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The dollar’s weakness is imperialism’s weakness

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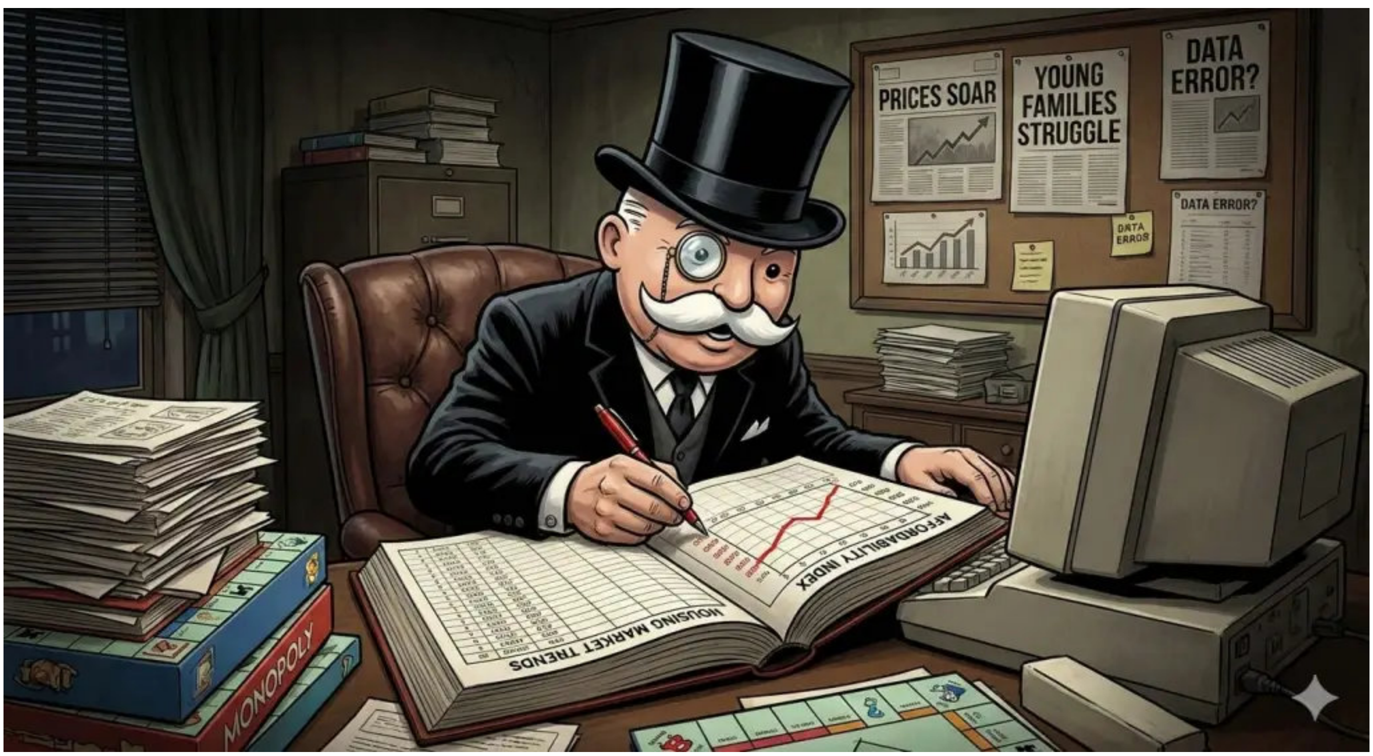

The economic reports arriving in late 2025 point to a system in breakdown. Prices keep rising while jobs disappear. Factories sit idle or close even as corporate profits are maintained and expanded through higher prices and layoffs.

The dollar no longer anchors the world economy but forces other countries to absorb U.S. inflation, interest rate shocks, and financial pressure. These are not separate problems.

What gets called the “decline of the dollar” is not a market mood swing or a technical currency problem at all, but the expression of an imperialist system that can no longer organize production, prices, and employment on a stable basis — or sell what it produces at a profit without war spending, monopoly pricing, and debt.

Production has outrun profitable markets under monopoly capitalism. Productive capacity expands faster than profits can be realized, leaving goods unsold at prices that sustain profit rates.

To compensate, excess capacity piles up and prices are raised to maintain profit growth. Military budgets are expanded to keep factories operational and revenue to continue flowing. But fewer countries are willing or able to finance this system by holding U.S. dollars.

Dominant firms use control over energy, housing, food supply chains, and military contracting to raise prices rather than increase output. The permanent war economy reinforces this dynamic.

A hollowed productive base

After World War II, the United States produced more than half of the world’s manufactured goods. Today, its share of global economic output is less than 15%. The industrial base that once supported the dollar’s international role has been systematically stripped back through deindustrialization — plant closures, outsourcing, and the diversion of capital away from domestic production.

The results are now visible. U.S. shipyards miss deadlines by years. Weapons systems are produced slowly and in limited quantities even as the United States arms multiple wars at once and prepares for further conflict. Factories cannot meet the demands of Ukraine, Israel, Taiwan, and domestic stockpiles at the same time. The military reach that once reinforced the dollar now exposes its weakness.

Military overstretch and inflation

War spending has never been productive in any social sense, despite the myths used to justify it. It mobilizes labor, materials, and technology to manufacture destruction — goods that do not enter social reproduction or sustain society. Weapons do not feed, house, or transport people; they are built to be destroyed or to destroy.

Military production is insulated from normal price pressure. Long-term government contracts guarantee sales at high prices regardless of efficiency or social need. Costs are passed on to the state, profits are secured in advance, and there is no competitive pressure to expand useful production. Capacity remains narrow, prices stay high, and resources are locked into weapons rather than goods that support everyday life.

In earlier periods, war spending did not generate productive growth so much as enable imperialist expansion — the violent seizure of markets, resources, and labor that temporarily offset capitalism's internal limits. That outlet no longer exists.

Today, military production expands spending while shrinking society's ability to reproduce itself. Money circulates and profits are booked, yet future production is not developed and the goods working people rely on are not produced in greater quantities.

The United States now pours resources into multiple wars and preparations for future ones without stabilizing accumulation or rebuilding industry. While military spending does create jobs, it does so by diverting labor into production that does not expand housing, health care, food, or infrastructure, leaving society poorer in real terms even as payrolls are temporarily sustained.

Sanctions intensify these pressures. They block access to energy, fertilizer, medicine, metals, and food inputs, forcing trade through longer, more expensive routes or cutting it off entirely. Fuel prices rise, transport costs climb, and essential goods arrive late or not at all. These measures are punitive by design. Sanctions are economic warfare, aimed directly at civilian populations, degrading living conditions in order to exert political pressure and reorganizing supply chains around military and geopolitical priorities rather than social benefit.

Tariffs compound the damage by functioning as taxes on imports. Although imposed at the border, their costs are passed through prices and ultimately paid by working people. The result is persistent price increases without an expansion of useful production — higher living costs alongside layoffs, plant closures, and stagnant wages.

Weaponized finance and currency blowback

As U.S. wars, sanctions, and deficits have expanded, holding dollars has become a political risk rather than a neutral financial choice. Dollar reserves are not stacks of cash, but government-owned accounts, bonds, and deposits held inside U.S. and allied financial institutions. Countries that once treated these reserves as a stable store of value have watched them turned into instruments of coercion — frozen, seized, or rendered unusable when political alignment breaks down.

The 2022 seizure of Russian reserves did not come out of nowhere. For decades, the United States had used control over the dollar-based financial system to isolate and punish governments it opposed, freezing state assets and cutting countries off from the international payment networks needed to sell goods, receive revenue, or access foreign currency.

Iranian assets were frozen beginning in 1979 and later paired with exclusion from global banking channels and oil markets. Venezuelan state assets and gold reserves were seized after Washington demanded a regime change. Afghan central bank reserves were frozen overnight in 2021 after the Taliban takeover, triggering economic collapse and creating conditions of mass hunger. In each case, access to reserves depended not on law or contract, but on political compliance with U.S. imperialist authority.

What changed in 2022 was scale. For the first time, these measures were applied to a G20 economy and a major nuclear power. The seizure of Russian reserves made the underlying rule unmistakable: Assets held inside the U.S.-controlled financial system are protected only as long as governments accept Washington’s political terms. Economic size offers no immunity. Sovereign reserves function not as neutral safeguards, but as conditional claims that can be revoked when geopolitical lines are crossed.

Central banks across Asia, Africa, and Latin America have sharply increased their gold holdings in recent years. The response has been material, not ideological, because states act on necessity, not belief.

Gold is being accumulated because it cannot be frozen or seized through sanctions, while dollar reserves — electronic balances inside U.S. and allied financial systems — can be blocked with a keystroke.

Gold prices pushing past historic highs reflect this shift: When dollar reserves can be frozen or confiscated for political reasons, states turn to an asset outside administrative control.

Countries are taking steps to reduce dependence on the dollar. China and Russia conduct trade in yuan and rubles. BRICS countries are developing payment systems outside SWIFT, the U.S.-controlled network that routes international payments. Bilateral currency swap arrangements have expanded, allowing countries to settle trade directly without converting through dollars. Saudi Arabia now accepts yuan for oil sales alongside dollars.

These are not comprehensive replacements for the dollar system, but they represent infrastructure being built to reduce dependence on a currency that now finances war, enforces sanctions, and carries the risk of confiscation. The dollar's declining dominance reflects that shift: Fewer governments are willing to hold reserves that double as leverage against them.

Stagflation and the assault on labor

The instability exported through war, sanctions, and currency coercion does not stay abroad. It returns home as higher prices, job losses, and deeper insecurity for working people. Stagflation is not a mystery or a policy failure; it is a class outcome.

It is the domestic form of an imperialist system that can no longer stabilize accumulation internationally and compensates by extracting more from labor at home.

Prices rise because monopolies use their market power to maintain profit growth. When workers win higher wages, this cuts into profit margins – profits fall because more of the value created goes to workers rather than capitalists. But price increases themselves are driven by monopoly control, not by wages.

The response to the last major episode of stagflation was to make working people pay. In the late 1970s and early 1980s, the Federal Reserve drove interest rates sharply higher, triggering deep recessions. Millions lost their jobs. Unions were weakened or broken. Wages were forced down. Inflation eventually eased not because the system was stabilized, but because unemployment rose, wages were forced down, and working people were made poorer.

The Federal Reserve now swings between two tools, neither of which resolves the crisis. When interest rates are raised, hiring slows, unemployment rises, and workers are pushed into weaker bargaining positions. When rates are lowered, as they have been repeatedly in recent months, the result is not renewed production but cheaper credit, rising debt, and asset inflation that benefits corporations and investors while prices remain high for working people.

In both cases, the burden falls in the same place. Jobs stay insecure, wages remain under pressure, and prices do not come down because the underlying problem is not monetary policy, but an economy that can no longer expand production profitably. Stagflation persists because capitalism under imperialist decline no longer has a policy path that restores stability. It delivers inflation and unemployment together.

From creditor to debtor

The United States was once the world's main creditor because it produced a large share of the world's goods, ran trade surpluses, and lent capital to stabilize capitalism and consolidate U.S. dominance in Europe and Japan after World War II. That material foundation no longer exists.

Today, the United States is the world's largest debtor, running chronic trade deficits and borrowing continuously to finance consumption, war spending, and financial stability at home. This arrangement is sustained not by expanded production, but by issuing growing quantities of dollar-denominated debt — Treasury bonds, credit, and financial claims — that are absorbed globally because of the dollar's reserve role.

Since the early 1970s, the United States has operated without any gold backing for its currency. Before then, under the postwar Bretton Woods system, foreign governments could exchange U.S. dollars for gold at a fixed rate, which limited how many dollars Washington could issue without draining its gold reserves.

In 1971, President Richard Nixon ended that arrangement. From that point on, the dollar was no longer tied to gold at all. Its value rested instead on the power of the U.S. state, its dominance of global trade and finance, and its ability to enforce the dollar's use through political and military means.

This shift allowed the United States to run large deficits indefinitely. Rather than settling international obligations by exporting goods or gold, Washington could pay in dollars whose value declined over time. In practice, this meant financing wars, imports, and bailouts by simply printing more dollars – no longer backed by gold – and issuing debt, shifting the cost onto others through inflation and dollar depreciation instead of expanding production.

In effect, debts are settled with claims worth less in real terms — a modern equivalent of paying obligations with clipped coins. The dollar's reserve role still props up this arrangement, but it now rests on the ability to export inflation and absorb global savings, not on the material strength of U.S. industry.

Money that once would have gone into factories and equipment is now poured into stock buybacks, real estate speculation, and financial markets. The AI boom fits the same pattern: Companies are valued on promises to replace workers and cut costs rather than on producing more goods people actually need. Productive capacity shrinks even as paper wealth, corporate valuations, and executive pay soar.

Earlier periods of dollar devaluation and deficit spending were used to restore profitability while preserving monopoly power. Those measures shifted losses onto workers and weaker economies but were backed by a growing industrial base.

Automation and the dollar's shrinking base

The push toward automation is not driven by abundance or social benefit, but by capitalism's inability to expand profitably. Firms invest in machines because expanding production no longer reliably produces higher profits. Jobs are eliminated not because society needs less work done, but because wages are treated as a cost to be removed in an economy that can no longer expand profitably.

As automation spreads and more investment goes into machinery rather than labor, profit rates are squeezed because machines do not create new value. Only living labor does. The result is overproduction relative to profitable opportunities: more goods produced with less labor employed, while capital accumulates faster than it can find profitable outlets.

The dollar's reserve role once rested on U.S. capitalism's productive strength — its factories drew in investment and organized production worldwide. Automation under crisis conditions produces the opposite: fewer productive jobs, shrinking opportunities for profitable investment, and an economy that spreads instability instead of growth. The dollar becomes a tool for debt and speculation, not for building anything.

Even sections of the ruling class recognize the impasse. Proposals for universal basic income reflect an awareness that automation under capitalism displaces workers faster than the system can provide wages or stable employment. Jobs are eliminated, incomes are cut off, and purchasing power shrinks, leaving goods that cannot be sold at prices that sustain profit.

Capitalism has no mechanism for organizing abundance without undermining the profit system itself. What remains is a reserve currency backed not by productive expansion, but by financial coercion, military force, and debt — a narrowing base that cannot sustain a stable global monetary system.

Imperialist decay

The weakening of the dollar marks an advanced stage of imperialist decay. It reflects an economy that can no longer stabilize itself through production, but relies instead on debt, war, monopoly pricing, and coercion.

Imperialist profits increasingly come not from producing and selling goods in competitive markets, but from monopolizing energy, technology, shipping, credit, and payment systems — and using military force to maintain that monopoly.

The crisis of the dollar is inseparable from this broader breakdown of imperialism itself. It is not a technical malfunction or a temporary adjustment, but the unraveling of an imperialist system that can no longer expand on its own terms. It can only manage decline by transferring costs — through inflation, war, and austerity — onto workers and oppressed peoples worldwide.