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2021-22 IPPF Topic Primer

Resolved: On balance, the hegemony of the United States dollar is detrimental to the world economy.

By Christina Phillips

Director of Debate, Notre Dame High School (Sherman Oaks, CA)

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Introduction

When he served as the French Minister of Economy and Finance from 1962-1966 under President Charles de Gaulle, Valéry Giscard d'Estaing used the phrase “exorbitant privilege” to describe the gains the United States received for issuing the largest reserve currency. While France balked at this privilege, other countries were grateful for a relatively safe asset like the U.S. dollar. Since the end of World War II, the United States dollar (USD) has become the lingua franca of global economics. Acting as an intermediary affords the United States certain privileges while also imposing financial burdens on the U.S. public and various sectors of the world economy, such as emerging markets.

This motion asks students to explore the nature of USD hegemony and its effects on the world economy.

Hegemony of the U.S. Dollar

In international relations, hegemony is "the dominant or preponderant position of one state over others in the international system" (Beeson). This preponderance is constituted in the "twin propositions of overwhelming power (capabilities) and the exercise of leadership" (Schmidt). To maintain hegemony, a country must provide "international leadership by one political subject, be it the state or a 'historical bloc' of particular social groupings, whereby the reproduction of dominance involves the enrollment of other, weaker, less powerful parties (states/classes) constituted by varying degrees of consensus, persuasion and, consequently, political legitimacy" (Saull). There are varying theories of how hegemonic influence works: some more focused on domination (Clark) and others more focused on leadership (Agnew, Keohane). In general, dominance plays out as "sticks" to induce consensus like military force or economic sanctions, whereas leadership requires more subtle tools or "carrots" of persuasion like diplomatic assistance or international aid.

The 2021-22 IPPF motion refers to the *hegemony of the U.S. dollar*, thereby identifying American currency as a quintessential tool of U.S. power. To say that the dollar is hegemonic is to imply that its position in the global economy commands a continual surplus of resources and is a critical tool of U.S. influence abroad. However, the debater's job is not to prove that the dollar is a tool of U.S. power, but to prove that its use as a major tool in global economics is problematic or not. Because the dollar is merely a contrivance of power, not a country, the motion asks you to examine whether its dominance has created a U.S.-led economic order that is overall detrimental to the world economy. A team should examine both the historical roots of USD hegemony, e.g., how its creation affected the world economy, and its current uses to determine if it is detrimental or not.

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Past

Dollar hegemony may have several starting points, but the primary catalyst for dollar dominance today was a meeting in Bretton Woods, New Hampshire, in July 1944. At this meeting, "forty-four countries constituting the Allies fighting the Axis powers constructed a blueprint for the post-World War II international monetary system" (Hetzel). The countries met to rebuild the world after World War II, but also wanted to engineer a system that would avoid competitive devaluations, which had occurred between the United States and Britain to worsen the Great Depression (Ghizoni, "Creation"). **Competitive devaluations**, aka "beggar-thy-neighbor" currency wars, occur when a country devalues its "currency to make its economy more competitive in international trade [by making its exports cheaper and its imports more expensive], rather than to correct an ongoing disequilibrium in the exchange rate" (Competitive).

The **Bretton Woods System** was operational starting in 1958 as countries removed exchange controls and shifted to current-account transactions (Hertzel; Chen, "Bretton"). This system was intended to "mimic the working of the gold standard: With member countries pegging their currencies to the dollar and the United States pegging the value of the dollar to gold at $35 per ounce, [and] gold outflows from the U.S. would require contractionary monetary policy" (Hertzel). To **peg** a currency, "a national government sets a specific fixed exchange rate for its currency with a foreign currency or a basket of currencies…[which] stabilizes the exchange rate between countries" (Banton). Since it "had accumulated most of the world's monetary gold reserves" (Hertzel) and was the only major economy not decimated by World War II, the United States was the most stable global power at the time; therefore, it was best equipped to become a global reserve currency. A **reserve currency or anchor currency** is "a large quantity of currency maintained by central banks and other major financial institutions to prepare for investments, transactions, and international debt obligations, or to influence their domestic exchange rate" (Chen, "Reserve"). These reserves fluctuate as various economic opportunities and stressors occur to cause investors from around the world to choose different denominations as their reserves.

Additionally, this system resulted in the creation of two important liberal economic institutions:

- The **International Monetary Fund (IMF)**, which would "monitor exchange rates and lend reserve currencies to nations with balance-of-payments deficits" (Ghizoni, "Creation"); and,
- The International Bank for Reconstruction and Development, aka the **World Bank Group**, which would provide "financial assistance for the reconstruction after World War II and the economic development of less developed countries" (Ghizoni, "Creation").

These institutions are tasked with maintaining the stability of foreign exchange and trade throughout the world.

The Bretton Woods System remained in place until 1971 when “persistent U.S. balance-of-payments deficits led to foreign-held dollars exceeding the U.S. gold stock, implying that the United States could not fulfill its obligation to redeem dollars for gold at the official price” (Ghizoni, “Creation”). The United States was suffering from the **Triffin dilemma**, “when a country issues a global reserve currency because of its global importance…however, [it is destabilized] …when the country is persistently running current account deficits” as well as mounting unemployment and growing inflation (Ghizoni, “Nixon”). To resolve these structural issues, Nixon and his advisers devised a new economic policy that would (1) close the gold window, preventing foreign governments from exchanging dollars for gold, and (2) put a “90-day freeze on wages and prices to check inflation” (Ghizoni, “Nixon”; “Nixon”). Nixon’s global announcement on August 15, 1971, decoupled the U.S. dollar from the gold standard and established it as a **fiat currency**, where “government-issued currency…is not backed by a physical commodity, such as gold or silver, but rather by the government that issued it” (Chen, “Fiat”).

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Present

The USD was the anchor currency for 62% of the foreign exchange markets transactions during the first quarter of 2020 (Siripurapu). Under the Post-Bretton Woods system, it has remained the most widely used reserve currency for several reasons.

First, the U.S. central bank, the **Federal Reserve**, aka The Fed, helps the dollar maintain a relatively stable value. Created in 1913 by the Federal Reserve Act, the Fed is responsible for stabilizing monetary policy while simultaneously pursuing full employment. It primarily creates this balance by adjusting the federal funds rate, the basis for U.S. interest rates, to "expand or contract the money supply as needed" (Folger). It has remained a "highly credible independent central bank" (Sobel).

Second, strong U.S. financial markets can make large international transactions. The U.S. has unparalleled liquidity and a depth of capital markets that can handle these large monetary exchanges (Kirchner). In particular, the "U.S. treasury market is…the most liquid financial market in the world…[So] foreign investors undertake transactions and concentrate their holdings there…, [which] in turn lends it additional liquidity" (Eichengreen).

Third, winners win. The USD has significant network effects. Because "fiat money derives value from others using it" (He and Yu), anchor currencies may remain relatively dominant for a long time due to the larger network of countries using it as a reserve currency.

The hegemony of the U.S. dollar remains contingent on the U.S. maintaining sound Fed monetary policy, ensuring continued market depth, and continuing broad international buy-in.

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Future

What factors will affect the future of U.S. dollar hegemony? Foreign investors track several data points to determine the relative health of the U.S. economy. These data points include:

- **The Balance of Trade report (BOT)** – This report indicates the rate of imports and exports in the U.S. and whether the U.S. trade deficit is increasing or decreasing (Smith). Trade deficits indicate there may be a higher demand for foreign currency because there is a higher demand for foreign goods. Also, if the U.S. share of the world economy declines and its debt becomes too large, then countries may not feel as safe pegging their currency to the USD.
- **Nonfarm Payroll Employment Report** – This report tracks what jobs are added and lost overall. If jobs are being added at a healthy pace, then interest rates will move higher, making the U.S. dollar more attractive to foreign investors (Smith).
- **Gross Domestic Product (GDP)** – The GDP is the "monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time" (Callen).
- **Retail Sales** – The Retail Sales report measures the aggregate sales of retail goods in the U.S. (Smith).
- **Industrial Production** – These figures measure the "raw volume of goods produced by industrial firms such as factories, mines and electric utilities" (Smith).
- **Foreign Exchange Market**, aka the forex, currency trading market, or FX. Participants use this system to buy, sell, and exchange currencies (Mitchell). Businesses use this market when they are buying products from other countries and "more than $5 trillion are traded on average every day" (Forex). The data from this market can indicate whether foreign investors are trending away or toward using the USD (*Currency*). For example, while the value of the dollar remained stable, the levels of USD in global reserves declined to its lowest point in 25 years during the fourth quarter of 2020, which "indicates that central banks have indeed been shifting gradually away from the U.S. dollar" (Arslanalp and Simpson-Bell).

Additionally, other socio-political and economic factors may affect foreign investors' perceptions of the USD as a "safe asset":

- **Inflation** – U.S. dollar use may decline if its inflation rates get out of control. However, high inflation often causes interest rates to rise in the U.S., which can attract more foreign investors.
- **Rate of economic sanctions** – If the U.S. uses financial sanctions too often against the majority international will, then it may incentivize other countries to

reduce their use of the USD to avoid becoming beholden to U.S. geopolitical maneuverings (Eichengreen, "The Dollar").

- **Technological innovation** – Innovation in digital currencies may revolutionize how countries complete transactions in the future. A **central bank digital currency (CBDC)** is "virtual money backed and issued by a central bank" (Central). To compete with other currencies, the U.S. must create its own digital currency. However, its attempts are under considerable scrutiny. **Stablecoins**, such as Tether (USDT) or USD Coin (USDC), are backed by the U.S. dollar. As a result, they are perceived as more stable than cryptocurrencies. However, they lack a clear administrative framework and regulators are "increasingly concerned about transparency in the trading of stablecoins, the reserves backing them and how much market participants rely on them to enable trading in decentralized finance" (Eichengreen, "The Stablecoin"; Macheel).

While all these factors are used to assess whether countries and foreign investors will continue to use the U.S. dollar as a reserve currency in the future, for now the USD is still "sticky." In other words, its relative virtues to other currencies make it resistant to immediate and quick change. The dollar will most likely remain the primary reserve currency for several years (Norrlof; Reeves).

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Defining the World Economy

The world economy, synonymous with the global economy or worldwide economy, is "all the economies of the world…together as one economic system" (Global Economy - Definition). It is a "system of industry and trade around the world that…developed as the result of globalization" (Global Economy). The world economy is healthy when it is meeting the needs of the global populations.

Students may choose to evaluate the health of the world economy according to the growth of the global GDP in absolute or relative terms. In absolute terms, students would assess whether U.S. dollar dominance fuels overall GDP growth. In relative terms, students would evaluate U.S. dollar dominance effects on different sectors of the world economy to derive its conclusions.

Beyond the traditional measure of GDP, students may choose to examine why people seek economic growth as a means rather than as an end in and of itself. Organizations like the World Economic Forum and economists like Professor Kate Raworth at Oxford University propose evaluating the stability of the world economy according to measures of life expectancy and qualities such as the:

- Rate of "good jobs,"
- Health and well-being of people,
- Sustainability of the environment, and
- Fairness of its systems to distribute wealth equitably (Raworth, "Doughnut"; Raworth, "A healthy"; Wallis).

A student using these measures would explain how U.S. dollar dominance undermines or enhances the quality of life for overall populations or for specific sectors of the world.

Separately, the Affirmative should primarily explain the disadvantages of U.S. dollar hegemony on the world economy, not why another currency or currencies are better for the world economy. Having said that, the Affirmative should be aware of the possible alternatives to U.S. dollar hegemony because the Negative may choose to prove that USD dominance is relatively benign compared to its alternatives, making U.S. dollar hegemony *on balance* not detrimental.

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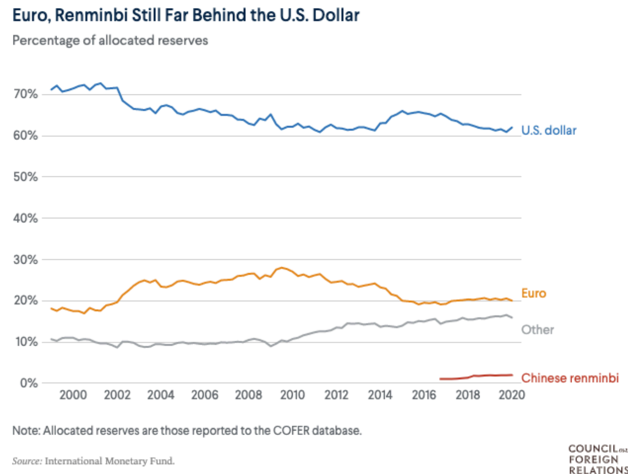
Currency Multipolarity

The dollar is the most dominant reserve currency, but it is not the only one.



The IMF has granted **Special Drawing Rights (SDR)** status to four other currencies besides the U.S. dollar: Chinese yuan/renminbi, the euro, the British pound sterling, and Japanese yen (Special). All these currencies meet the two criteria for being included in this basket of currencies: (1) the export criterion – being an IMF member and one of the top five world exporters, and (2) the freely usable criterion – being widely used as payments and widely traded in the FX.

Currency use is zero-sum. As USD use fades, there will be a rise in the other currencies and vice versa. There may not be a single dominant currency for many years, but instead a relatively equitable increase in several currencies at once as the U.S. dollar market share declines (Eichengreen). Convergence will most likely be gradual as other economies grow in market share and leadership over several years and/or as the United States' power declines (Norrlof).

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Euro

The euro is the next most broadly used reserve currency. It accounts for roughly 20% of the global foreign exchange reserves because the European Union (EU) “rivals the United States in economic size, exports more, and boasts a strong central bank and robust financial markets” (Siripurapu). However, the EU lacks “a common Treasury and a unified European bond market,” which “limits its attractiveness as a reserve currency” (Siripurapu).

After the 2008 financial crisis, USD-denominated transactions grew steadily while the euro receded (Maggiori et al. 521). Factors like Brexit and the comparably high liquidity of U.S. markets may have swayed more foreign investors toward denominating their traded bonds in the dollar instead of the euro (Maggiori et al. 521).

The EU is looking to improve its role as a reserve currency. For example, while the world tangles with COVID, economists such as Barry Eichengreen and Daniel Gros see opportunities for the European Central Bank to strengthen the role of the euro by issuing its own certificates of deposit; thereby increasing the global supply of safe assets (34). These assets are particularly attractive to emerging economies during a period of economic stress. Making them available now would diversify the source of safe assets that are predominantly controlled by the U.S.

Additionally, the EU is developing a **digital euro**. However, it is farther behind China and the United States with predictions that it will be functional by 2025 (Jones). Such a move “would support Europe’s drive towards continued innovation…by providing an alternative to foreign payment providers for fast and efficient payments in Europe and beyond” (Report).

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<u>Renminbi</u>

While it is behind other currencies currently, the most likely single contender to supplant the USD in the long term is the Chinese **yuan (CNY)** or **renminbi (RMB)** (*RMB tracker*). There is a slight difference between the CNY and RMB: "while renminbi is the official currency of China where it acts as a medium of exchange, the yuan is the unit of account of the country's economic and financial system" (Majaski).

China currently has the incentive and is poised to have the means to replace the USD. First, the incentive: China's economy is larger than the U.S. economy, surpassing America in 2014 and continuing to grow faster than both the U.S. and Europe (Rogoff). Additionally, internationalizing the yuan would increase its use and potentially "lessen the response of floating exchange rates to asymmetric trade shocks" (Bénassy-Quéré and Forouheshfar).

Second, the means: China is making moves to internationalize its currency (Stuenkel). In 2015, the IMF declared that the Chinese currency was no longer undervalued relative to the USD and added the renminbi to its list of major currencies that determine the value of the SDR (*IMF*; Rogoff). China started offering renminbi bonds to foreign investors to make its currency fully accessible. It is also moving toward an effective digital currency, the **digital yuan**, quicker than other global powers like the U.S., UK and EU (Rogoff). China already successfully tested its digital currency in a pilot program in Suzhou City in eastern China (Broby; China; *Progress*). As a digital form of the regular Chinese currency, it obviates the need for intermediaries like the western-backed SWIFT system. Some analysts argue that the development of the e-CNY is detrimental to the U.S. dollar (Poenisch), while others disagree (Sobel). These efforts are part of a Chinese upgrade project to move away from pegging the yuan/renminbi to a basket of currencies and instead to adopt a modern inflation-targeting regime (Rogoff).

However, several analysts argue that China is not pushing for the RMB to replace the USD in international markets, but instead wants to maintain growth alongside it and other large countries (Fan and Quianlin).

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Defining Detrimental

The motion asks students to examine whether U.S. dollar dominance is detrimental to the world economy. According to the Cambridge Dictionary, detrimental means "causing harm or damage" ("Detrimental"). The Affirmative must prove that the USD causes overall harm while the Negative must prove it does not. Ultimately, how one identifies "detrimental" will be specific to the different clash points a team decides to focus on in their paper. For example, an Affirmative team may focus on the detrimental effects of USD hegemony to emerging economies by examining how economic fluctuations make these economies less resilient and cause their people to suffer. Or, a Negative team may focus on how a stable USD generates absolute GDP growth to improve the lives of millions in order to disprove overall detriment to the world economy.

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Areas of Clash: Domination vs. Leadership

The following section highlights areas for exploration to determine if U.S. dollar hegemony is in fact detrimental. Students may explore any of these concepts but should not be expected to write about all of them in a single paper. Furthermore, this exploration of clash points in the literature is not necessarily exhaustive, leaving room for students to deepen their own research throughout the year.

U.S. Primacy and the LIO

Central Questions: Does USD hegemony sustain U.S. primacy? If so, is U.S. primacy desirable to the world economy?

There is a chicken and egg debate here: does U.S. unipolarity lead to U.S. dollar hegemony or does U.S. dollar hegemony create the necessary conditions for U.S. unipolarity? Either way, dollar hegemony and the United States' ability to project its power abroad are symbiotic.

This then begs the question of whether maintaining U.S. global power is desirable or not for the world economy.

Daniel Deudney and G. John Ikenberry argue that the U.S. should sustain its role as a leader in the liberal international order (LIO). Even after the significant retreat of the U.S. from global power over the last five years, they believe the LIO is resilient enough to sustain this period of retraction if institutions such as North Atlantic Treaty Organization (NATO), World Trade Organizaton (WTO), IMF, and the World Bank continue to function properly.

However, the resilience of liberal norms may be undermined by China's increasing use of economic tools like aid and loans to emerging markets. For example,

> several studies suggest that although Chinese funds have fueled development in many countries, they also have stoked blatant corruption and habits of regime patronage. In countries emerging from war, such as Nepal, Sri Lanka, Sudan, and South Sudan, Chinese development and reconstruction aid flowed to victorious governments, insulating them from international pressure to accommodate their domestic foes and adopt more liberal models of peacemaking and reconciliation. (Cooley and Nexon)

These economic tools may increase the international use of the RMB, reducing key USD markets. Such zero-sum shifts can turn the tide against the dollar. For example, a dramatic shift in Asian markets could cause USD dominance to fall, forcing it to converge with other reserve currencies (Eichengreen and Gros 34).

However, there are also several authors who argue that the U.S. should not try to maintain its role as a global leader (Walt). Attempting to maintain this leadership role may cause further overstretch of U.S. resources. Additionally, USD dominance itself may fuel political polarization that further destabilizes the United States. As the U.S. share of the global economy shrinks, American workers are strained as unemployment rises or wages shrink, which then fuels populism and calls for protectionism (Tilford and Kundnani).

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Geopolitical Blackmail or Keeping the Peace

Central Questions: Does USD dominance increase American economic, political, and military interventions abroad? If so, are such interventions good or bad for the world economy?

USD hegemony grants the U.S. economic power to enforce its geopolitical agenda in several ways.

First, USD dominance gives the U.S. enough clout to enforce economic sanctions (Eichengreen, "Exorbitant"). U.S. payment clearinghouses and messaging systems that conduct all transactions in U.S. dollars like SWIFT and CHIPS are central to facilitating international trade. If a country or company is denied access to these systems, it can greatly harm their ability to conduct foreign transactions. For example, in 2005, the U.S. incapacitated the Banco Delta Asia bank, which was "accused of facilitating illegal activity by the North Korean government" (Zoffer). It threatened to sever the bank's access to the American financial system, causing "deposit outflows…within days…[and] within weeks the bank was placed under government administration to avoid a full collapse" (Zoffer).

Turning off the tap of U.S. dollars makes it easier for the U.S. to enforce its embargoes. Economic sanctions may be viewed as either negative tools of domination (Borghard) or positive tools of leadership (Zoffer). However, sanctions must be used judiciously, or they can trigger countries to diversify away from the dollar. If countries perceive the U.S. as being too aggressive with its economic power, they will avoid the dollar to minimize U.S. leverage (Eichengreen, "The Dollar").

Second, the "dollar's centrality gives the U.S. government too much access to global transactions information" (Rogoff, The Dollar's). In theory anyone can clear a U.S. transaction, but U.S. clearinghouses have an advantage because they are backed by the Fed, which can issue unlimited currency in a crisis, making it inherently more stable and giving the Fed access to more international data. (Rogoff, The Dollar's). This data can be used to improve U.S. decision-making or to make the U.S. artificially more competitive than other countries.

Third, U.S. dollar power may be used to sustain or avoid foreign wars and militarism. There are several examples of economically motivated military adventurism in American history (Hensman and Correggia 1094). President William Howard Taft sent 2,500 Marines to Nicaragua "when Nicaragua's Liberal Party threatened U.S. control over that country's economy" (Adler and Bessner). President George W. Bush invaded Iraq in 2003 after "Saddam Hussein moved to switch Iraq's oil trade from the dollar, which he termed the currency of the 'enemy state,' to the euro" (Adler and Bessner). Such power funds U.S. interventions abroad, but may also prevent them. The United States can use its considerable economic clout to persuade global powers without using the military force as described above, but with the judicious use of economic sanctions.

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Rocky Rebounds or Port in the Storm: Emerging Markets

Central Questions: Does USD hegemony help or hurt emerging markets overall?

The world economy is in the process of a lengthy and wavering recovery from the COVID-19 pandemic (Global; Eichengreen et al.). USD hegemony may prolong the recovery or create a safe transition away from economic instability, but its effects will most likely be uneven ("Global").

Why uneven?

The U.S. is not vulnerable to a **balance of payments (BoP)** crisis because its deficit is financed by other investing countries. A BoP is "an accounting identity stating that net cross-border flows of good and services – the *current account* - must be matched by net flows of financial claims – the *financial account*" (Cecchetti and Schoenholtz).

Deficits are not automatically problematic for the U.S. because they mean that there are several dollars circulating in the global economy, which will only find their way back to the U.S. in the form of investments or goods and services. In other words, "if one country is importing more than it is exporting from another country, it must find a way to finance that difference" (Cecchetti and Schoenholtz), but the dependence of the international community on the U.S. dollar ensures that the U.S. has a competitive advantage (Hensman and Corregia 1093).

While remaining the anchor currency may protect the U.S. from such crises, it makes emerging markets more vulnerable. An emerging market is an "economy that is becoming more engaged with global markets but isn't as developed as those of richer nations such as the U.S." (Constable).

First, emerging markets will borrow dollars to finance economic growth. When the dollar strengthens relative to the local currency, the dollar-denominated debt becomes more expensive to service. If most of its loans are dollar-denominated, an emerging country's debt is magnified, causing a financial crisis (Constable).

These trends are exacerbated during periods of economic crisis since demand for U.S. dollar safe assets increases when there are financial stresses like the 2008 banking crisis and COVID-19 shutdowns (Beckworth; Hofmann). As economies become more volatile, investors flock to safe assets denominated in the USD. Emerging countries are increasing their percentage of dollar holdings while many others are doing the same, which then further drives up their servicing costs since the dollar strength surges.

This suggests that a depreciated or weak dollar may be better for emerging economies (Canuto; Greene). However, a strong dollar may also help sectors of emerging economies because it makes U.S. goods and services more expensive, making their country's exports cheaper in comparison and, therefore, more competitive.

Second, emerging markets borrow dollars when interest rates are low and then when the rate goes up, those markets struggle to pay back the debt because the interest increases (Kouam). The Latin American Debt Crisis in 1987 and the Asian Financial Crisis in 1997 were primarily due to an increase in U.S. interest rates.

While this may hurt emerging markets, interest rate hikes increase foreign investment in U.S. markets because there is a better return on that investment later.

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Dollarization

Central Questions: Is dollarization beneficial to the world economy?

USD dominance encourages robust dollarization, meaning the use of U.S. dollars by a foreign country, as "a response to economic instability and high inflation, and the desire ...to diversify and protect their assets from the...devaluation of their own currencies" (Berg and Borensztein).

Increasing dollarization has several benefits, including reducing the risks of a balance of payments crisis, lowering transaction costs, and increasing domestic and foreign investment prospects (Berg and Borensztein). As countries transition to the U.S. dollar, they can reap many of the same economic benefits as the United States.

However, countries lose significant control over their economic futures as they substantially or fully transition to the dollar. First, countries lose seigniorage revenues, "the increase in the volume of domestic currency" (Berg and Borensztein), as they increase their use of the dollar. Second, governments moving toward full dollarization will experience domestic backlash because their citizens are "likely reluctant to abandon their own currencies, symbols of their nationhood" (Berg and Borensztein). Lastly, countries that increasingly dollarize "relinquish any possibility of having an autonomous monetary and exchange rate policy, including the use of central bank credit to provide liquidity support to its banking system in emergencies" (Berg and Borensztein).

Furthermore, overinvesting the world markets in the U.S. dollar may undermine overall global economic stability if the U.S. itself becomes unstable. There are several current concerns about dollar stability, including:

- The reckless American banking behaviors leading to the 2008 banking crisis, which sparked speculation that the U.S. dollar would lose its credibility as a "safe investment" (Ross).
- The growing twin deficits heighten the risk that the system will require sudden rebalancing as U.S. markets become more unstable (Roubini).
- Rising political instability, such as the storming of the U.S. Capitol on January 6, 2021, reduce foreign confidence that American institutions are insulated from such volatility.

These concerns are magnified by the overwhelming use of the U.S. dollar. If currencies converge to share markets more equitably, then a volatile U.S. dollar would no longer be devastating to the world economy.

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“On Balance” and Weighing the Debate

The opening phrase, “On balance,” literally means “after considering the power or influence of both sides of a question” (“On balance”). The effect of adding this short phrase to the beginning of the motion is twofold:

First, the Affirmative must prove that USD dominance has a *net* harmful effect on the world economy. Teams must explain what “net harmful” means in the context of the measures they have identified to calculate detriment, e.g., absolute, or relative GDP growth, absolute or relative income equality, or environmental sustainability (refer to the section on the World Economy for reference). Even if the Affirmative chooses to focus on relative costs and benefits to specific sectors of the world economy instead of analyzing detriment in absolute terms, they must still explain why the relative detriment to one sector should be weighed more heavily than benefits to another.

Second, it makes the motion comparative because it calls for the writing teams to consider both sides of the motion to prove that one side is better. As a result, teams must do a cost-benefit analysis between a world with U.S. dollar hegemony versus one without. Traditional frames for impact comparison, such as timeframe, probability, and magnitude, may help teams distinguish between which world is preferable.

While these comparisons will be born out of clash during the round of 64 and on, the qualifying papers should primarily develop an affirmative or negative stance while also briefly addressing the major arguments of the other side of the motion to prove that USD dominance is *overall* detrimental.

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