

THE FINANCIAL CRISIS AND THE DOLLAR HEGEMONY

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Introduction

The 70's brought several changes to the world economy. Besides the oil price shocks, which caused a strong economic disorganization, the abandonment of the dollar-gold standard created an even higher destabilizing potential (Block, 1977). During this period, given the size and importance of the U.S. economy, the dollar became the key currency of the non-official new monetary standard that followed the decline of Bretton Woods' arrangements, becoming a global store of value and a source of financial markets' international liquidity (Morgan, 2009). The adoption of the flexible dollar standard gave the United States the power to determine the terms of economic performance in the global economy, mainly through variations in capital flows (Serrano, 2003). Commercial and financial transactions have a reference in the U.S. dollar, which has implications for the very maintenance of the hegemonic position of the U.S. Fiori (1999) shows the complex relationships between state rivalry, currency and wealth. Following along the same line, Vasudevan (2009b) argues that the floating dollar standard represents the reversal of a central aspect of imperialism, inasmuch as hegemony is exercised by capital absorption, instead of capital exports. Despite the expected reactions inside the competition and inter-capitalist rivalry system, such as the creation of the Euro in 1999, and many obstacles faced by the U.S. economy and the dollar, their respective positions within the world hierarchy remained solid, at least until the outbreak of the financial crisis in 2007.

This paper discusses in which ways this crisis represents a turning point that accelerates the pre-existing antagonistic trends regarding the dollar's role as an international reserve. The growing literature about the subject points to the existence of two perspectives: those which argue in defense of the maintenance of U.S. hegemony and the current status of the dollar, and those which point to a decline in hegemony and the emergence of potential substitutes or challengers for the next years. The article analyses these questions without intending to exhaust them.

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After this introduction, the rise and hegemony of the U.S. dollar in the world economy are considered. After that, the impact of the financial crisis on the functioning of global financial and monetary markets is discussed. The next section discusses the possibility of disruptions in this hegemonic standard and the potential decline of the dollar's role. Then some considerations are made regarding the impacts of the dollar's destiny on developing countries. The final part concludes, emphasizing the aspects that point to a slow decline of U.S. hegemony in the world economy and to the growing contestation of the flexible dollar standard.

Rise, resilience and hegemony of the U.S. dollar

Fred Block (1977) discusses the evolution of the international monetary system emphasizing the relationship among the national states, with a polarization between Europe, especially Great Britain, and the United States. Between the end of the XIXth century and beginning of the XXth century, the gold- standard created a relatively stable international monetary order. This order was replaced by the gold-dollar standard following the Bretton Woods agreement in the post-World War II period, marking the end of the British hegemony and the rise of the U.S. world hegemony. By the 1970s this order was destroyed by the growing U.S. external deficits, opening up a period of consolidation of US dominance. The dollar converted itself into the international reserve currency, conferring a large advantage and a source of power to the U.S. economy.

On the other hand, the transition of a fixed but adjustable exchange rate regime to a fluctuating exchange rate regime turned the currency markets and the international credit markets more volatile. The financial markets' answer followed, with the creation of derivative instruments, whose transactions take place mostly in U.S. dollars. At the same time, the growing importance of markets and financial instruments under U.S. control translated into a mismatch between the real and the financial economy, contributing to an increase in speculation on a global scale and enhancing financial fragility (Le Monde Diplomatique, 2011, Sweezy, 1987). For example, there was a rapid increase in derivative instruments in comparison with the world gross domestic product, especially in the 1980s. This and other innovations contributed to increase global financial vulnerability and fragility, with repercussions on the dollar's role as world reference of value and liquidity given that the dollar represents a safe haven during instability periods.

Morgan (2009) discusses several reasons for the resilience of the American dollar as an international reserve despite frequent turbulences in financial markets. This robustness can be explained, among other causes, by the capacity of this currency to mitigate the several types of risk which the global economy faces, besides the role performed by U.S. multinational corporations in using dollar in its global transactions. Periods of crisis are followed by capital flows to the dollar and other investments denominated in the U.S. currency. The search for international liquidity in dollars, in turn, requires dollars to flow out of the US in the form of current account deficits with the rest of the world. And the advantage of emitting the international reserve currency allows the US to keep chronic imbalances in the balance of payments. At the same time, this mechanism illustrates a new financial dimension of imperialism. The classic authors that developed this concept gave emphasis to capital exports as an instrument of expansion for the imperialist countries. Vasudevan (2009b) points to a recent reversion of this tendency, especially by the US need to finance its internal and external deficits. Morgan (op. cit.) also discusses the advantages of this system to the US, as first shown by Serrano, such as the capacity of determining a country's debts interest rates, the possibility of depreciating foreign debts by means of reducing the dollar's value compared to other currencies, and fluctuations in commodities prices, which are set in dollars. Therefore, other countries would have an incentive on maintaining the dollar at a high value, and the more trade and investments took place in dollars, the greater the pressure of buying dollars and avoiding the depreciation of the American currency would be, in a vicious circle that would weaken US' adversaries and strengthen its position (Hudson, 2010).

Obviously, the monetary and financial aspects are not the only ones to sustain the U.S. dominance. Visentini (2004) discusses the recent proposal of the Free Trade Area of the Americas (ALCA) as one of the US instruments of domination mechanisms. Teixeira (1999) describes the role of military conflicts, both internal (Civil War) and external (World Wars I and II), as part of the progressive process of construction and consolidation of U.S. hegemony, mainly through the mobilization of the enormous productive potentials of the country. However, the monetary and financial aspects seem to play a more central role for U.S. power. Thereby, in an argument similar to Fiori's (1999), Hudson (2003) emphasizes the monetary imperialism as one of the foundations for U.S. domination. The author considers the international institutions, especially the International Monetary Fund, as instruments of the dollar's hegemony. For example, loans denominated in this currency reflect the US' privileged position on the management and governance of this institution. But the U.S. monetary imperialism, according to the author, does not take place, in the post-war period, just as a dollar-standard, centered on

currency, but as a securities-standard of the U.S. treasury, focusing on the budget deficits caused by military expenditures. Tavares and Melin (1997) argue along the same line when proposing the concept of a financial dollar as different from the monetary dollar. According to Hudson, between 1964 and 1968, the US financed wars with resources of other countries. They induced bankruptcies in other states between 1968 and 1970, and caused monetary crises from 1970 to 1972, partially due to the growing current accounts deficits. In the new century, the old strategy of benign neglect, where the hegemonic power imposes the costs of adjusting to its own imbalances to other countries, was adopted again. The deficits tend to depreciate the dollar and damage world exports to the US. About 60% of international reserves are kept in dollars or assets (bought, sold, and paid) in dollars. Countries with dollars then recycle them by buying US Treasury Bonds, reinforcing the vicious circle.

This pattern suggests a reduced sensibility of the role of the dollar to big disturbances in the international monetary and financial order, mainly because of mechanisms that self-reinforce and feedback. This resilience, however, may have been changed by the intensity of this current crisis, discussed in the next section.

The financial crisis and the role of dollar

The financial crisis of large proportions that began in 2007, and its repercussions in several markets, is comparable only to the Great Depression of the 30's (Allen and Moessner, 2011 and Moessner and Allen, 2010). Due to the functioning mechanisms of the flexible dollar standard, and the transition of the monetary dollar to the financial dollar, the currency and derivatives markets are strongly connected. Baba and Packer (2009) and Baba and Shim (2011) suggest the financial crisis created turbulences and displacements on the currency swap market, an intrinsically fragile and volatile derivative markets, able to quickly transmit imbalances to traded assets on spot markets. The deepening of the economic crisis was avoided by cooperation between central banks, using swaps or transferences, with the United States Federal Reserve accepting payment flows in Euro and other currencies and other central banks receiving payments in dollars (Allen and Moessner, 2010). The use of these instruments by central banks again reinforces and legitimates the functioning mechanisms of deregulated and instable financial markets, strengthening the dollar's role in world economy.

Even if the current crisis has significant differences with the event that defined capitalism in the 20th century, and some adjustments have been made by

central banks and governments, which temporarily avoided a similar collapse, there is some pressure on the currency and financial global market. The main role played by the dollar in the global financial markets became clear again during the financial crisis in 2007. McGuire and Von Peter (2009) discuss the scarcity of dollars at the international banking market, showing the enormous dependency of financial markets and of the global economy on U.S. dollars. On the other hand, financial transactions have great sensibility to changes in the value of the U.S. currency, which may challenge the dollar's hegemonic role. In other words, since the dollar is the main source of liquidity of these markets, the lack of this currency may lead to a full rupture on the functioning of these markets. But the very maintenance of this asymmetry reinforces the problems that led to the crises, and its resolution may radically change the dollar's role on the world economy.

Maybe even more important, the financial crisis has shattered both neoliberalism as an ideological regime informing national economic policies and the world financial system that was sustained and expanded based on the adoption of these measures. Any attempts to keep the U.S. hegemony sustained by this ideology and by the global operation of large U.S. – and to a lower scale, European – financial institutions will face great difficulties. Especially due to the fact that countries from the capitalist periphery today have conditions to operate with relative autonomy from the center. But in which sense the financial crisis represents a transition to a world order where the dollar and the U.S. economy would play a different, or a less important role?

Continuity and rupture of U.S. hegemony

Tavares (1997) and Tavares and Melin (1997) discuss the resumption and reaffirmation of U.S. hegemony. The authors do not focus on the US' political and economic power, even though the strong dollar diplomacy has played an important role in the 1980's, focusing instead on the country's capacity to shape political and economic options in other countries. For instance, the neoliberal policies, imposed as the only policy option, created the conditions necessary to avoid the German and Japanese challenges and the rise of a polycentric world. They also allowed the creation of a new international division of labor based on the internationalization of U.S. capital. However, the authors do not consider China's rise and the destabilizing potential of those arrangements, especially regarding the possibility of challenges to the dollar's role due to the harshness of the of 2007 crisis.

It has been argued that the financial imbalances reflect structural problems in the U.S. economy (Morgan, *op. cit.* and Vasuvedan, 2009a). In this sense, the crisis simply accelerates the decline and does not represent a cyclical imbalance decoupled from the deep structural problems on the U.S. economy, such as growing debt, external and internal deficits, inequality, and loss of its manufacturing base, which lead to the vicious circle mentioned above. If the crisis reflects asymmetries among countries because of the way the world economy is structured, its solution, whatever it might be, does not essentially change the asymmetric structural economic and financial relationships among nations and the single world power. Particularly regarding the dollar, when the world economic system collapses the international reserve currency is questioned because of this asymmetry between creditors and debtors (The Economic Times, 2012). This raises a question about the possible existence of some independency between the monetary standard and the dollar's role in the international economy, on the one hand, and U.S. economic power on the other hand. It would be important, by means of an exercise of financial history, to compare the decline of the pound sterling in world markets with the decline of English economic hegemony. Whatever the speed of decline might be, if it is a possibility, the changes on the world economic structure must necessarily conduct to a transformation on the dollar's role.

Since Tavares' and Melin's studies advanced the discussion until the mid-1990, it would be important to understand how the crisis might represent an imbalance that does not put at risk the U.S. hegemony and the dollar's role. Here the reference is Fiori's study (2008). He argues that the collapse of U.S. power is a myth. The US dominates and controls the global economy, monetary regime, financial system, technology, communications, and has military power. According to Fiori, the world system finds itself in continuous expansion in terms of incorporating new national states in the power kernel, intensifying the imperialist competition among the US, China and Russia, but creating interdependencies that unify the countries on the dominant center of the world economy. Fiori considers the role of China and postulates the possible fusion between Chinese and U.S. finance capital. There is even a possibility of creating regional powers centered on India, Brazil, Iran and South Africa. Fiori rejects the existence of hegemonic cycles, where a State replaces another in the irradiation of capitalist dynamism. The world-system expands continuously, generating episodes of crisis, war, economic slowdown, but also stability, peace and growth. Crisis, like war, is managed by the successful expansion of the hegemonic power, with the incorporation of new economic world powers.

If 'collapse' is defined as an abrupt crisis, indeed the end of the U.S. hegemony would be unlikely. However, a slower and gradual decline could be a possibility. The central power may be challenged, reducing the hegemony, but keeping the position in the hard core of global economy, that declines slowly. The control of the economy, politics, and military force also characterizes other countries' hegemonies in other periods, for example England in the 20th century, Spain and Portugal in the 17th century. And all these empires lost strength and were replaced by a new power. In the same way, World War II reduced German and Japanese power, and intensified that of the US and their allies, without giving back to England and the pound sterling the privilege of world hegemony. There was not a balanced expansion of the power center, and Europe's growth and recovery happened in a way subordinated to the US, especially via the Marshall Plan. The publication date of Fiori's studies suggests that the full effects of the crisis and its impacts had not yet been felt. The crisis in this case may also reinforce the growing dynamism of Chinese economy. The fusion of national capitals discussed by Fiori could only happen under U.S. leadership, given the explicit veto to Chinese acquisition of US' strategic assets. China would hardly accept a subordinated position, as the US finds itself weakened and China has surplus resources. The fusion of Asian capitals and the creation of an Eastern financial conglomerate, which could support the economic expansion of China and the Four Asian Tigers without depending on the American veto, would be more likely. Fiori's perspective is wide and does not focus on the specific role of the dollar. It is perhaps implicit that the maintenance of U.S. dominance, even if transformed by interstate competition, must be reflected on the maintenance of the dollar as the international reserve currency.

Stephen Cohen and Brad DeLong (2009) raise doubts about the validity of the skepticism regarding the loss of supremacy by the U.S. They argue, as Teixeira (op. cit.), that the Second World War was instrumental in accomplishing U.S. goals. The U.S. government tried to weaken Great Britain's role and only after that entered the conflict and supplied aid to the allies. By the end of the conflict, the US had the money and Great Britain did not. The loans made by the U.S. to rebuild Europe had to be repaid in dollars. The U.S. money helped to solidify a neoliberal doctrine as the U.S. model, subtly influencing the behavior of other nations and reducing the necessity of using military force. The cultural domination was funded with the economic strength and the control of the international currency. Nowadays the situation is reversed, and other countries have the money, which will lead to the end of the American influence, as it existed before the crisis.

According to the authors, in the current situation the U.S. still maintains a relatively privileged position from an economic, financial, technological, commercial

and military point of view. But the situation of financial hardship will continue because of high public and private debt. Foreign investors keep buying new assets in the US, but the debt securities are held by Asian governments, especially sovereign wealth funds: China with US\$ 2.5 trillions, Japan with US\$ 1 trillion and Taiwan, Hong Kong, Singapore and South Korea with US\$ 700 billion. The assets considered strategic, such as natural, energetic and mineral resources remain blocked to investors from other countries, especially China. These reserves in assets tied to the dollar could alter the balance of power in Asia's favor. However, the authors note that each significant alteration in the exchange rate will affect the value of the assets and also the trade balance among countries, creating an interdependency. In the same way, neoliberalism became discredited and there is more space for industrial policy of the type followed by Asian countries.

Morgan (2009) discusses the vulnerabilities associated with the flexible dollar standard due to the US' economic structure and to the relationships between the US and China. Added to the financial instability derived from the U.S. economy itself, more unequal and more productive, with the difference being paid in the form of debt, these vulnerabilities tend to contribute to a confidence crisis and to the dollar's power loss. Morgan notes the American dollar has seen a long period of depreciation. The growing U.S. debt is seen by Morgan as a source of vulnerability, besides the increasing dependency on imports and on China as a source of funds. China has the second largest holding of U.S. public debt bonds, and the largest stock of dollars as international reserve. There are conflicts about commercial relations, geo-strategic problems about energetic sources, the Yuan's depreciated exchange rate and questions over China's own economic and social stability. The possibility of channeling funds for the development of a robust financial market in Asia has not been discarded, according to the author.

Thus, Cohen and Delong's and Morgan's arguments point to a change on the U.S. hegemony and on the dollar's role in the world economy. Following a different view, Teixeira (op. cit.), writing before the crisis, argued that a possible weakening of the US does not necessarily lead to the formation of a new international order or a new hegemonic cyclical center, but instead to instability and crisis. The author considers the possibility of a fourth stage in the resumption of hegemony, as the hike in interest rates by the end of the 70's extended the American dominance due to the appreciation of the dollar and the financial imbalances it caused to the other developed countries. However, Teixeira recognizes that the imbalances of the 60's and 70's weakened the country's foreign position and that there was only a temporary strengthening in the 80's and 90's.

Giovanni Arrighi (1999) advances another argument that explains the decline of the dollar and of the U.S. economy. In his interpretation, history suggests the existence of systemic cycles of accumulation, where national states take a leadership role in conducting the global economy from a hegemonic center. The cycle has an ascending stage characterized by the expansion of production and a declining stage where finances become dominant. The cycle explains the succession of hegemonic powers in the global economy: Netherlands, Great Britain, US and Asia. In other words, the decline of the U.S. hegemonic cycle, after a period of productive expansion, would go through a financial crisis at the same time as a new center arises in an ascending stage of material expansion of its production. China's rise as a dynamic center of the global economy and the challenges to the U.S. dominance after the 2007 crisis strengthened Arrighi's arguments, even if history does not have a pattern of regular and linear repetition as precise as the one suggested by his interpretation. And the recent Chinese pressure to substitute the dollar as an international reserve is another aspect to be considered.

The impacts on the countries of the South

The empirical evidence about production and trade patterns suggests that the dynamic center of the world economy seems to be moving increasingly towards Asia, despite the relative Japanese economic stagnation. The economies of the countries of the South are still more dynamic, highlighting the relative stagnation of advanced countries, even if financial instability in the center has had real repercussions in the periphery. For example, the Brazilian economy shrunk in 2009 and the rhythm of growth in the periphery as a whole has diminished. However, from a geo-strategic point of view, Fiori (2008) argues that the crisis will intensify competition between Brazil and the US in South America. Another factor that suggests a relative weakening of the American position is the growing rejection, by many peripheral countries, of the adjustment programs of the IMF and the World Bank.²

An additional change happened to global capital flows. According to Vasudevan (2009a), there were three waves of private capital flows to developing countries: in the 1960's with the growing of the Euromarkets and the recycling of petrodollars, until the debt crisis in 1980. The second one happened under the neoliberal reforms of liberalization and deregulation in the 1990's, until the Asian crisis in 1997-98, and the third one took place on the period that began in 2002. On the first two waves, capital flows were compatible with net capital outflows from the

² But unlike what happened in the immediate post-War with respect to debtor countries, primarily peripheral, a similar adjustment, with contraction and austerity, was not required of the US.

US, maintaining international liquidity, but exporting fragilities and crises to the periphery (95 crises in total), at the same time that the dollar's hegemonic role was preserved when the crisis imposed the dollar as a safe haven. In the last wave there was the recycling of trade surpluses from the peripheral countries, helping to create the speculative bubble and the mortgage crisis in the US. The crisis changed the direction of flows and completed the third wave. In this regard, Herrmann and Mihaljek (2010) showed a reduction of the flow of bank loans to less developed countries during the international financial crisis.

The evidences suggest that the conflict with China will redefine the post-crisis world economic order and the role of the dollar as an instrument of U.S. hegemony. The main challenge for the dollar's hegemony comes from China, followed by Russia (NYT, 2009). The opposition is justified due to the fragility of international monetary arrangements and the possibility of a substantial depreciation of the dollar caused by the US' large external deficits. The president of the Chinese central bank defends the creation of a new international reserve currency. The country defends the adoption of special drawing rights (SDR) managed by the International Monetary Fund. There is already a discussion on the possibility of the Yuan replacing the dollar (The Economic Times, 2012). The reason presented is that on the current configuration the system presents several fragilities and a tendency towards imbalance, creating systemic risks. Indeed, the quantity of financial crisis of various types has accelerated in the last decades. On the other hand, the problem with IMF's management is that this institution is not necessarily neutral, but a reflex of the structure and hierarchy of the world's largest economic and military power, according to Hudson (op. cit.). Negotiations to create the fund reflected the American rise and the British decline in world economy. Reforming the governance of international institutions in the sense of adding more participation and representation of less developed countries would be a necessary step for the reduction of U.S. influence and China having a more important role.

The adjustment of the global economy has challenges that reflect the current power hierarchy. Rescuing Keynes' original idea that both creditor countries and debtor countries should adjust, with creditor countries reducing foreign dependency and turning inwards and debtor countries reducing debt, demands a balance of political and economic power that does not currently exist. However, inasmuch as these institutions are spaces of conflict and contestation, the financial crisis may facilitate the process of reform and strengthening of multilateralism beyond rhetoric. Similarly, special drawing rights are calculated based on the value of the U.S. dollar, the euro, the pound sterling and the yen, i.e. they reflect the value of currencies from countries in the center of power. A possible dollar drain would have strong

implications to financing the U.S. economy, both for the public and private sectors, and any measure implemented in this sense will be an additional component in the acceleration of the decline of the hegemonic power. (The Guardian, 2010). In the same way, the recycling of the dollars bought by China in the US assets market might have contributed to the speculative bubble, following a pattern experienced by other recent crises (Vasudevan, 2009a). Hence, the crisis also reflects the Chinese expansion, leading to doubts about Fiori's argument that the crisis is fully managed by the hegemonic power.

This suggests that the global economy cannot relinquish the U.S. deficits, but it cannot also adjust without bigger problems, since the adjustment would require a reduction of Chinese surpluses, which, from an accounting point of view, requires deficits in other parts of the world, paving the way for the so-called "renewed Bretton Woods" agreement. Protectionist measures may be an answer, in the same way as the Smoot-Hawley law raised tariffs to defend the American domestic production in the beginning of the Great Depression in the 1930's. And even the appreciation of the Chinese currency would not have a very a strong impact on the U.S. economy, given the industrial decline produced by three decades of neoliberalism. Still, according to Hudson (2010) the appreciation of the Yuan does not solve the problem of the high debt of the main economies, especially the US, which is at the origin of the other countries' monetary fragility. The same is true for the structural problems of the U.S. economy, derived from financing military expenditures and capital outflows due to the low domestic remuneration in normal times. Besides, argues Hudson, the Chinese trade balance would only respond to massive dollar depreciations. Other answers include extending Chinese domestic credit, with the risk of creating speculative bubbles, buying foreign assets abroad, which faces nationalist restrictions, or buying foreign assets from China. Hudson defends the last option as a defense against possible protectionist strategies and the prohibitions of Chinese acquisitions of assets considered strategic in US. But Hudson also argues that accumulation of reserves in China results not only from trade surpluses, but also from speculative inflows to appreciate the Yuan and devalue assets in foreign currency, with the difference being pocketed by the speculators. Again, financial predominance reinforces the centrality of the dollar, but in a dialectical way and with signs of growing dissatisfaction with the *status quo*.

The journal *The Economic Times* (2012) reports the existence of inertia in the maintenance of the dollar due to the massive use of this currency as an instrument for international transactions or even as a unit of account used in international contracts. This inertia would prevent replacing the US currency in the short-term. As an answer, a currency war followed the rapid cooperation during the most severe

period of crisis (Financial Times, 2010). The currency war was the answer, until that moment, to solve the problems derived from the crisis and the imbalances generated by the power asymmetry on the global economy. Central banks of the US, Japan and Great Britain adopt measures of quantitative easing, with monetary expansions that depreciate national currencies. These measures do not face the structural problems and keep the main conundrum: the power asymmetry that keeps the dollar as international reserve by imbalances and growing financial crises, but that at the same time suggest a gradual weakening of the dollar's power inasmuch as imbalances disrupt the U.S. economy and a new dynamic center is strengthened in Asia.

Conclusion

The possible decline of the dollar, slow and gradual, because of the loss of dynamism by the U.S. economy and several financial imbalances derived from it, inform on a slow reconfiguration of world's economic structure. The rise of China and the dynamism of some peripheral economies, together with the decline of U.S. power point in the direction of multilateralism in economic relations and changes in the structure of global governance. The possible existence of systemic cycles of accumulation suggests that eventually dynamic centers of the global economy will be replaced, after a cycle where the financial crisis plays a role on the loss of hegemony of the dominant power. The current financial crisis, even though reinforcing the dollar's role as an international reserve, may represent a turning point, accelerating the transition to a systemic cycle of Asian hegemony, where the ascending cycle of material production happens in an accelerated manner. The dollar seems to be challenged again, and the challenge is based on a strong material expansion that reflects a rapid accumulation of financial power, until the moment resting on the dominant currency. There are evidences that, in fact, there is a loss of influence and a gradual process of reduction of U.S. power, simultaneously with the rise of China. These two aspects, based on a severe financial crisis, suggest a structural change on the global economy. As the financial rupture accelerates the transition, but still does not represent an economic crisis of larger proportions such as the Great Depression, but instead with a succession of crises on several degrees of severity, the loss of hegemony happens in a slow and gradual way. This allows raising doubts about the loss of the U.S. hegemony in the short and medium terms, but settling more and more the doubts about its occurrence in the long run.

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ABSTRACT

This paper discusses the US dollar hegemony in the world economy. The discussion is carried out in three steps. First, the paper analyses the evolution of the US dollar in the world economy, emphasizing its resilience in the context of frequent financial crises. Second, the work discusses and compares the perspectives that trust the US dollar's continuing role as an international reserve to those that assume a likely decline of both the dollar and the US economy after the 2007 financial crash. Finally, the article seeks to raise a few potential consequences of the continuing hegemony or declining of the dollar for the peripheral countries.

KEYWORDS

US dollar; Hegemony; Crisis; Periphery;