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The hollow dollar?

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Abstract

This paper explores whether the US dollar's dominance in global finance – long a pillar of American geopolitical influence – is being quietly eroded. While the dollar remains the world's primary reserve currency, its centrality in international payments is increasingly contested. The weaponisation of the dollar, particularly through sanctions and the extraterritorial reach of the New York banking licence, has prompted strategic responses from states such as China, Russia, and India. These strategic responses include the development of alternative payment systems, local currency trade settlements, and digital infrastructure. The paper argues that a 'hollowing' of the dollar's infrastructural dominance is underway – (perhaps very) gradual, partial, but geopolitically significant. This shift may not end dollar supremacy, but it could fragment the global financial system, weaken US sanctions leverage, and diminish the centrality of New York and London as financial hubs. The implications for global order are subtle but potentially profound. A less dollar-dependent system may facilitate a more multipolar world yet diminish liberal democratic power.

The quiet architecture of global power

The international payments infrastructure is not the most obvious starting point for a discussion on shifting international orders. Geopolitical analysts invoke Metternich more than Mastercard. Yet there is good reason to begin with infrastructure. Just as the telegraph once served as a hidden scaffold for British imperial power (Kennedy 1971), today's international payments systems help underpin the projection of American influence. This paper focuses on the quiet architecture that enables visible displays of power. At its core is the US dollar–based payments system, a structure that has long served as both a conduit for commerce and a lever of geopolitical control (Prasad 2024). But that architecture is beginning to hollow. The implications of this shift, though subtle at first, may prove profound.

London, underpinned by the might of the British Empire and sterling's convertibility to gold, became the world's financial capital by the 19th century (Berend 2012, Ferguson 2001). This dominance began to wane after the First World War, as Britain's economic clout diminished and the US emerged as the world's largest creditor. The baton passed definitively after the Second World War, when the 1944 Bretton Woods agreement enshrined the US dollar as the linchpin of the global monetary system. With deep capital markets, a stable political system, and the Federal Reserve's global reach, the US built a dollar-based infrastructure that persists to this day, even if challenges to it are now rising (Eichengreen 2011).

The spotlight rarely falls onto the backstage machinery of infrastructure. This is a mistake. International infrastructure, and control or influence over it, is an aspect of power. Great powers that grasp infrastructural power can work to extend their power and influence, as China has done through the Belt and Road Initiative (Ho 2020). Yet analysts often overlook these foundations when it comes to the sub-reserve currency level of international financial architecture (Fishman 2025). Why? Because financial infrastructure is usually gradual, deeply technical, and does not make headlines unless it fails catastrophically. This neglect has consequences. When analysts ignore these systems, they miss how power is exercised. In a world increasingly defined by systemic interdependence – even (and perhaps especially) given the world of renewed tariffs and trade barriers under the second Trump administration – understanding financial infrastructure is essential.

Economic power is the foundation of political and military influence in the international system. It has long been viewed by scholars as the bedrock of great power status.

Economic power is the foundation of political and military influence in the international system. It has long been viewed by scholars as the bedrock of great power status. Paul Kennedy, in The Rise and Fall of the Great Powers, wrote that 'the strength of a nation's economy provides the foundation for its military and political power' (Kennedy 1987) and warned of the dangers of 'imperial overstretch' when military commitments outpace economic capacity. Susan Strange, in States and Markets, emphasised the structural power of states to shape global economic rules, arguing that control over finance and production is as crucial as military might (Strange 1988). Barry Buzan, in The United States and the Great Powers, explained how economic resilience underpins sustained geopolitical leadership (Buzan 2004). These works underscore a consensus that economic strength is not merely a component of power but its enduring core. International order and power may not reduce to economics, but they do depend on it.

Since 2010, both Vladimir Putin and Xi Jinping have increasingly framed the global financial system – particularly the dominance of the US dollar, the SWIFT network, and Western sanctions – as tools of geopolitical coercion. Their rhetoric has intensified since Russia's 2022 invasion of Ukraine, which triggered sweeping sanctions and the exclusion of major Russian banks from SWIFT. Putin has described these measures as 'illegitimate' and aimed at 'containing Russia's development', vowing to strengthen Russia's economic sovereignty in response (BBC News, 27 February 2022). He has long warned that cutting Russia off from SWIFT would be tantamount to a declaration of war, and since 2014 Moscow has accelerated the development of its own financial messaging system, SPFS, as a hedge against Western pressure.

Xi Jinping has echoed these concerns, particularly in the context of China's own vulnerability to US financial dominance. In response to the sanctions regime against Russia, Xi offered what was described as an 'energy lifeline', accelerating bilateral trade in yuan and supporting the use of China's Cross-Border Interbank Payment System (CIPS), a yuan-based alternative to SWIFT (Bicker 2024). Xi has repeatedly called for a 'fairer and more equitable' international financial system and has encouraged the use of local currencies in trade and investment, particularly among BRICS and Belt and Road partner countries. Both leaders have emphasised the need to 'resolutely oppose external interference' and to 'cultivate new momentum for cooperation', underscoring their shared ambition to build a multipolar financial order less dependent on Western institutions (Newsweek, February 8 2024). Domestic politics and the challenge of BRICS unity may play a part in slowing this ambition – as seen in Brazil when BRICS went from being 'one of the most important instruments in Dilma [Rousseff]'s diplomacy' to becoming more contingent after the 2016 political crisis (Silva 2022).

The powerful dollar

The US dollar's rise to global dominance began in 1944, when 44 Allied nations met at Bretton Woods and agreed to peg their currencies to the dollar, itself convertible to gold at $35 per ounce (Bordo et al 2019, Cesarano 2006). This made the dollar the anchor of the post-war financial system. America's post–Second World War economic strength, bolstered by its intact industrial base and vast gold reserves, reinforced this role. Even after the dollar's convertibility to gold ended in 1971, confidence in the US economy and a lack of alternatives sustained its supremacy. In the 1970s, a deal with Saudi Arabia and OPEC to price oil in dollars – the 'petrodollar' system – further entrenched global demand. The depth and liquidity of US financial markets, especially the Treasury market, have since made the dollar a preferred safe haven for investors and central banks.

Today, more than 60 per cent of global foreign exchange reserves are held in dollars, the world's primary reserve currency (International Monetary Fund, April 2025). The dollar's reach extends beyond reserves. It dominates global trade invoicing, even in transactions where the United States is not a party (Boz et al, 2020). The 'dominant currency paradigm' explains why the US dollar remains the primary invoicing currency in global trade, driven by pricing inertia and supply chain complementarities (Gopinath et al, 2020). From 2015 to 2025, the dollar's invoicing share stayed above 50 per cent globally, with even higher dominance in most regions. Commodities such as oil, gold, and wheat are routinely priced in dollars. These offshore dollars retain their utility precisely because they ultimately rely on US-based settlement infrastructure. The invoicing share of the US dollar is the marker to watch for changing trends in global payments. As tariffs rise and global supply chains potentially regionalise more, this could change. But a persistently dominant dollar may not be able to exercise the same coercive power through sanctions if viable non–US dollar payment alternatives grow.

The New York banking licence

It is a curious feature of the current global order that one ingredient underpinning it is a state – not even federal – licence issued by the state of New York.

The New York banking licence has become one of the most powerful tools in global finance, thanks to the central role of the US, and New York in particular, in international markets (Schenk & Mourlon-Druol 2016). Its influence stems from regulatory authority and the structural dominance of the US dollar (Amariles & Winkler 2018). This is especially evident in clearing, correspondent banking, and sanctions enforcement. New York rose as a financial hub in the 20th century when the US economy became the world's largest. The Federal Reserve Bank of New York plays a key role in managing dollar liquidity. Any bank operating in dollars at scale must access this system. Most dollar transactions clear through US institutions, particularly those with a New York licence. CHIPS and Fedwire, both based in New York, handle large-value payments (Gorton & Metrick 2013). Access is typically granted via a licence or a correspondent relationship. Correspondent banking allows foreign banks to maintain dollar liquidity through New York–based accounts, giving licensed banks significant leverage over global flows. The Federal Reserve Bank of New York maintains over 550 accounts for foreign central banks held by some 200 account holders and processes $4.3 trillion daily through Fedwire. The Clearing House Interbank Payments System (CHIPS) handles another $1.8 trillion daily in international dollar transactions.

The US Treasury, through the Office of Foreign Assets Control (OFAC), enforces sanctions. Because nearly all dollar transactions pass through New York, the US can assert jurisdiction even over non-US parties. This makes the licence a potent geopolitical instrument, as seen in high-profile enforcement cases. Holding a New York licence signals strong compliance with anti–money laundering, cybersecurity, and capital standards. It is a gateway to the global financial system, central to dollar clearing, correspondent banking, and US legal reach.

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The weaponised dollar

The United States has long used economic sanctions as a tool of foreign policy, but the central role of the New York banking licence has elevated these measures into one of the most powerful instruments of global financial control (McDowell 2023). It grants access to the US financial system, including CHIPS and Fedwire, which are critical for settling large-value dollar transactions. This access also subjects banks to US laws and regulations, including sanctions enforcement. This influence is made manifest by regulatory power, particularly OFAC (Drezner 2015; Özdamar & Shahin 2021).

The US has asserted that any transaction involving the US financial system, even momentarily, falls under its jurisdiction. This extraterritorial application of US law means that foreign banks can be penalised for processing dollar transactions that violate US sanctions, even if the transaction occurs entirely outside the US. This legal theory has been upheld in numerous enforcement actions. For example, if a European bank processes a payment for an Iranian entity and that payment clears through a New York bank, the US can impose penalties, even if the bank is not American and the transaction occurred abroad.

The September 11, 2001 terrorist attacks marked a turning point in US sanctions policy. The USA PATRIOT Act expanded the Department of the Treasury's powers to combat terrorism financing (Andreas 2005). OFAC's role grew significantly, and the US began using financial sanctions not just for geopolitical purposes but also to target terrorist networks, proliferators of weapons of mass destruction, and cybercriminals. The post-9/11 era also saw the rise of 'smart sanctions', targeted measures against individuals, companies, and sectors rather than entire countries. These sanctions often rely on the ability to freeze assets and block transactions through the US financial system, making access to New York's banking infrastructure a critical vulnerability for foreign actors.

High-profile cases illustrate the power of the New York banking licence and the extraterritorial reach of US sanctions (Rosenberg et al, 2016):

- BNP Paribas (2014): The French bank paid $8.9 billion in fines for processing transactions with Sudan, Iran, and Cuba in violation of US sanctions.
- Standard Chartered (2012, 2019): The UK-based bank was fined over $1.7 billion across multiple settlements for violating sanctions against Iran and other countries. The New York State Department of Financial Services (NYDFS) played a key role, threatening to revoke the bank's New York licence.
- Commerzbank (2015): The German bank paid $1.45 billion for sanctions violations and failures in anti–money laundering controls. The case highlighted how even indirect involvement in prohibited transactions could trigger US enforcement.
- Binance (2023): The cryptocurrency exchange settled for $4.3 billion with US authorities, including OFAC, for facilitating transactions with sanctioned entities and failing to implement adequate compliance controls (Ostroff 2024).

These cases demonstrate how the US uses access to the dollar and the New York banking system as leverage to enforce its foreign policy objectives globally.

Sanctions have become a central pillar of US foreign policy, used to pressure adversaries such as Iran, North Korea, Russia, and Venezuela. The ability to freeze assets, block transactions, and isolate entities from the global financial system gives the US immense influence. The

Russia sanctions following the 2022 invasion of Ukraine are a prime example. The US, in coordination with allies, imposed sweeping sanctions on Russian banks, oligarchs, and the central bank (Chachko & Heath 2022). These measures were effective largely because of the centrality of the dollar and the threat of losing access to the US financial system. The aggressive use of sanctions has led to a global compliance industry, with banks investing heavily in sanctions screening and transaction monitoring. Many institutions now 'over-comply' with US sanctions to avoid the risk of enforcement (Harrison 2019).

However, this has also sparked push-back. The European Union has criticised the extraterritorial application of US sanctions, particularly in cases like the Iran nuclear deal, where European companies were penalised for complying with EU policy.

The hollow dollar?

Recent geopolitical shifts, especially sanctions on Russia after its 2022 invasion of Ukraine, have accelerated a trend toward de-dollarisation. Countries such as China, India, and Russia are increasingly building alternative payment systems that bypass US financial infrastructure.

The West's response to the invasion marked a turning point. The US and allies froze over $300 billion of Russia's central bank reserves, cut major banks off from SWIFT, and blocked access to dollar clearing (Orru & Norman 2022). These actions showcased the dollar's reach – but also exposed how reliant non-Western states remain on US-centric systems. For Russia, it was a catalyst. What began after Crimea in 2014 became a full-scale effort to reduce dollar dependence and deepen ties with non-Western partners. By 2020, non-dollar currencies accounted for a growing share of global trade invoicing, particularly in regional trade, even as the US dollar remained the dominant invoicing currency overall with some 53% of global invoicing (Boz et al. 2020; Gopinath, Casas & Mehl 2020; European Central Bank 2021; Prasad 2024).

The move to non—dollar-denominated trade may prove consequential. This is the result of more non—US-anchored trade and services, as for example between China and India or the UAE and Russia. This is also happening in part because of the evident reach – even if it is imperfect – of US-led economic sanctions. There is a logic for Beijing, Moscow, and those that seek more economic autonomy to foster plural international payments systems (Falarti & Naqvi 2024).

China's Cross-Border Interbank Payment System (CIPS), launched in 2015, aims to internationalise the renminbi and reduce reliance on SWIFT (South China Morning Post, 2 May 2025). Unlike SWIFT, CIPS handles both messaging and clearing for cross-border RMB transactions. It has grown rapidly and by early 2025 had 170 direct and nearly 1,500 indirect participants across 119 countries, processing over RMB 175 trillion in 2024 (People's Bank of China, 2025). Though smaller than SWIFT, CIPS is increasingly integrated with global banks and uses ISO 20022 standards, making it a credible technical alternative for countries seeking to hedge (Bank for International Settlements, 2023a).

Russia's SPFS, developed in 2014, mimics SWIFT's core functions but operates independently. Initially limited and costly, it has matured. By 2018, it had over 400 participants, mostly domestic (Reuters, 17 March 2022). It now supports ISO 20022 and allows foreign banks to connect via service bureaus (Bank for International Settlements, 2023b). Though smaller in volume, SPFS is vital for maintaining financial links under sanctions and is used for trade with

China, India, and Iran (Reuters, 17 March 2022). It enables sanctioned Russian banks to bypass SWIFT and trade with sympathetic partners. As sanctions deepen, SPFS may become more vital to Russia.

Following the 2022 sanctions, Russia pushed harder to shield its economy from dollar dominance. It required 'unfriendly' countries to pay for gas in rubles, forcing European buyers to open ruble accounts with Gazprombank. This marked a real shift in energy trade architecture. At the same time, Russia expanded trade in yuan, rupees, and lira with China, India, and Türkiye.

China, seizing the moment, advanced its long-standing goal of renminbi internationalisation. CIPS adoption grew, especially among countries wary of US sanctions. China signed bilateral deals with Russia, Brazil, and Argentina to settle trade in yuan (South China Morning Post, 14 May 2025, Wong 2023). It also encouraged oil exporters such as Saudi Arabia and Iran to accept yuan, including via the Shanghai Petroleum and Natural Gas Exchange (Chen 2025). While the yuan still faces convertibility and capital market limitations, its role in regional trade is expanding.

India, traditionally dollar-reliant, has also diversified. In 2022, it introduced a rupee trade mechanism for countries under sanctions or facing dollar shortages (IMF 2024). This was evident in oil trade with Russia, where payments were made in rupees, held in Indian banks or converted. India also signed local currency settlement deals with the UAE (Government of India 2024) and Southeast Asian nations (South China Morning Post, 15 May 2024).

Together, these efforts reflect a shift toward currency multipolarity. BRICS is exploring a common settlement currency, while ASEAN and Gulf states are piloting non-dollar trade frameworks and digital currencies (The Economist, 24 August 2023).

The implications are significant. Jack Lew, then secretary of the US Treasury, presciently warned about this in March 2016 (Lew 2016). Systems like SPFS and CIPS, though still limited, are challenging SWIFT's dominance. Local clearing hubs for yuan, rupees, and rubles are emerging. Blockchain platforms and central bank digital currencies (CBDCs) are being tested for cross-border settlement, potentially bypassing traditional banking networks. If these innovations scale, they could fragment the global clearing system and reduce the centrality of financial hubs such as New York and London.

Alternatives face hurdles: capital controls, political risk, and limited convertibility. De-dollarisation is real, but gradual and partial, and not a wholesale replacement.

Yet, despite this momentum, the dollar (so far) remains entrenched. The US Treasury market is unmatched in depth and liquidity, and the dollar benefits from powerful network effects. Alternatives face hurdles: capital controls, political risk, and limited convertibility. De-dollarisation is real, but gradual and partial, and not a wholesale replacement.

The weaponisation of the dollar after Russia's invasion of Ukraine has accelerated financial fragmentation. Countries such as Russia, China, and India are building parallel systems to reduce exposure to US sanctions. While the dollar's dominance is unlikely to vanish soon, its unchallenged supremacy is eroding. The future likely belongs not to a single replacement currency but to a multipolar system where trade and finance are increasingly conducted in regional currencies, supported by alternative clearing systems and digital infrastructure, as well as the US dollar. This shift reflects both economic pragmatism and a broader geopolitical realignment.

Unintended consequences: risks for New York (and the City of London)

A weakening of the dollar's role in global payments could significantly affect New York – and, by extension, London – as financial centres. Both cities have long thrived not just on capital markets but on their centrality to the global payments infrastructure. If that system fragments, their dominance may no longer be assured. In 2023, Argentina expanded a currency swap line with China that led to a rapid surge of RMB invoicing to some 50 per cent, displacing the dollar at speed. This illustrates how fast changing trade invoicing could happen, particularly if stimulated by domestic or international crises (Benguria & Novy 2025).

New York's financial strength rests on the dollar's status as the world's reserve and transaction currency. It hosts the Federal Reserve Bank of New York, CHIPS, and most dollar-clearing institutions, making it vital to cross-border finance. But if more trade is settled in yuan, rupees, or euros, and if systems like China's CIPS or Russia's SPFS expand, fewer transactions will pass through New York. That means reduced demand for dollar liquidity, fewer correspondent relationships, and a diminished role for US banks.

London, as the dollar's offshore hub, also benefits from this system. It leads in dollar-denominated FX trading and clearing (The Economist, 5 October 2023). But if the dollar's pull weakens, London's transatlantic role may fade.

Regulatory overreach could hasten this. Aggressive sanctions and compliance demands tied to the New York licence have made foreign institutions wary. Some are already restructuring to reduce US exposure (McDowell 2024, Tooze 2022). If alternatives grow, New York may be bypassed. This outcome is not inevitable. The dollar remains dominant, and New York's ecosystem is deep. But if it loses its anchor role in global payments, New York itself will likely be affected as a financial centre.

Summary and implications

Countries such as China, India, and Russia have accelerated efforts to build alternative payment systems. Even allies have grown wary of the dollar's political strings. The result is a slow but steady weakening of the US grip on the plumbing of global finance.

The US dollar remains the beating heart of the global financial system. It is the currency of choice for trade, reserves, and debt issuance. Yet, its coercive power – the ability of the United States to weaponise the dollar through sanctions, control over payment systems, and the New York banking licence – is showing signs of erosion. And this is before any potential impact of blockchain or cryptocurrencies. This is not the end of dollar dominance, but it may be the beginning of a subtler, more plural financial order. The implications for the international system are profound.

For decades, the dollar's supremacy has allowed the US to project power far beyond its borders. The mere fact that most cross-border payments touch the US financial system has enabled Washington to enforce sanctions with extraterritorial reach. Banks and companies around the world have complied, not out of loyalty but out of necessity: to be cut off from the dollar is to be cut off from global commerce. The New York banking licence and access to dollar clearing became instruments of geopolitical leverage.

But this architecture is no longer unassailable. The sanctions imposed on Russia after its 2022 invasion of Ukraine – unprecedented in scope and coordination – have served as both a demonstration of US financial power and a warning to others. Countries such as China, India, and Russia have accelerated efforts to build alternative payment systems. Even allies have grown wary of the dollar's political strings. The result is a slow but steady weakening of the US grip on the plumbing of global finance. This shift does not mean the dollar is in decline. It remains the most trusted, liquid, and widely used currency in the world. But its role is becoming more transactional and less hegemonic. The threat of being cut off from the dollar is less terrifying when alternatives exist.

This has several implications. First, it loosens the ties of obligation that have long bound countries and companies to the US-led order. Sanctions will still bite but not disable firms from operating. This may embolden states to pursue policies that diverge from US preferences, knowing that the costs of defiance are lower (although the Trump Administration's coercive use of tariffs may off-set this). It also gives rise to a more fragmented global economy, where parallel systems coexist and compete, rather than converge.

Second, it marks a drift toward a more plural world. The US may remain the most powerful single actor, but it will increasingly operate in a system where power is distributed across multiple nodes. China's financial infrastructure, India's rupee trade mechanisms, and Russia's SPFS are not yet rivals to the dollar system – but they are functional alternatives. As these systems mature, they will offer countries a choice, and with choice comes leverage.

Third, it changes the calculus for multinational firms. For decades, global companies have structured their compliance, risk, and treasury operations around the dollar. Now, they must navigate a more complex landscape. The need to 'de-risk' from US sanctions is no longer just a concern for rogue states – it is a strategic consideration for firms operating in contested regions or sectors. This may lead to the rise of financial 'non-alignment', where companies hedge their exposure to any one jurisdiction's rules.

In short, the world is not de-dollarising in the sense of abandoning the greenback. But it is de-risking from it. The infrastructure of global finance is becoming more diversified, more regional, and more politically insulated. This is not a revolution but an evolution reflecting the realities of multipolarity. The dollar will remain first among currencies, but no longer the only one that matters. And that has real consequences for the broader global system.

Orders tend to evolve gradually – until they do not. The shift to a 'hollow dollar' system is already in motion. This transformation is unlikely to dethrone the dollar as the world's principal reserve currency, though other forces – not least America's chronic reliance on fiscal excess – may have a negative effect. The immediate risk lies in the erosion of dollar-based payments and the global dependence on US-centric financial infrastructure. If this trend is sustained, it could have broader consequences: a diminished role for New York as a global financial hub, potential reverberations for the City of London, and a weakening of Washington's ability to wield financial regulation as a tool of geopolitical influence. While choices made in India and China matter, Europe may prove key. If in the future Europeans decide to de-risk from dollarised payments systems, the network effects of a shift could accelerate.

So what?

Apex policymakers frequently focus on the immediate utility of their decisions, rarely pausing to consider the long-term or unintended consequences (Evans 2024). Nowhere is this more evident than in the weaponisation of the US dollar. Sanctions multiplied, and the dollar's centrality to global finance gave them reach. Yet the scale of this reach has sown the seeds of a strategic backlash.

Rather than triggering wholesale economic decoupling – China, for instance, remains deeply enmeshed in trade with the United States – sanctions have prompted a subtler shift: a de-risking from the US-led financial infrastructure. Countries targeted or threatened by sanctions are seeking alternatives to SWIFT, the dollar, and the Western-dominated clearing systems. The result is a slow but discernible erosion of the dollar's infrastructural dominance. Optionality for other states undermines US power, even if alternative options remain under-utilised.

This raises four pressing questions for Washington and close partners:

Can this trend be halted or slowed?
Outright reversal seems improbable. But mitigation may be possible: greater restraint in the use of sanctions. The overuse of economic coercion risks diminishing its potency and encouraging the very fragmentation it seeks to prevent. Deploying sanctions more selectively, and with greater multilateral backing, might preserve their strategic utility while slowing the drift toward alternative systems. Meanwhile the use of alternative forms of US economic coercion – tariffs and trade access, as the Trump administration is doing – may in the short-term shore up American dominance. However, similar risks of excessive coercion triggering further medium-term mitigations by other states – not just rivals – may apply.

How might this shift accelerate and at what cost?
If emerging payment infrastructures, particularly those built on digital rails, prove cheaper and more efficient, the exodus from Western systems could quicken. This would threaten the revenues of US and British financial institutions that dominate global clearing and settlement. A decline in payment flows through New York and London could, in turn, reduce their gravitational pull in global capital markets, potentially leading to a more fragmented and regionalised financial order.

What does this mean for the future of the dollar in a deglobalising world?
As globalisation retreats and protectionism rises, the world may coalesce into competing financial blocs. A 'hollow dollar' scenario, where the currency remains widely used but less relied upon in payments infrastructure, could emerge. In such a world, Chinese, Indian, Russian, and European systems may anchor distinct spheres of influence, each with its own rules, risks, and (in time) reserve assets.

Has the 'golden' age of sanctions already passed?
The period from 2001 to 2025 may come to be seen as the high-water mark of economic sanctions. As alternatives proliferate and the costs of compliance rise, the deterrent power of sanctions could wane. Even multilateral regimes, such as those under the UN, may struggle to exert the same influence in a world where financial flows are no longer routed through a single dominant system overseen by a permanent member of the Security Council. It remains to be seen whether the use of tariffs and market access as a foreign policy tool will have the same effect.

The dollar is not about to be dethroned. But its grip is loosening. As rivals build parallel infrastructures and settle trade in alternative currencies, the architecture of American financial power is being quietly reconfigured. The question for the 2030s is not whether the dollar still leads, but whether others must still follow. A hollow dollar may not end US dominance, but it could mark the end of its monopoly on financial leverage. And if the world no longer clears through New York, Washington may find that influence, like liquidity, is harder to summon on demand.

The dollar is not about to be dethroned. But its grip is loosening.

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