

The significance of Trump's war to maintain dollar supremacy

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The threat by incoming US president Donald Trump to impose a 100 percent tariff on the BRICS group of countries if there are attempts to set up an alternative to the US dollar as the global currency is a significant expression of the crisis of US imperialism, which is setting it on the road to a third world war.

The threat, which was made by Trump in a post to his social media site on Saturday, has been under consideration for some time among his entourage, which regards any move away from the dollar and the undermining of dollar supremacy as an existential threat to the hegemony of the US.

This issue was underscored on several occasions by Trump during the election campaign, including in a speech to the Economic Club of New York, when he said that losing dollar supremacy would be the equivalent to losing a war.

This is not overblown rhetoric, but the expression by Trump of real economic relations and contradictions which are daily at work beneath the appearance of a “booming” US economy.

The so-called boom, which does not refer to the ever worsening social conditions of the working population, but, instead, to the vast accumulation of profit by the financial oligarchs, has been made possible in major part by the escalation of debt to stratospheric heights.

The US national debt is now rapidly approaching \$36 trillion at a rate which has been characterised by all of Washington's official institutions, including the Treasury Department and the Federal Reserve Board, as “unsustainable,” and where one dollar in seven of the annual federal budget is needed just to pay the interest bill.

Such metrics if applied to any other state would lead to its designation as bankrupt. But the US enjoys a unique position within world capitalism because the dollar is the global currency and therefore its debt is financed by the

inflow of capital into dollar assets from the rest of the world.

This means that ever-increasing US spending, above all on the military to finance its expanding war front, is financed by the accumulation of debt, financed by others.

But if dollar supremacy is in any way significantly questioned or if confidence is undermined, even well before there is any prospect of an alternate currency, then the inflated debt structure is threatened with a crash.

These economic facts are kept well away from the sight of the American public and the eyes of the world. But they are well known in ruling economic, political and media circles.

In March 2023, in comment piece for the *Washington Post*, prominent CNN commentator Fareed Zakaria wrote that US politicians had become used to spending seemingly without any concerns over debt, to the extent that public debt had risen fivefold in the past 20 years, while in the same period the Fed's balance sheet had increased twelve-fold.

“All of this only works because of the dollar's unique status. If that wanes, America will face a reckoning like none before,” he wrote.

In September of this year, Mitch Daniels, a prominent figure in the Republican party going back to the Reagan era, wrote a comment piece in which he said a conference should be convened to “prepare a plan for the collapse of the US public debt market and the dollar's world reserve status.”

He foreshadowed that if such a conference took place, tens of millions of Americans would find that “trust funds are not trustworthy” and safety net benefits they had been receiving were about to be reduced, perhaps drastically. That would create an “enraged public” and “violent reactions” requiring the imposition of “martial law.”

Trump's threats and his underscoring of the crucial importance of dollar supremacy—which must be defended

at all costs—arise out of this deepening crisis of the US imperial state.

If one takes the threat against BRICS, which initially comprised Brazil, Russia, China, India and South Africa, but which now includes Iran, Saudi Arabia, United Arab Emirates, Egypt and Ethiopia, it is directed against a grouping which comprises 45 percent of the world's population and 35 percent of global GDP.

The search for alternatives to payments in dollars began in earnest following the freezing of Russian assets at the start of the Ukraine war and its exclusion from the SWIFT international payments system. It was recognised that what was done to Russia could be done to any other country which crossed paths with the US.

Confidence in the dollar has been eroded by recurring US financial crises—no one knows when the next one will occur, but if one studies the financial stability reports of major central banks, one sees that they are all expecting it—and this has been reflected in the rising price of gold, much of it the result of purchases by central banks.

The threat against BRICS is only one part of a much broader economic war, which is being conducted by the bankrupt US state supported by all sections of the political establishment, to maintain its global dominance. The first Trump administration launched a tariff war against the world's second largest economy, China. But in doing so he was simply building on the foundations laid by the Obama administration with its anti-China “pivot to Asia,” launched in 2011.

The Obama administration had concluded, at least by 2014 if not before, that the “free trade” agenda which it had previously sponsored was working against the interests of the US and aiding the economic rise of China, which had to be crushed.

Consequently, the Biden administration not only maintained virtually all the Trump tariffs, but also deepened the assault with an ever-widening list of bans on the export of high-tech products, particularly advanced computer chips, aimed at suppressing China's technological development, which the US regards as an existential threat. The latest in such measures, the third round under Biden, was announced on Sunday.

China is by no means the only target in the Make America Great Again project of Trump. The rest of the world is regarded as the enemy, as seen by the threat to impose a tariff of 10-20 percent on all imports, which will hit hard all the supposed allies of the US in Europe, now in crisis because of the deepening slump in the European economy.

In developing its response to the unleashing of economic and military warfare, the international working class must draw and act on the lessons of history.

After the catastrophe of World War I, arising in the most fundamental sense from the contradiction between the global economy and the nation-state system, which each of the imperialist powers sought to resolve by establishing itself as the world power, there was at least a limited attempt to restore economic order.

German imperialism and the rising imperialist power in the East, Japan, sought to accommodate themselves to an international economic order increasingly dominated by rising US imperialism.

But that prospect collapsed with the Wall Street crash of 1929 and the Great Depression, exacerbated by US tariffs. Faced with the disintegration of the world market—in many senses it had all but disappeared—each of the imperialist powers turned to war. Germany looked to the conquest of Russia, Japan to the conquest of China, and the US sought to reinforce its position by crushing the pretensions of its rivals. World War II was the outcome.

Today, the world is in the foothills of a new world war fuelled by the same underlying contradictions. But now, it could be said, they are on steroids compared to earlier times because of the ever-greater complexity and integration of the world economy.

In a historic crisis, the ruling classes align themselves more openly with their most basic and fundamental interests. The democratic pretensions adopted in earlier times are scrapped, the masks they donned to try to fool the populace are ripped off, and their essence is nakedly revealed in the form of fascism, genocide, war and dictatorship against the working class.

The working class too must align itself with its fundamental interests. Above all, it must do so consciously in the fight for the program of world socialist revolution. This is not some far off or distant perspective. It is the only practical and viable program of the day and must become the central strategy guiding all the struggles now erupting.



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