

# The Finance Money Crisis and Cryptocurrencies

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Is the US Dollar Hegemony in an Interregnum?

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## Abstract

The speculative financial services sector and the systemic failures of financial globalisation have prompted a growing call for delinking from the hegemony of the US dollar. These systemic failures have been illustrated by financial mismanagement and the financial crisis of 2007-8. This event paints a dire picture of the consequences associated with poor regulation of the financial sector. This study seeks to interpret these events in terms of Gramsci's *Prison Notebooks* and his concept of the 'morbid symptoms of the interregnum'. According to Babic (2020), these occur when a hegemony and its institutions are 'dying', thereby hampering their power. This notion also highlights that the future remains murky, despite public calls for change. Gramsci calls this the 'new that cannot be born'.

This study seeks to extend this framework to the current state of the dollar hegemony. The 'morbid symptoms' we will examine include the call to delink from the speculative high-risk US economy, the emergence of cryptocurrencies, and the politics surrounding fiat money. Some have argued that the emergence of cryptocurrencies could be the 'new'. However, this study argues that the negative characteristics associated with cryptocurrencies such as cybersecurity concerns and price volatility create ambiguity about whether cryptocurrency is the ideal trajectory. Therefore, it argues that ambiguity and calls for change qualify our current monetary situation to be classified as a Gramscian interregnum.

It also examines the current fiat money discourse by highlighting how the dollar hegemony may be succeeded by another fiat currency. However, it argues that the inflationary shortfalls of fiat money make this a fallible option, thereby perpetuating the ambiguities within the Gramscian interregnum.

## Introduction

The 2007-8 financial crisis fractured the world's public perception of and trust in the United States, particularly by highlighting its failure to regulate the financial sector. The phenomenon that led to the financial crisis is best described as financialisation. Lapavistas (2009) defines this as a decreased focus on production due to a loss of productive capacity, offset by an increased focus on profitable financial practices. This subsequent focus on finance encompasses engineered financial loopholes that can be used to generate a profit, or even to evade taxes. According to Harvey (2016), the emergence of such practices is an illustration

of the crisis of capitalism. This alternative approach to business has led to an increase in financial engineering, such as those that caused the 2007-8 financial crisis (Harvey, 2016). The Bitcoin 'founder' Satoshi Nakamoto (2008), Taskinsoy (2019b) and Harvey (2016) have evaluated this dangerous climate, and positioned themselves against these risky institutions.

The public call for decentralisation and delinking inspired Nakamoto's famous paper and his creation of Bitcoin. His paper can be used to argue that there is a growing social movement reflected in the growth in cryptocurrencies. However, the volatility surrounding cryptocurrencies may disqualify it from being a suitable alternative to fiat money. The 2022 cryptocurrency crash, which witnessed the erasure of \$2 Trillion (Sigalos, 2022) and the crash of Terra Luna, has made crypto adoption a risky policy direction (Morrow, 2022).

This study examines these trends in terms of Gramsci's notion of the 'morbid symptoms of the interregnum', which is used to explain the crisis of the state's waning power and influence. Gramsci describes this crisis of power as the appearance of 'morbid symptoms' in the form of mass disconnects, radical ideological shifts, and a 'depletion of once strong institutions' (Babic, 2020). This study argues that the global calls to delink stemming from the 2007-8 financial crisis constitute 'morbid symptoms', signalling the existence of an 'interregnum' in turn.

The 2007-8 financial crisis led to calls for decentralisation stemming from the state's failure to regulate the financialised economy. This crisis and the subsequent emergence of viable alternatives, such as blockchain-based currencies, have emerged as a radical alternative to the once-great dollar hegemony. The dollar is the reserve currency of the world, and therefore the glue that ties the world together through financial globalisation. However, events such as the 2007-8 financial crisis have inspired a growing call to delink from the dollar-based system.

The dollar hegemony emerged after World War Two when the world needed a reserve currency to act as the standard for international trade. This tied the world economy to a fiat currency -- one that was not backed by gold (Brown & Simonnot, 2020). The transition towards fiat money can be traced to the founding of the USA, the 1929 stock market crash, and the subsequent Great Depression (Brown and Simonnot, 2020).

According to the Federal Reserve (1933, cited in Wigmore, 1987), the Great Depression contributed to a loss of consumer confidence. This was worsened by the mismanagement of the Federal Reserve, which contributed to market volatility and rising prices (Wigmore, 1987). The 1933 run on the bank followed, during which members of the public exercised their right to demand their gold from the bank (Engemann, 2013). This sparked a nationwide process in which citizens collected their gold from the banks. In order to mitigate the strain on the banks, the Federal Reserve created a banking holiday to try and reduce the rate of withdrawals. Citizens wanted to hold onto their gold instead of their paper receipts, namely fiat money (Taskinsoy, 2019b). This exchangeability of paper for gold threatened the US economy because individuals, due to depleted trust, wanted to hold on to their gold (Wigmore, 1987).

However, if this was allowed to persist, the US economy would have collapsed even further because it would not have had enough gold in its reserves to validate the currency (Engemann, 2013). The dollar would then have become worthless. The Emergency Banking Act of 1933 was thus adopted to prevent the depletion of gold from the reserves. This law mitigated this economic concern because it barred individuals from retrieving their gold. This meant that citizens could no longer validate whether the gold backing the value of their fiat money (dollars) was indeed in the gold reserves.

The adoption of the US dollar as the world reserve currency in 1944 and US President Richard Nixon's decision to delink the dollar from gold in 1971 meant that the world economy became tied to this now worthless piece of paper, which no longer had the backing of gold to validate its value (Taskinsoy, 2019b). This type of currency is called fiat currency (Chen & Anderson, 2019).

Chen and Anderson (2019) note how fiat money is inflationary, and requires governance institutes to help mitigate these woes. Unfortunately, these institutions are not infallible because they are susceptible to the shortfalls of financialisation.

This paper seeks to establish whether the historical financial volatility within the US has helped to create an interregnum that threatens the dollar hegemony. To this end, it will attempt to identify 'morbid symptoms', which Gramsci used to explain the period of hegemonic ambiguity during which change is imminent, but remains uncertain.

The first section outlines the financial climate in which the US dollar operates. It argues that the US dollar exists in a volatile and speculative economic and financial environment. It uses the 2007-8 financial crisis to illustrate how dangerous market volatility and inadequate regulations can be for a country's economy. It argues that volatility and risk are negative traits that have contributed to growing disinterest in the US economy and its dollar hegemony.

The second section discusses the emergence of the dollar hegemony. It highlights numerous debates about how and why the dollar became the world reserve currency. It notes the historical considerations that illustrate why the US dollar transitioned away from commodity-backed currencies towards a worthless piece of paper.

The third section addresses the issues surrounding the dollar hegemony, and examines scholarly critiques that have prompted calls for a delink from the sovereignty of the US dollar.

The third section discusses the role of the Federal Reserve. It plays devil's advocate by illustrating how the Federal Reserve exists to mitigate the issues associated with the dollar hegemony.

Next, the paper unpacks the discourse surrounding cryptocurrencies, making the argument that cryptocurrencies currently encompass numerous issues such as volatility, security and tax considerations, which may deter cryptocurrency adoption. This argument is used to assess whether cryptocurrency threatens the US dollar hegemony. It also examines the possibility that the US dollar hegemony may be overtaken by another fiat currency.

The paper concludes by arguing that, given the foregoing, the dollar hegemony is indeed in an interregnum, and commenting on the implications.

## Contextualising the financialisation climate

Since the 1970s, traditional capitalist accumulation has slowed down significantly (Lapavistas, 2009). This has created a crisis of profit in which reduced productive capacity has contributed to the exploration of alternative means of profit generation (Harvey, 2016). This has led to financialised capitalism, in which financial manipulation or financial engineering has emerged to become a source of revenue.

This can also be described as the commodification of debt – a term widely used in Marxist scholarship, based on Marx’s own description of how capitalists began to borrow money in order to generate a profit (Marx, 1867).

Today, the use of credit to generate a profit is omnipresent. One example is securitisation. This has numerous definitions (Lipson, 2011), but in the case of the 2007-8 crash it was manifested in the commodification of debt in the form of CDS (Credit Default Swaps), CDOs (Collateralised Debt Obligations), mortgage-backed securities (MBS), and more (Lipson, 2011). These financial instruments treated debt as tradable commodities or assets, which was done by agglomerating the debt into tradable securities (Lapavitsas, 2009). The intention was to securitise assets that people were still paying for, such as their homes and cars, in order to make profits, or mitigate the risk of defaults.

Securitising debt was an insurance plan for large corporations, namely a way of mitigating losses of revenue in the event of the liquidation or sequestration of a given venture or investment. This differed from normal borrowing, because the securities gave investors greater confidence, since the borrowing was tied to physical assets. These houses, according to Baker, were considered high-value commodities, since the prices of houses had remained stable and increased in value for 10 years since 1995. This, compounded by the 30% price increase in house prices in 2002, contributed to a sense of stability in the housing market (Baker, 2008).

Therefore, awarding home loans in this context appeared low risk because the bank could merely sequester the property and sell or keep it as compensation for loan if the borrower defaulted. The problem was not with this practice per se, but with corporate greed and exploitation by the poorly regulated financial services sector, which contributed to the emergence of CDOs (Baker, 2008).

According to Baker (2008), CDOs had grown to a total value of \$45 trillion by June 2007. They included bundled subprime mortgages, which were risky loans likely to default. Banks had granted these home loans despite the fact that most or all of the beneficiaries could not afford them. These CDOs seemed safe because they were backed by mortgages, and therefore the underlying values of the houses themselves. This, however, rested on the assumption that house prices would remain stable, or continue to increase.

As Baker notes, this is not the case when supply exceeds demand as well as the boundaries of affordability (Baker, 2008). House prices flattened off, which meant that the housing market had entered a bubble (Baker, 2008). When the bubble burst, the housing market plummeted by 32% (Taskinsoy, 2020). This meant that, in the case of defaults, the banks could not recover the full amounts of the home loans. Among other things, the drop in the housing market was caused by the poor economic climate, notably increased unemployment.

Credit default swaps were another commodified debt mechanism that led to massive losses (Lapavitsas, 2009). A credit default swap (CDS) is a financial derivative that allows investors to swap or offset their credit risk with that of another investor. To swap the risk of default, the lender buys a CDS from another investor who agrees to reimburse them if the borrower defaults. Most CDS contracts are maintained via an ongoing premium payment similar to the regular premiums due on an insurance policy. A lender who is worried about a borrower defaulting on a loan often uses a CDS to offset or swap that risk (Investopedia, 2023). Therefore CDSs can play a useful role in hedging risk in a stable market. However, once again,

the unstable housing market and high-risk mortgages turned this into a highly explosive financial instrument.

This was further exacerbated by financial incompetence in the form of the ‘negatively amortising adjustable-rate subprime mortgage’. These mortgages were highly problematic because they did not require a monthly loan repayment; instead, they allowed the borrowers to pay off the loan in their own time (Pennington-Cross & Ho, 2010). This significantly increased the risk and likelihood of defaults, because it allowed individuals with no income to borrow large amounts of money. This debt was lumped into a diversified agglomerated collection of similarly risky mortgage securities, which created a financial bubble. Mortgage-Backed Securities became highly volatile, but this was disguised by the façade of the assumed safety of housing assets, and the assumption that housing prices would continue to increase. The 2007–8 crisis debunked these naïve assumptions.

Given the crisis and its global fall-out, leading to poor growth and large-scale unemployment, one can begin to understand the global call to delink from the dollar hegemony. Reckless financial practices within the US have contributed to various crises, but speculative financial capitalism (financialisation) has remained poorly regulated.

## The emergence of the dollar hegemony

According to Taskinsoy (2019b), the 1945 Bretton Woods conference was the genesis of the dollar hegemony. The post World War Two world required a universal currency. Lim (2019) argues that the adoption of the US dollar in the period was beneficial for a devastated Europe, and contributed to its universalisation as the world reserve currency. However, John Maynard Keynes argued for the inception of another gold-based currency, namely the Bancor (Alessandrini, 2013). I have not come across justification for this in the literature. Nonetheless, I disagree with the adoption of the dollar over the Bancor due to the dollar’s lack of intrinsic value.

Despite the US abandoning the gold standard, the dollar became an internationally exchangeable commodity (Cerny, 1993). The emergence of the US dollar as the reserve currency provided a standard for valuing all other currencies, and cemented its hegemony (Gilpin, 2016). This would imply that the US dollar was universally accepted, independent of any political influence, but Lim (2019) argues that it was politically induced. Some scholars have even noted how the US military presence in Europe contributed to the US dollar becoming the world’s reserve currency (Zimmermann, 2002), which could be regarded as coercive. However, according to Lim (2019), this negates the ‘beneficial’ role of the US dollar in financial globalisation.

The US dollar did play a constructive role in helping to rebuild Europe. In that same period, the US also played a security role in Europe through its deployment of the army. The army presence and security benefits form a single narrative that is argued to have played a role in influencing the universalism of the US dollar. However, this security role negates the role of financial globalisation in incentivising the adoption of the US dollar as the world reserve currency (Lim, 2019). Therefore, Europe’s adoption of the US dollar played a key role in the emergence of the US dollar hegemony. This adoption was beneficial for the reconstruction of Europe because this required a stable, exchangeable medium of exchange.

These arguments do not answer a key question: why was the gold standard replaced by the US dollar, despite it not having any intrinsic value? This lack of value and the preference for fiat money universalism seems unjustified. The dollar is universally accepted because people believe it has value and not because it *has* any value (Chen & Anderson, 2019). This is underpinned by the belief that the US hegemon will not dissipate. However, confidence in the US economy is fading, and the US is under serious economic threat, which has contributed to disillusionment with the dollar hegemony. This has largely been influenced by the antecedents and shortfalls of financial globalisation, such as the housing bubble-induced recession. Furthermore, the adoption of this inflationary currency over the stable gold standard was a strange decision.

Having all your eggs in one basket is an error often taught in business. If the basket breaks, all the eggs will be destroyed. This metaphor illustrates the dangers of failing to diversify risk. In contemporary society, the basket that holds the eggs is financial globalisation, and the eggs represent the world economy. It is risky for the world economy to be tied to the US dollar because that country's irresponsible fiscal policies have historically contributed to holes in the basket. This is despite the development of the regulatory US Federal Reserve. It is important to discuss its role because this institution is crucial to ensuring that financial institutions in the US act in a non-destructive way that won't damage the US and the world economy.

## The role of the US Federal Reserve

According to Taskinsoy (2020), the US Federal Reserve is America's central bank. It has five key functions, aimed at promoting financial stability, both globally and locally. They are (a) fostering a safe system of payment for US dollar transactions; (b) ensuring the safety and efficiency of financial institutions by monitoring their systemic impact; (c) resilience appraisal of the US monetary system to help establish measures to mitigate the risk of systemic crisis; and (d) the use of monetary policies to help regulate prices and maintain sensible interest rates (Taskinsoy, 2020). These five functions are institutionalised fiscal crisis mitigation tools that are being used to mitigate the woes of poor regulation, including hyperinflation and economic collapse.

However, the regulatory functions of the US Federal Reserve are not historically covered in glory. The world has faced the full force of its incompetence through financial crises. According to Brown and Simonnot (2020), numerous economists argue that these crises were caused by the fiscal policies adopted by the Federal Reserve – among them its stringent economic policies during the Great Depression. Many theorise that these fiscal policies contributed to the economic collapse of the Great Depression, a position also held by Ben Bernanke, 14<sup>th</sup> chairman of the Federal Reserve, including the period of the 2007-8 financial crisis (Brown & Simonnot, 2020). However, these errors were repeated again during this crisis, caused by the housing bubble (Harvey, 2016; Taskinsoy, 2020).

The housing bubble began in 2006 when there was an increased rate of foreclosures in African American and Hispanic communities (Harvey, 2016). They were the consequence of the greed of large banks that granted home loans to individuals who could not afford them. They were called subprime mortgages (Van Hemert et al., 2011). The deterioration of these mortgages was apparent six years before the economic collapse, and securitisers were aware of this trend (Van Hemert et al., 2011). Securitisers include financial institutions, governments and corporations. Given its mandate, the Federal Reserve should have alerted them to these practices, and prevented the securitisation of worthless assets.

The social impact of the crisis included the loss of more than eight million jobs and more than eight million foreclosures, while house prices declined by 32%, and retirement assets declined by \$2.8 Trillion (Taskinsoy, 2020). Despite these social impacts, the perpetrators (financial institutions) received government bailouts, funded with taxpayer's money. This feeds into the narrative of how financial institutions are 'too systemically important to fail' (Gynn, 2012). This is not fair, because instead of these financial institutions facing justice, they were rewarded for their bad behaviour. The implementation of fair sanctions is a necessary deterrent of malpractice, and without sanctions, these financial institutions will not be incentivised to reform. Financial globalisation means that these unintended impacts of fiscal policy have worldwide ramifications -- hence the call to delink from financial globalisation.

## The interregnum of the dollar hegemony?

In a 2011 paper titled 'Is the reign of the US dollar coming to an end?' Wessels investigated whether or not the dollar's six-decade reign as the world's reserve currency was under threat. He noted a few issues, such as US fiscal policy's potential implications for the rest of the world. Furthermore, he argued that the dollar hegemony was peaking, and that another currency might displace it. He also cited the perception of the global financial community that the dollar was under threat. Wessels disregarded the emergence of blockchain cryptocurrency and stated His belief that the US dollar would be replaced by another fiat currency.

Some scholars have looked at cryptocurrencies as an alternative that could displace the dollar hegemony and its usage of fiat money (Taskinsoy, 2019b). Fiat money encompasses numerous issues, such as its inflationary potential and the need for constant government oversight to help regulate inflation. However, the abovementioned crises highlight why these institutions are imperfect. This imperfection motivated the creation of Bitcoin in 2008-9 (Nakamoto, 2008). The creation of Bitcoin is a prominent example of insurgency against the dollar's hegemonic power. This is not without merit, because poor fiscal regulations have contributed to the distrust of the dollar. The value of Bitcoin has grown astronomically, from buying two pizzas to buying a reasonably sized townhouse (Barna, 2022). While volatile, this growth illustrates the public approval and recognition of Bitcoin as a viable alternative to the US dollar.

## Blockchain technology and the fiat money problem

Blockchain has emerged as a disruptive technology capable of shaping the way in which transactions are conducted. Some scholars have enquired whether blockchain technology has the potential to disrupt the already established institutionalised role of central banks and fiat money (Wachira & Wachira, 2021). For blockchain to be regarded as an alternative, the status quo, fiat money, has to be a problem. Fiat money is seen as problematic because it is inflationary, potentially hyper-inflationary, and has no actual value (Chen & Anderson, 2019; Nicolini, 2010). Indeed, some analysts emphasise that fiat money is 'worthless paper' (Chen & Anderson, 2019). However, the role of central banks is to ensure that fiat money is regulated through the adjustments of interest rates and the management of inflation.

Dupont (2014) argues that cryptocurrencies are also fiat money because they are also essentially worthless, and rely on public perception of their value. However, other scholars do not classify Bitcoin as fiat money, but as an investment asset (Ceruleo, 2014). Many scholars also argue that Bitcoin does not qualify as money because it doesn't fit the definition of

money. This definition considers money to be an object that has a unit of account, store of value, and medium of exchange (Ceruleo, 2014).

According to Avogouleas and Blair (2020), cryptocurrencies are volatile, which disqualifies them from being a store of value and a unit of account. However, the same critique is seldom extended to fiat money. Moreover, fiat money is prone to limitations such as hyperinflation. Shortfalls of fiat money can be mitigated through regulation by central banks (Alvarez et al., 2001), but fiat money is also potentially volatile. If public officials fail to discharge their responsibilities and mismanage fiscal policy, the hyper-inflation in Zimbabwe and Venezuela, for example, could be repeated in other countries (Heng, 2018; Reilly, 2020).

Cryptocurrencies are not infallible, and can be highly problematic because their volatile characteristics seem to mimic internet trends, and fluctuate based on public perception. This means that the value of cryptocurrency can be determined by popularity (Ceruleo, 2014). Ante (2022) has explored this phenomenon by analysing how Elon Musk's tweets have shaped the prices of two prominent cryptocurrencies, Doge Coin and Bitcoin, and found that 47 tweets had contributed to abnormal trade volumes of cryptocurrencies. In one instance, the value of Bitcoin rose from about \$32,000 to over \$38,000 in a matter of hours (Ante, 2022).

The power that celebrities and public figures have in shaping and influencing stock prices is a threat to cryptocurrencies, because these celebrities have the power to either increase the value of and demand for certain cryptocurrencies or to contribute to their decline. One tweet from Musk pertained to his suspension of the use of Bitcoin on his Tesla platform, which he sought to justify due to the carbon generated by the crypto mining process (Ante, 2022). This has illustrated two concerns surrounding cryptocurrencies, namely ecological considerations, and trend-induced volatility. Musk raised the ecological concern by stating that this was an area that needed to be fixed for him to regard Bitcoin as a medium of exchange on his Tesla platform. In this way, he is essentially acting as a gatekeeper who has the power to grant Bitcoin popularity.

Popularity has already been established as a determinant of value, but the popularity of Bitcoin is written in another form by some economists. It is linked to demand in the economic concept of supply and demand. These are age-old economic concepts that have been used in the literature to illustrate how demand determines the value of cryptocurrencies (Ceruleo, 2014). The consensus in supply and demand theory is, the higher the demand, the higher the value (Whitacre, 2010).

This speculative popularity-induced and volatile trait of cryptocurrency mimics the speculative stock markets, and lacks the stability associated with an adequately regulated fiat currency. This instability disqualifies Bitcoin as a reliable medium of exchange. This is not a death sentence, but merely an illustration of a problem that cryptocurrencies need to overcome to attain legitimacy. This volatility and speculation have been used as grounds to ban Bitcoin in numerous countries, such as Kyrgyzstan and Bangladesh (Pandya et al, 2019).

A stablecoin is a type of cryptocurrency that looks to offset the volatility of cryptocurrencies by pegging it to a stable fiat currency (Barna, 2022). Ideally, a stablecoin would have a 1:1 ratio with a fiat currency. However, the equilateral ratio could still fluctuate if the market is manipulated, whether for speculative or malicious purposes, or by random trends. Recently, Terra Luna, a stablecoin, debunked the myth of stability associated with stablecoins when it suffered a loss of \$60 billion dollars (Carbonaro, 2022). This collapse has been tied to a high level of malicious manipulation. It comprised the dumping of large amounts of Tera Luna



stock at once, which caused investors to panic. Panic in the speculative market can accelerate the rapid decline of any tradable entity's value.

This next section will unpack some additional issues that need to be avoided for cryptocurrency to be regarded as a viable alternative to the dollar and its hegemony.

## The criminal uses of cryptocurrencies

According to Barna (2022), cryptocurrencies can be utilised for nefarious purposes such as tax evasion, terrorist funding and money laundering. For this reason, crypto currencies have been banned in numerous countries, including Bolivia, Pakistan and Nepal (Barna, 2022). However, these criminal trends should not be used to hamper the adoption of cryptocurrency, because this naively disregards the fact that paper money is just as difficult -- and even more difficult -- to trace (Foo, 2020). Blockchain applications encompass numerous advantages such as trackability and transparency. If crypto exchanges were linked to government ID databases, it could be possible to track the flow of funds, and eliminate or reduce criminal risks. Similarly, Zamani et al. (2020) assert that users need to be identified to avert the anonymity incentive associated with cryptocurrencies. However, the use of the Tor browser still poses a risk because it enables criminals to use cryptocurrencies on the dark web (Macrina & Phetteplace, 2015). If this criminal risk is averted, countries would be incentivised to utilise cryptocurrencies, which may subsequently threaten the dollar hegemony.

Another criminal use of cryptocurrencies is tax evasion. Cryptocurrencies are advantageous for developing countries partly because they are useful for circumventing corrupt political regimes and inadequate financial systems (Barna, 2022). However, these advantages come with the polarising disadvantage of the loss of tax revenues. This can be disastrous for countries that rely on state service provision. It can contribute to inequalities in developing countries, and is therefore an issue that needs to be resolved in order to motivate policy-makers and planners. But fiat money is also used to avert taxes, so it is perhaps unfair to claim that fiat money is the best option in this context.

The risk of being hacked is a cybersecurity concern that illustrates governments' need to invest in cybersecurity infrastructure and cybersecurity capacity-building. Cryptocurrencies are secure assets that are cryptographically secured, but the places where these cryptocurrencies are stored are not as secure (Malik & Bandyopadhyay, 2021). These authors have noted how a Japanese stock exchange was hacked, and \$531 million were stolen. The hackers were difficult to trace because they had laundered their money through the dark web. This risk may be regarded as a deterrent for cryptocurrency adoption. However, they argue that if proper cybersecurity measures are utilised, the hacking risk can be mitigated. This emphasises the need for effective cybersecurity.

Therefore, cryptocurrencies display numerous deficiencies that need to be addressed in order for them to be regarded as a threat to the dollar hegemony. Volatility, cyber-hacking, and tax evasion are among the issues that need to be addressed in order to gain the confidence of governments and other role players. If this is not done, paper money may remain dominant for the foreseeable future. This may not necessarily be the dollar, but could be any fiat currency. Therefore, if the dollar falls, it may not be the end of fiat money per se, but could merely transfer the baton in this hegemonic financial relay. What this signifies is that, unless cryptocurrency deficiencies are offset, the current hyperinflationary nature of fiat money

and its dollar hegemony may continue. This, alongside the risky fiscal mismanagement in financialised US, could lead to crises similar to 1929-33 and 2006-8.

## Is the dollar hegemony in an interregnum?

In a 2020 paper, Babic proposed a framework for analysing societal crisis and hegemonic relations. Inspired by Gramsci's *Prison Notebooks*, he argued that crisis manifested itself in three dimensions, namely (i) society (morbidity); (ii) states (organicity); and (iii) the geopolitical economy (processuality). He argued that this stratified hegemonic analysis contributed to changing power dynamics at different levels of society.

Crises of processuality were not abrupt occurrences, but the culmination of detrimental contradictions. One such contradiction is noted by Taggart (2020), who used this framework to argue how the US military and the dollar hegemony act as contradictions. Society consists of critical thinkers, and these contradictions could contribute to diminishing support. When these thinkers begin to critique the status quo, hegemonic authorities are compromised.

Gramsci's theory of hegemony speaks of rule through consent, in what Koch (2022) describes as the use of ideological mechanisms and the enforcement of ideological hegemony, through the influence of consciousness. Gramsci utilised this analysis in the context of proletarian subjugation within the capitalist system (Koch, 2022). However, the logic of authority based on consent remains relevant, because the world consists of varying ideological determinants that influence world views. Therefore, being ruled by consent implies that a population group can actively decide to comply with hegemonic authority, or actively deny participation. If the public finds the current hegemonic authority to be contradictory, this could be used to argue for change.

The historical crises that have manifested themselves in the US stock market crash and the global advocacy of delinking from the dollar could be used to argue for a paradigm shift. According to Babic (2020, 2021), this paradigm shift could be viewed through the lens of 'morbid symptoms'.

Using this argument, in order to determine whether or not the dollar is in an interregnum at the global level, 'morbid symptoms' have to be discernible which challenge the global hegemony. The call to delink from the dollar noted by Amin (2014), and the financial globalisation stemming from gross historical malpractice are emphasised as threats to the dollar's hegemonic status.

Further evidence of 'morbid symptoms' is offered by Tsui et al. (2020), who refer to the current race for post-dollar hegemony. They also note that the future is ambiguous because it is unclear which currency will displace the dollar hegemony. This means that this race has no clear outcome.

They briefly mention cryptocurrencies, but argue that cryptocurrency is a fad that does not solve many of the world's money problems, such as cost, credibility and decentralisation. However, they add that cryptocurrencies could disrupt the dollar hegemony, among others due to their adoption by large companies and financial institutions. Companies such as Facebook have the potential to generate a huge market share from their users, and the Facebook Libra stablecoin could be an example of one such disruptive technology. Thus far, however, cryptocurrencies have significantly underperformed in this context (Taskinsoy, 2019b).

Tsui et al, (2020) argued that the dollar and crypto could be amalgamated into a crypto dollar, which could establish a new hegemony. But they seem to ignore the fact that there is already a crypto dollar in the form of a stablecoin called Luna (Lipton et al., 2020). Luna was pegged to the US dollar and gold (UST) (Morrow, 2022). Although not endorsed by the Federal Reserve, this was a crypto dollar. However, it was still susceptible to misuse by the speculators, which subsequently contributed to its decline. Cryptocurrency volatility is its greatest impediment, but if demand remains constant, or continues to increase, these extreme price fluctuations and crashes may reduce in intensity. Therefore, this shortfall in financial stability could contribute to public and state hesitancy regarding cryptocurrency adoption. This means that cryptocurrency, in its current form, is not a clear successor to the dollar hegemony. It is this uncertainty about the future that defines the period of the interregnum.

The second dimension proposed by Babic is that of the state. The state is informed by the geopolitical context of the dollar hegemony. This is typified by Taskinsoy's depiction of the emergence of the dollar hegemony, which tends to induce crises.

The third dimension, namely morbidity, derives from Gramsci's famous statement about a 'crisis of authority': 'The crisis consists precisely in the fact that the old is dying, but the new cannot be born; in this interregnum, a great variety of morbid symptoms appear' (quoted in Achcar, 2022). Additionally, Babic (2020) further reads Gramsci by citing how these morbid symptoms cause a depletion of 'once great institutions'. A similar trend to Gramsci's analysis can be seen at the local level. Based on this logic, this study argues that the emergence of blockchain technology is an example of the 'morbid symptoms' exhibited by the great institution of the dollar hegemony and its sub-institutions, such as the Federal Reserve.

Scholars have also used Gramsci's morbid symptoms logic to explain changing global hegemonic relations (Babić, 2021; Taggart, 2020). Taggart argued that the liberal order had entered an interregnum due to the crisis-induced public pessimism. In this paper, this systemic approach is extended to discussions about the dollar hegemony.

Given the above, the answer to whether the dollar is in an interregnum is 'yes'. This is due to the prevalence of public and global pessimism and scepticism, flowing from the shortfalls associated with the dollar hegemony. This is compounded by other characteristics of the interregnum, such as the collapse of 'once great institutions'. This, in conjunction with the ambiguity surrounding the 'new that cannot be born', implies that US dollar hegemony is in an interregnum. Therefore, it seems clear that the dollar's days are numbered. This is a literary characterisation, based on the current state of the dollar hegemony. This pessimistic narrative has been induced by the risks associated with the speculative US financial sector and the historical economic crises that have contributed to global scepticism about the reliability of the dollar hegemony.

## Conclusion

This paper has argued that poor regulation of the financial sector, which has historically manifested itself in various financial crises, has led to growing calls to delink from the dollar hegemony. It has revisited the antecedents of the dollar hegemony, and established that the US has been historically irresponsible. It argues that this is linked to a poorly regulated financial services sector. The paper then sought to establish whether this call to delink, and the ambiguous future associated with it, could qualify to be classified as a Gramscian interregnum.

Following Babic, the paper accepts that a Gramscian interregnum is characterised by morbid symptoms, and goes on to argue that, due to a display of various morbid symptoms, the global economy and financial system is indeed in such a interregnum. To reach this judgment, it was important to establish whether the dollar hegemony was problematic. The paper has answered this query by citing historical crises and contradictions that have prompted calls for delinking from the dollar hegemony.

The paper has also examined the emergence of cryptocurrencies, and argued that they remain fallible. This same fallibility has created ambiguity surrounding the succession to the dollar hegemony, which has been found to constitute a morbid symptom of the Gramscian interregnum.

The paper has also argued that the emergence of cryptocurrencies is not the only 'new' that is threatening the dollar hegemony. The alternative 'new' includes alternative fiat money as well as stablecoins. Therefore, while the dollar is arguably in an interregnum, the future remains murky. It could involve a transition to another fiat currency, or a cryptocurrency. Cryptocurrencies and alternate fiat money may both threaten the current dollar hegemony, but the future remains unclear.

This research is significant for countries like Venezuela and Zimbabwe, which have been crippled by fiat money hyperinflation (Chen & Anderson, 2019) and the dollar hegemony. Moreover, the US currency monopoly is extremely powerful, and capable of damaging a country's economy through economic sanctions (Taskinsoy, 2019b). These dangers need to be noted, thus allowing political opponents of the US hegemony and the victims of hyperinflation to generate alternative solutions. The way forward depends on whether the risky, volatile nature of cryptocurrency can be accepted, mitigated and incorporated in countries that have been economically destabilised by the fiat money system and the dollar hegemony. My preliminary analysis is that if cryptocurrencies are to be incorporated, this has to happen gradually, to ensure that supporting infrastructure and mechanisms are enforced to mitigate issues such as transparency, hackability and more.

The Terra stablecoin could constitute a hybrid solution, but readers need to ponder or research this further. Another option would be for the gold standard to be revisited. But again, this issue would need to be considered in further research.

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