracks in America's relationship with the liberal order. It laid bare the limits of U.S. abilities to further that order. It once again revealed that while the U.S. leadership was still essential to the liberal order, acting too assertively by bypassing liberal institutions could turn against them and alienate their key liberal allies, casting doubts about U.S. motives and behavior. The Iraq war demonstrated that liberal overreach could leave the nation exhausted, causing it to be distracted from other rising challenges. Indeed, during Bush's two years in office nuclear North Korea, resurgence of Russian authoritarianism and the emergence of China as a serious competitor were all corroding American dominance and left the liberal order increasingly contested (Brands 2016: 10, 11).

In 2002 the Congress of the United States stated the following in the legislation to support the trade negotiations given to president Bush:

"The expansion of international trade is vital to the national security of the United States. Trade is critical to the economic growth and strength of the United States and to its leadership in the world. Stable trading relationships promote security and prosperity. Trade agreements today serve the same purposes that security pacts played during the Cold War, binding nations together through a series of mutual rights and obligations. Leadership by the United States in international trade fosters open markets, democracy, and peace throughout the world." (Wolff 2018).

4.3.3 Proposition 3

This chapter leads us to understand that somewhere around 1970 the U.S. policy towards its allies turned from a largely tolerant support into a more interventionist one. This trend was clearly seen in the abandonment of the dollar-gold standard, sovereign loan conditionality, forward strategy for freedom, the Washington consensus, and the push for further deregulation of finance during Clinton and George W. Bush administrations.

Especially the Washington Consensus reflected this. The "there is no alternative" policy was a clear signal to everyone that the U.S. was in charge and in order to be a part of the economic growth that the liberal order had brought to its participants everyone needed to fall in line and give free access to U.S. capital flows. Interestingly, the U.S. used the same strategy as they did with the Marshall Aid after the war but linked monetary aid to liberal reforms, this time in the form of neoliberalism. This can be seen as a move to integrate the global south into the liberal world order and therefore into

Washington´s sphere of influence. The same kind of interventionist strategy was pushed by Clinton and Bush, once again linking financial deregulation into various trade and investment agreements. It is not an unfair proposition that for the U.S. the “free flow of capital” largely means free flow of *dollars*. As Kirshner (2013) stated, liberated finance has been used to maximize the comparative advantage of the U.S. and enhance its geopolitical influence. In other words, it can be seen as a tool to further the dollar hegemony.

Figure 3 shows how successful the push for liberating finance was. We have to remember that as was mentioned, the dollar hegemony caused the capital flows to move towards the U.S. Therefore, the bigger the global inflow, the more U.S. benefits.

All the mentioned policies further make it clear how institutions like the World Bank and IMF were directly influenced, if not exactly ran by the U.S. and how the U.S. was pursuing its hegemonic interests though these institutions, giving even further support for the argument that the U.S. hegemony was and still is largely institutional by nature. This is also underlined by the fact that when the U.S. has bypassed these institutions, it has alienated its allies, like Brands (2016) stated. It can be therefore argued that U.S. is at its most successful and strongest when it pursues its hegemonic interests through these institutions rather than unilaterally, as this keeps its actions legitimate in the eyes of its allies.

Like Norrlof (2018) already hinted at in the literature review, it is now clear that the role of the dollar, the sheer size of the American market and American military power all relate to each other in a mutually supportive way. However, this research argues that neoliberal globalization is also a part of that equation.

Indeed, the points presented in this chapter support the argument presented by Sheets (2006), that globalization indeed is a part of U.S. hegemony, created by that hegemony, and kept alive and pushed forward by the political and economic institutions of the liberal world order. The U.S. policies were clearly instrumental in shaping the neoliberal globalization and the country was not only actively promoting it: It was forcing it.

After the collapse of the Soviet Union the United States found itself in a world where it was the only remaining superpower, the sole hegemon. This clearly gave U.S. the confidence and the power to push globalization even further, integrating the concept into the social strata of the liberal world order and into the very character of its hegemony. With Washington Consensus they basically created post-liberal world order, or neoliberal world order. This has been a double-edged sword: At first it clearly made the U.S. more powerful in every sense than ever before. At the same time, it enabled the nation to act in a more unipolar manner, walking over its allies and pursuing its interest without their consent. These crude unipolar actions especially during the Bush administration were largely unpopular and unsupported by the allies of the U.S., which corroded the legitimacy of the U.S. hegemony in their eyes.

Proposition 3: Neoliberal globalization is a continuation of the U.S. hegemony and it has been actively promoted and forced by the U.S. through a set of different trade and investment policies.

4.4 Challenger of the Liberal World Order

The U.S. hegemony can now be seen to be in a relative decline. It has lost its “Two-War” military capability and China’s economy has surpassed that of America´s in purchasing power parity (Keay 2018).

President Obama was aware of this. He steered clear of a military intervention in Syria and oversaw the recovery from 2008 financial crisis. He maintained a broadly progressive agenda and fostered global security via Iranian nuclear disarmament and promoting free trade via the Trans Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) (Keay 2018).

The U.S. under President Trump turned away from many of its hegemonic “responsibilities”. Trump´s “America First” mantra signifies his administrations unilateral pursuit of US interests at the expense of the international system it helped create. President Trump has questioned the utility of NATO and WTO, withdrew from the Paris Climate Accord and the Iranian nuclear deal and has attacked the global economic integration that has been the foundation of the US foreign strategy by abandoning TPP and threatening TTIP. He has imposed trade tariffs and reshaped NAFTA (Keay 2018). In other words, free trade multilateralism was under direct attack of the Trump administration, which saw trade as a zero-sum game.

The US financing relationship with the Bretton Woods institutions can be seen from the budget and activities of the International Affairs division of the US Treasury. The US Treasury played the leading role in negotiating the details at Bretton Woods, and therefore Treasury´s "International Affairs" budget provides a useful measure of the scale and breadth of US engagement with the multinational institutions. As can be seen from Figure 4 below, the Trump administration took an unprecedented turn away from the Bretton Woods institutions, with both the lowest budget and lowest support for multilateral institutions and programs than any administration in the past 30 years (Morris 2018).

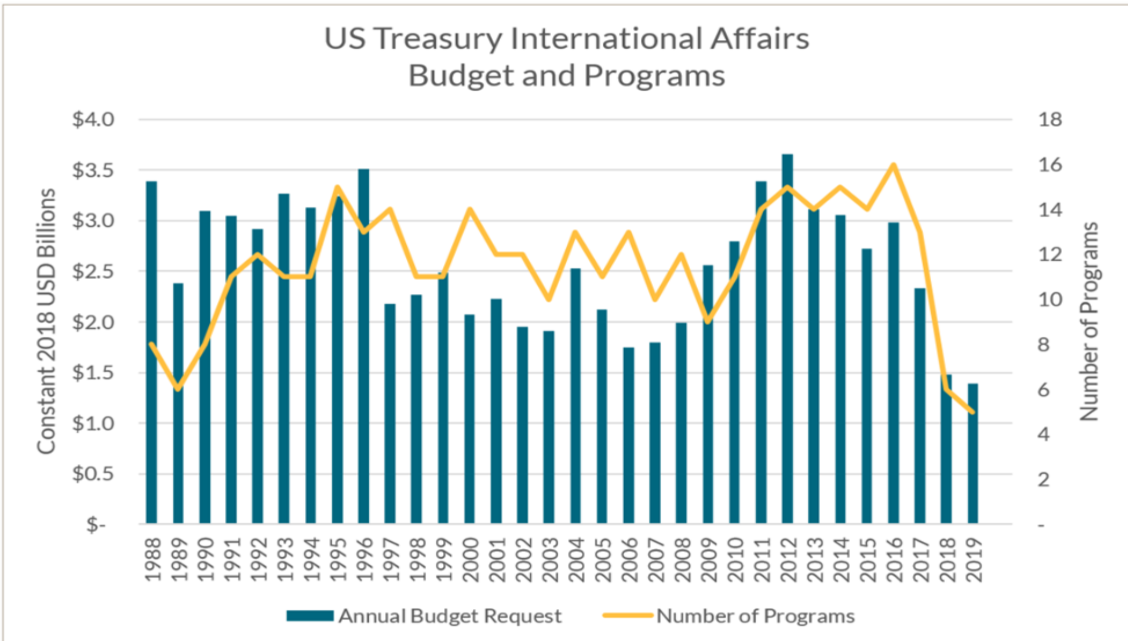

Figure 4 US Treasury International Affairs Budget and Programs (Morris 2018)

Shying away from the multilateral system could lead to the US not being present at the table to help shape multilateral strategies, standards and priorities on issues that implicate a wide range of US economic, security and foreign policy interest. US hegemony has long been leaning on the fact that it makes the rules. If the US turns its back to the multilateral system, someone else just might take that leadership position, directly harming the US hegemony status (Morris 2018).

Ironically, multilateral cooperation is hugely popular with the rest of the world today, particularly among rising economic powers. China has adopted the multilateral playbook in the creation of the Asian Infrastructure Investment Bank and in its journeys to other countries through the Belt and Road initiative, which seeks to pursue infrastructure development across Eurasia on a massive scale by attracting financing from a wide array of sources inside and outside of China (Morris 2018).

The new Biden administration intends to keep China in check, as he lately stated: “I see stiff competition with China. China has an overall goal, and I don’t criticize them for the goal, but they have an overall goal to become the leading country in the world, the wealthiest country in the world and the most powerful country in the world. That’s not going to happen on my watch, because United States is going to continue to grow and expand” (Leonard & Sink 2021).

It is understandable that the U.S. is worrying about China, as particularly China´s renminbi is posing a long-term threat the dollar´s dominance in the world. Beijing´s ever growing importance in global markets has many similarities with the economic rise of the U.S. that once paved way for dollar hegemony. China has indeed made the internationalization of the RMB its long-term priority, promoting its sphere of economic influence in an aggressive manner while pushing for foreign countries and companies to adopt its currency. China’s economic size and its presence at the very center of commodity markets enable the country to truly challenge the dollar hegemony, perhaps even making a future with multiple reserve currencies increasingly likely (Entz 2020).

4.4.1 Proposition Four

If we believe that the power of U.S hegemony leans on dollar hegemony, then the decline of U.S. hegemony needs to be addressed through that lens.

As discussed, the finance sector is the biggest investor into the U.S. political system. Donald Trump is largely tied to that world, as he comes from old money himself and made a name for himself as a real estate mogul. Indeed, his policies were largely supportive of the finance world. He did however shake the liberal order through his rhetoric and unilateral actions. This did most likely have negative effect on the acceptance and social strata of the U.S. allies. Therefore, the damage was largely done on the appearance and acceptance of U.S. in the social strata of its allies.

As we have already argued, U.S. hegemony is at its strongest when it operates through the institutions of the liberal world order. Figure 4 demonstrates how Trump largely ignored many of those institutions, and one only had to follow the news to recognize how Trump saw everything as a zero-sum game. As Keay (2018) stated, Trump ironically enough pursued U.S. interests seemingly at the expense of the system that the country had itself created. One must remember however that the Bush administration likewise acted in a largely unilateral manner, so this was more of a trend instead of a one-off thing. Like Beeson and Higgott (2006) stated, the idea that everyone inside the system should act in a multilateral manner has always been applied more to the junior partners than the U.S. itself. This way of thinking was clearly amplified after the collapse of the Soviet Union and presented itself more evidently in the 21st century.

It is however clear that in an ever-growing manner the United States has clearly been less willing to pay the disproportionate costs to supply the public goods inside the liberal order like Sheetz (2006) discussed, which was especially evident during the term of President Trump. Paradoxically the country still clearly wants to reap the disproportionate benefits.

Perhaps this need to act in a more unilateral manner comes from the fact that the U.S. has found itself in a world that is not as unipolar as it was after the collapse of the Soviet Union. Many challengers have risen to take on the U.S. hegemony, in many different forms, creating new spheres of influence. The Euro and the Chinese Renminbi have risen as currencies to challenge the dollar hegemony, while it is no secret that China's long-term plan is to be the next hegemonic power of the world in place of the U.S. Indeed, the United States now has to fight for hegemonic status that it once perhaps took for granted.

The big question is if the U.S will allow the rise of a multipolar currency regime, or hold on to the status-quo by any means necessary? The quote by Biden leads us to believe the latter. This poses a threat that the hegemonic hold of the U.S. will increase in the world and turn into a suffocating caress. As this paper has argued, this would be a risky road to take, as the more unipolar hegemonic pursuits of the U.S. have not been exactly its most successful endeavors, having alienated its liberal key allies.

For the hegemonic status of the United States to keep enjoying the acceptance of other states, and even the citizens of the country itself, perhaps it would be wise to stop and finally address the issues that have arisen from the neoliberal globalization that they have promoted, like Moon (2005) suggested.

Further, as was discussed by Ikenberry (2018) in the literature review, perhaps it would be once again beneficial to stop and ask: how large a geopolitical market space does the United States need to remain a global hegemon? And how far can it push the neoliberal order and globalization before reaching some kind of breaking point? The 2008 financial crisis most certainly had an impact on the acceptance on the system that relies on the dollar hegemony, as it laid bare its shortcomings.

However, as China has surpassed U.S. in purchasing power parity and keeps acting more aggressively geopolitically, while forming its own sphere of influence, it is most likely that the U.S. will keep pushing for an even larger geopolitical market space and keep pushing for further financial deregulation.

Domestically, with the ever-rising popularity of U.S. political figures like Donald Trump, Bernie Sanders, Elisabeth Warren and Alexandria Ocasio-Cortez, etc., who are all riding the wave of discontent towards the neoliberal system and its shortcomings in the U.S., it's clear some kind of change or breaking point is on its way. This gives ground to the arguments presented by Norrlof (2018) and Stokes (2018), that some form of redistributive social contracts could indeed have a positive impact on the perceived legitimacy of the U.S. hegemony. Then again, as Kirshner (2013) stated, the U.S. political system does not handle unfamiliarity very well, and as long as Washington stays linked to the financial sector is tightly as it has, one cannot help but be skeptical about any real change happening. On the other hand, as Charles A. Beard stated all those years ago, the foreign policy and international relations of the U.S. have classically been born out of *failures* of domestic economic policy.

To further provide structure to this claim is the fact that one of the long-term goals of China, arguably the biggest modern-day rival of the U.S., is to build a network of monetary institutions and to raise Renminbi to be the world's reserve currency, mirroring the hegemonic monetary structure that the U.S. has in place. This can be seen as China's long-term plan to free themselves from the "dollar hegemony". As it is no secret that China wants to be the new #1 superpower in the world, it tells a story of its own that challenging the dollar hegemony seems to be their chosen route to do just that.

It is however clear that the values and understanding of the U.S. hegemonic order are no longer as stable and unquestioned as they used to be. This paves the way for an argument that while the U.S. remains the most powerful country in the world with a leadership position, the legitimacy of its hegemony, and therefore its hegemony at large, is indeed in decline and challenged both internationally and domestically.

The Biden administration is still young, but the quote presented by the man himself indicates that his administration is going to do what the country has been doing since World War 2: Keep growing and expanding, while not allowing any real competition to usurp it from its throne.

Proposition 4: The hegemony of the United States is in a state of relative decline, or at least in a state of change, as the world is transitioning from a unipolar world towards a more multipolar one.

5 Conclusions and Discussion

This research was conducted to find out how the trade and investment policies of the United States of America are connected to its role as the world hegemon. The data analysis led us to understand that the trade and investment policies of the U.S. have grown to be so interconnected with the country's hegemon position, that one is merely a continuation of the other. The main argument of this paper is that the dollar hegemony is the core and enabler of the U.S. hegemony at large, as it enables the country to live beyond its means, maintain its global military presence, and impose its will internationally through the international banking system. Many of its trade and investment policies have been designed to further and maintain that status and access of the dollar, especially by linking conditions of structural readjustments to its trade deals and loans programs.

The United States laid the foundation for its modern hegemonic status after emerging from the Second World War as the most powerful country on the planet. At the Bretton Woods conference the country led the creation of the liberal world order and its key financial and monetary institutions. The integration of U.S. hegemony and its trade and investment policies already started at this conference and during the years of the Marshall Aid, as through the created monetary and financial institutions it linked loans and assistance to liberal free-market capitals reforms, integrating the recipients into the liberal world order and into Washington´s sphere of influence, while fighting off the Soviet influence. This same strategy of loan conditionality has been since used many times to further the access of U.S. capital and to integrate more and more countries under the same rules-based order.

After the war, U.S. policy towards its allies was largely tolerant in nature. Somewhere around the 70s this tolerant support took a more interventionist direction. The key to this was the abandonment of the gold standard in 1971. Along with this and policies like deflating its domestic economy and persuading Saudi Arabia to denominate the oil trade in dollars enabled the U.S. to build a more flexible monetary regime built on a system of floating exchange rates and liberated international finance. This system of pure dollar standard enhanced the U.S. power significantly and ever since the main outlet of U.S. power has been through financial and monetary means. These policies led to such a powerful dollar, that it became a key tool for the United States to further its hegemonic interests, foreign policy goals and influence around the world.

This paper therefore identifies the dollar hegemony as the foundation of the greater U.S. hegemony, as it blesses the country with basically unlimited spending power and has enabled the U.S to weaponize the dollar, allowing the country to impose its will internationally through the global banking system.

The years of Ronald Reagan saw the U.S. take on an even more aggressive interventionist tone, acting as a starting point for the modern neoliberal world and globalization. Alongside the Thatcher administration of the U.K. the U.S. pursued policies like the forward strategy for freedom and Washington Consensus, which saw the U.S. pushing neoliberal globalization into the global south, pushing transformation from state-led to market-oriented policies. The slogan of the Washington Consensus, “There Is No Alternative”, was a clear sign to all governments: Follow our policy recommendations or face slow growth and be denied any further assistance. Starting from the Reagan years, it has been evident that neoliberal globalization has acted as a continuation of the U.S. hegemony, and it has been actively promoted and even forced by the U.S.

What finally linked U.S. hegemony, its trade and investment policies irreplaceably together was the Washington Consensus. What started as a policy package for the Global South became the blueprint for the post-cold war neoliberal order, where national borders and sovereignty of nations were torn down to fully accommodate the liberated finance and market forces. The promotion and push for these neoliberal policies were largely linked to trade agreements and investment policies of the United States. The real aim behind these policies can only be guessed in the end, but considering everything we have learned about the dollar hegemony and the will of the U.S. to continuously push for always greater liberated finance, this tearing down of national sovereignty substituted with the unstoppable market forces can be seen to be another hegemonic pursuit by the U.S.

The Clinton administration continued on the path of aggressive promotion of neoliberal globalization by linking conditions of financial liberalization to trade agreements and tearing down regulation and supervision of the financial sector. This aggressive deregulation led to financial sector getting linked to the political process and to the rise of so-called Washington-Wall Street culture. During the Clinton years the negative aspects of neoliberal globalization were also becoming evident: While the U.S. was more and more globally competitive, lots of domestic production was moving outside of the U.S. The Bush administration carried on the same path, but its biggest legacy remains that of a unipolar overreach that resulted in a war in the Middle East that ended up alienating the key allies of the U.S.

The campaigns for liberated finance and neoliberal globalization both in the U.S. and around the world were designed to maximize the comparative advantage of the U.S. and further its geopolitical power. These policies were promoted by the IMF and the World Bank, underlining once again how the U.S. was using these institutions to further its will. This leads us to joining Beeson and Higgott in claiming that the hegemony of United States is indeed largely institutional in nature, as these points show how trade and investment policies of the U.S. and the conditions linked to them are largely supported and promoted by the likes of IMF, the World Bank and WTO and consequently how the U.S. imposes its will and molds the playing field to its liking internationally through these institutions. It is therefore clear that the U.S. poses significant institutional power as described by the IGI Global.

Considering the current state of the U.S. hegemony, this paper argues that the hegemony status of the United States is in a state of relative decline, or at least in a state of change, as the world is transitioning from a unipolar world towards a more multipolar one. While Donald Trump’s rhetoric and unilateralism was certainly damaging to U.S. hegemony, he stayed true to its financial roots, and posed no threat to the financial sector. It is therefore extremely short-sighted to blame solely him for this decline, as it stems from different, more deeply rooted challenges: The emerging multipolarity, the consequent challengers to the dollar, the unipolar actions of *various* U.S. administrations and the unwillingness of the U.S. to address the problems caused by the neoliberal globalization have all corroded the legitimacy of the U.S. hegemony in the eyes of the world.

Like Sheetz mentioned, linking his thoughts together with the analytical framework provided by Cox, the U.S. has however won the acceptance of the social strata of the other nations by supplying the public goods of global economic and financial order, free flow of capital, flexible exchange rates and international order based on sovereignty and human rights. Therefore, this paper argues that while its hegemony may be dependent on the dollar hegemony, it stays alive through the acceptance of other nations acting withing the liberal world order the country has created.

Despite the somewhat critical tone of this paper, it is well-documented that the rules-based order that the U.S. has created has largely been a very successful project, indeed creating peace and prosperity. The problems and negative implications of U.S. hegemony have risen from the overreach of the hegemon itself, and when it acts like those rules do not apply to the U.S. The rise of terrorism in the world also acts as a stark reminder of what hegemonic overreach can cause at its worst.

The large scope of this research was also its biggest limitation. This thesis engaged in a lot of contested, difficult, and large issues, that would require much deeper analysis to resolve than the scope of this thesis permitted. This further meant that many topics had to be streamlined to only include the essential information without deeper analysis or detail, while trying to make sure they still served in answering the research question.

This however paves way for further research: The Washington-Wall Street culture and its effects on U.S. hegemony and the country's overall policies should be studied further. How can the U.S., or anyone else for that matter, fix the problems created by unregulated finance and neoliberal globalization, when the U.S. political system is so heavily connected to the financial sector via the Washington-Wall Street culture? Is something like financial redistribution something that Wall Street even sees as beneficial to *them?* If not, do they even care about something like that?

Linked to this, the blowback that the neoliberal globalization has caused and its effects on the legitimacy of U.S. hegemony provides an interesting avenue for further research.

Especially as we consider its current domestic manifestations: The most popular politicians on both side of the isle are gaining momentum by positioning themselves against many of the neoliberal policies.

Let us conclude by looking into the crystal ball: if the overall hegemony status of the United States, as this thesis argues, is largely dependent on the dollar hegemony, then that is where we should be looking for its possible demise. It is evident that the country is not planning on letting go of its role as the provider of the reserve currency or its leadership role in the world any time soon. However, with China acting as both the biggest rival to the United States and its biggest debt-holder, it is more possible by the day that one way or another China with its rising economy and growing sphere of influence will play a crucial role when it comes to the future of the U.S. hegemony.

As connecting these dots required following clues like a detective, it is only fair to end this paper with the famous words of Sherlock Holmes. Because one thing is certain about the contested future of the U.S. hegemony:

The game is afoot.

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