

***King Dollar: The Past and Future of the World's Dominant Currency* by Paul Blustein. Yale University Press, 2025. 320 pages.**

A Review by Michael Wakin, University of Oxford

In 1971, following the Nixon administration's decision to summarily close the gold convertibility window and dismantle the Bretton Wood's system of global fixed exchange rates, Charles Kindleberger, the influential economic historian, pronounced: "The dollar is finished as international money." Decades later, as the financial crisis originating in the U.S. housing market nearly toppled the global economy, former German finance minister Peer Steinbrück proclaimed in 2008: "The United States will lose its superpower status in the world financial system." After the United States unleashed its unprecedented financial warfare campaign against Russia following its invasion of Ukraine in 2022, a *Foreign Affairs* article predicted such sanctions would "deprive the United States of the very power that makes sanctions so devastating." As reconstructed in Paul Blustein's *King Dollar: The Past and Future of the World's Dominant Currency*, the chorus singing the inevitable demise of the dollar as the international currency of choice has proven unfounded. Blustein concludes that the United States remains the undisputed financial hegemon of the world.

King Dollar argues that the dollar is here to stay as the primary form of global money – i.e., as the leading global reserve currency for central banks, medium of exchange for cross border trade, and unit of account for invoicing. Dollar supremacy is sustained, first, by structural features of the U.S. economy – most notably its sophisticated, deep, and liquid financial markets – and, second, by a dearth of alternative currencies that can legitimately rival the dollar on the international stage. Blustein contends that it is only the U.S. itself that has the capacity to dethrone the dollar, either through recklessness or zealous unilateralism in wielding the tremendous power that dollar supremacy confers. Blustein posits that as long as the dollar maintains its pre-eminence in international trade and finance, the U.S. has an obligation to wield its financial heft with responsibility. For policymakers, this admonition translates into an acknowledgement that extreme dollar weaponization will further incentive foreign governments to circumvent the dollar system. They must also consider that U.S. financial sanctions can prove destructive for the livelihoods of vulnerable populations in targeted countries, damage diplomatic relations, and engender reciprocal financial consequences. Furthermore, dollar dominance endows the U.S. with the singular capacity to stabilize the global economy amidst crisis as demonstrated by the Federal Reserve's extensive campaign to pump dollar liquidity to central banks around the world during both 2008 Global Financial Crisis and the 2020 COVID-19 pandemic. Shading *King Dollar* is an underlying belief that "the United States has historically been the closest thing to a benevolent hegemon that the world has," informing Blustein's conclusion that, given the lack of current alternatives, the sustainment of dollar hegemony is ultimately desirable. (231)

King Dollar's strength lies in its ability to fit decades of political economy history into a readable, coherent narrative that challenges revisionist or apocryphal thinking around dollar dominance. Blustein, who has worked as an economic journalist for the *Washington Post* and *Wall Street Journal*,

brings accessible prose to oft tedious topics, such as the intricacies of rolling out central bank digital currencies (CBDCs) to global trade imbalances of the early 2000s. Chapters 2 and 3 offer a brisk jog through U.S. monetary history spanning the late 18th century to the collapse of the Bretton Woods system in 1971, followed by a chronicling of the hurdles and triumphs of dollar dominance in the period that followed. Chapter 4 documents the threats and ultimate failures of four alternative currencies – the Euro, Yen, Special Drawing Rights (SDRs), and Renminbi. Chapter 5 and 6 detail a history of sanctions as a form of economic statecraft and the role of the dollar in financial sanctions, with a particular focus on the post-September 11 environment which witnessed the rise of the U.S. Department of the Treasury as the primary instrument of the country's financial weaponization. Chapter 7 and 8 dive into the threat, or lack thereof, posed by digital assets – cryptocurrencies, stablecoins, Facebook's Libra, and CBDCs – to dollar dominance, most notably assessing the potential internationalization of the e-CNY, China's central bank digital currency. Chapters 9 and 10 spotlight two recent events that capture both the ubiquity and resilience of the global dollar: the COVID-induced market collapse in 2020 which again required the Federal Reserve to step in as the international lender of last resort (ILOLR) and the unparalleled financial sanctions against Russia in 2022. In particular, the freezing of central bank reserves, which failed to generate initial catastrophic effects on Russia's economy as predicted by many.

A noteworthy theme that runs throughout *King Dollar* is the question of whether continued dollar dominance is actually beneficial to the United States. Not everyone agrees it is. Michael Pettis and Matthew Klein in *Trade Wars are Class Wars* make the case that the dollar's global status is not an "exorbitant privilege" but an "exorbitant burden." In short, given the leading role of dollar, the United States is the end point for much of the world's excess capital and manufacturing goods, which, the authors contend, contributed to the bursting of the housing bubble in 2008 and the hollowing out of the country's industrial and manufacturing base. Relatedly, former Fed chairman Ben Bernanke has argued that the dollar dominance's economic benefits for Americans are negligible when observing that the United States' borrowing costs are no lower than other wealthy industrialized economies. While acknowledging these arguments, Blustein emphasizes the scope of the benefits to the United States carries beyond the economic realm and extends to the country's national security apparatus through the long arm of financial sanctions. Perhaps the better question is not whether dollar dominance is overall beneficial to the United States, but rather for whom do such benefits confer to. Another consideration brought to the fore by Blustein are the consequences of dollar dominance for the rest of the world. In addition to the continued reality that banks from around the globe must inevitably route their dollar transactions through New York and thus placing them under the jurisdiction of the U.S. government, the implications of dollar hegemony can be acute and at times devastating. Particularly poignant for low-and-middle-income countries, shifts in Fed interest rate policy, which in turn affects the value of the dollar vis-à-vis other currencies, can lead to wide fluctuations in prices for critical imports, which are often priced in dollars, as well as result in surges of servicing costs for sovereign debt borrowed in dollars. More abstractly, as the global financial crises of 2008 and 2020 demonstrated, the Fed serves the function as the final backstop for the world economy. Many countries are thus left with the tenuous prospect that they will likely be reliant on international bailouts amidst the next global crisis from a central bank with no legal mandate to operate beyond U.S. borders.

Finally, while Blustein consciously circumscribes his analysis narrowly, *King Dollar* risks obscuring the realized and unrealized contributions of Global South countries to past and present global monetary orders. One is reminded of Eric Helleiner's *Forgotten Foundations of Bretton Woods* which uncovers the important, yet often overlooked history of voices from the Global South in shaping the Bretton Woods negotiations. Delegations from Latin America in particular played a prominent role in strengthening the World Bank's development mandate and pushing the IMF towards more generous relief for commodity exporting countries. Similarly, Stefan Eich's *The Currency of Politics* stresses the deeply political nature of international monetary regimes. One such example was the rise of the New International Economic Order (NIEO) following the collapse of the Bretton Woods system, which consisted of a set of principles advocated by recently decolonized and developing nations that sought to create a more equitable international economic order. Adherents to the NIEO were acutely aware of the disproportionate power that dollar dominance conferred to the United States and "called for a wholesale, democratic reform of the international monetary constitution" (Eich, p. 192). Ultimately, while *King Dollar* convincingly catalogues the durability of dollar dominance and its likelihood of remaining atop the global monetary hierarchy, the account reveals a more fundamental question that extends beyond Blustein's scope: who benefits from this arrangement, and at what costs for the rest of the world to bear?