

T.C.

ANKARA YILDIRIM BEYAZIT UNIVERSITY

GRADUATE SCHOOL OF SOCIAL SCIENCES

EFFECTS OF THE USD USE ON GLOBAL POLITICS

MASTER THESIS

İlyas BALCI

DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

ANKARA, 2020

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STATEMENT

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İlyas BALCI

DEDICATION

Bu teze başlarken, beni her zaman destekleyen, takdir eden, bana hep güvenen sayın hocam Prof. Dr. Kudret BÜLBÜL'e teşekkür gönül borcumdur. Hocama sabrı, sevecenliği, tezimin her adımında beni yönlendirdiği, en önemlisi beni hiç yalnız bırakmadığı için sonsuz teşekkür ederim.

ÖZET

Dolar Kullanımının Küresel Siyasete Etkileri

Bu çalışma Amerikan dolarının dünya çapında kullanımının küresel siyasete etkilerini ortaya koymayı amaçlamaktadır. Bu amaca yönelik olarak çalışmanın temel araştırma sorusu "Amerikan dolarının dünya çapında kullanımının küresel siyasete etkileri nelerdir?" olarak belirlenmiştir. Anılan araştırma sorusunu cevaplandırabilmek adına ilk olarak literatür taraması (Amerikan ve uluslararası para sisteminin tarihçesi, küresel siyasetin modern durumu, küresel siyasetteki dolar hakimiyetine yönelik literatürde bulunan tartışmaları ve çalışmaları kapsayan) yapılmıştır. Ardından, veri ve analiz kısmına geçilerek betimleyici istatistiksel analiz ve karşılaştırmalı analiz metotları uygulanarak 1995-2020 yıllarına ait verilerden yararlanılmıştır. Anılan veriler ulusal ve uluslararası veri merkezlerinden (TCMB, Federal Reserve Bank of Philadelphia; OECD, IMF ve Dünya Bankası) ikincil kaynaklar olarak elde edilmiştir.

Çalışmada elde edilen bulgular ve yapılan tartışmalar ışığında, Amerikan dolarının küresel düzeyde kullanımının hem ABD'ye hem de diğer ülkelere bu çalışmada ele alınan alanlarda pozitif ve negatif etkilerinin olduğu saptanmıştır. Ancak, elde edilen bulgular göstermektedir ki Amerikan dolarının dünya çapında kullanımı ABD'ye ekseriyetle faydalar ve olumlu etkiler sağlarken; araştırılan alanlarda dünyaya etkileri büyük oranda olumsuzdur. Çalışmanın devam eden aşamasında ise dolar hakimiyetli küresel siyaset ve uluslar arası para sistemine alternatif modeller incelenmiştir. Bu bağlamda, Özel Çekme Hakları (Special Drawing Rights (SDRs), altın ve elektronik paralar ve üretmiş olduğum alternatif 2 model değerlendirilmiş ve anılan alternatifler arasında altın ve anılan 2 modelin, mevcut dolar baskın küresel siyasete uygun alternatifler olduğu görülmüştür. Devamında, küresel pandemi sonrasında mevcut dolar-baskın küresel siyasetin alabileceği yeni dengelere değinilmiştir. Buna göre Çin ve gelişmekte olan ülkelerin (Türkiye gibi) anılan pandemi sonrasında küresel siyasette varlığını ve gücünü artıracağı sonucuna yönelik göstergelere ulaşılmıştır. Son aşamada ise, bu çalışmanın bulgularına ve kısıtlamalarına ek olarak yasa yapıcılara ve sonraki araştırmacılara yönelik önerilere yer verilip yararlanılan kaynaklar kısmı ile bu araştırma sonlandırılmıştır.

Anahtar Kelimeler: Dolar, Ekonomi, Küresel Siyaset, Para, Uluslararası Para Sistemi

ABSTRACT

Effects of the USD Use on Global Politics

This study aims to reveal the effects of the worldwide usage of USD on global politics. For the aim in question, the primary research question of this study has been composed as following: What are the effects of the worldwide usage of USD on global politics? To answer this question, literature review (historical background of both the U.S.' and international monetary system, contemporary status of global politics, debates on the dominance of USD are examined.). In the data and analysis phase, descriptive statistical method and comparative analysis has been deployed for the data comprising the years between 1995 and 2019. The data analyzed in this study has been obtained from both national and international databases (TCMB, Federal Reserve Bank of Philadelphia; OECD, IMF and World Bank) as secondary sources.

In the light of the findings and discussions in this study, it has been detected that worldwide use of the USD has both positive and negative effects on both the US. and the rest of the world in the areas covered in this study However, the majority of the result achieved in this research indicates that universal use of USD provides substantially huge positive effects with the U.S. while it affects substantially the rest of the world negatively in the areas covered in this study. In the ongoing phase of this research, alternative models of the USD dominated global politics has studied. With this regard, Special Drawing Rights (SDRs), electronic monies, gold and two models developed by myself have been evaluated and, gold and two models in question are found to be as an alternative model of the ongoing USD dominated global politics. Afterwards, new balances in global politics after COVID-19 Pandemic was evaluated. According to it, China and other developing countries like Turkey are to increase their political power and existence in global politics. In addition to the findings and limitations of this study, recommendations for policymakers and further researchers are put forth in the last chapter of this thesis

Keywords: Currency, Economy, Global Politics, International Monetary System, USD

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LIST OF SYMBOLS and ABBREVIATIONS

BWS	:	Bretton Woods System
c.	:	Century
CA	:	Current Account
CB	:	Central Bank
CPI	:	Consumer Price Index
EU	:	European Union
FOMC	:	Federal Open Market Committee
FRS	:	Federal Reserve System
GDP	:	Gross Domestic Product
IMF	:	International Monetary Fund
IOUs	:	Investor Owned Utility
IPE	:	International Political Economy
JPY	:	Japanese YEN
OFAC	:	Office of Foreign Assets Control
OPEC	:	Organization of Petroleum Exporting Countries
SDR	:	Special Drawing Rights
TSM	:	Turkish Stock Market
USD	:	United States Dollar
USGS	:	United States Geological Survey
WTO	:	World Trade Organization

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1. INTRODUCTION

The United States Dollar with its sign and development has a long journey behind. Its $ sign roots back to Spanish Dollar called as Spanish Peso of 1700. The vertical and parallel line indicate “P” of Peso and “S” indicates plurality. (Eichengreen, 2012:12) Its transformational journey on the other hand dates back to late 1700s during the American revolutionary war in which USD finds its correspondence as IOUs (Investor Owned Utility). The essence of contemporary USD form was created in 1785 with the first formal adoption dollar and establishment of Department of Treasury. In the following year, gold and silver became the sole components of the ratio (15.253 to 1) at which the value of dollar was calculated. (Eichengreen, 2012: 11)

The milestone for the USD development is the establishment of Central Bank for USD in 1791. Followingly, the contemporary form of USD and its management took shape by Federal Reserve Act in 1913 which established 12 reserve banks for 12 districts (which are Boston, New York, Philadelphia, Washington D.C., Richmond, Cleveland, Atlanta, St. Louis, Chicago, Dallas, Kansas City, Minneapolis and San Francisco) and each of them were to act independently from one another while they were being overseen by Federal Reserve Board of Governors.

What Federal Reserve Act brought to the U.S. Financial System is the ability for bankers of possessing regional reserve banks, which forms the private sector of central banking in the U.S. The Federal Reserve Board, on the other hand, consisted of members like the Secretary of the Treasury, the Comptroller of the Currency, and other officials appointed by the President, which forms the public interest and supervision over the private central banking. There are many advantages of the existence of Reserve Banks in different parts of the country. They provide the federal government with better comprehension of the latest economic status of local communities and with better adjustment of the monetary policy thanks to the information obtained from the regional Reserve Banks about their districts.

Federal Open Market Committee (FOMC) forming FED's heart was added to its structure in 1933 and it has been authorized to steer the U.S. national monetary policy and the direction of USD on the earth. "The FOMC makes all decisions regarding the conduct of open market operations affecting the federal funds rate, the size and composition of the Federal Reserve's asset holdings, and communications with the public about the likely future course of monetary policy." (Board of Governors of the Federal Reserve System, 2016:15) Hence, its structure is decisive in understanding the essentials of USD.

Monetary policy, on the other hand, is a bilateral instrument which can be used for the benefit of a country while it can also be manipulated on behoof of a governing elite while economy is being damaged. For Waller (2011: 291) "a central bank's independence, however, is the key tool to ensure a government will not misuse monetary policy for short-term political reasons. The independence of the FED doesn't necessarily mean that it is totally sovereign or separated institution from the government. Instead, FED and U.S. government are in quite close cooperation." In this context, "FED can be described as an independent institution in the government." (Akyazı. 2001: 13)

The first coinage act of U.S. came into force in 1792 with implementing a bimetallic standard which uses both gold and silver. However, the sole use of gold standard in the U.S. was implemented between 1879 and 1933. Gold standard can be defined as a monetary system in which currency is bounded to a predetermined amount or proportion of gold. It led to problems in liquidity and got terminated before the establishment of Bretton Woods System.

Bretton Woods System is an international monetary system appeared after world war II and it was established and designed in accordance with the desires of U.S. in spite of many representatives from forty-four countries participating its founding meeting. Bretton Woods system forms a basis for the current dominant status of the USD in the sense that USD was indexed to gold whereas other currencies were indexed to the USD. As Tatlıyer (2019:11) mentioned, this indexation made the USD world currency and it is still preserving its position. Although Bretton Woods System cached a remarkable rise in the G7 countries in the following twenty-five years of its establishment, it ended up with abolishment by its major founder country in 1971. However, dominant or reserve currency status of the USD stayed alive and well.

As Bordo and Eichengreen (1993:3-14) stated what lied behind the success of the Bretton Woods system was the exchange rates applied on the USD and gold. As USD was the only currency converted to the gold and it was holding about 65 percent of gold reserves in the world, it provided the U.S. many advantages. (Green, 1999: 18) In 1971, U.S. President Nixon terminated the Bretton Woods System and abolished the fixed exchange rate between gold and USD.

The current reserve currency status of the USD in essence dates back to Bretton Woods Agreement in 1944 as Vecchio (2009:2) mentioned "Under the terms of the Bretton Woods Agreement, the U.S. agreed to exchange USD for gold at a fixed rate of $35 per ounce. Currencies of signatory nations were pegged to the USD within a 1% deviation limit. Central banks would buy or sell U.S. dollars to keep their currencies within the permitted fluctuation band. Thus, the USD became the world's official reserve currency." "Under the Bretton Woods system, central banks of countries other than the US were given the task of maintaining fixed exchange rates between their currencies and the USD. They did this by intervening in foreign exchange markets." (Cameron, 2005: 128) Bretton Woods System collapsed because of problems in equalization, distrust, its openness to speculations. (Seyidoğlu, 2003:561)

United States Dollar has dominated global politics and begun to be used as reserve currency especially after WWII and the Bretton Woods System which forms a basis for the current dominant status of the USD in the sense that USD was indexed to gold whereas other currencies were indexed to the USD with the Bretton Woods System. Thus, reserve currency status of the USD left as a legacy from the Bretton Woods system. From that point on, global politics, trade, economy are affected and shaped by the United States through dollar due to its worldwide usage and reserve currency status. In this context, research problem of this study is to understand how global usage of United States Dollar affects global politics.

The dollar has been the world's first currency most widely used by governments, financial institutions, corporations and individuals since the end of World War II, and is the leading currency today. A growing chorus of observers believes this dollar-centered order is coming to an end. (Norrlof, 2014:1042-1043)

USD was not an only dominant currency in the history of global exchange system. Before USD, there has been many other reserve currencies in the world, the last one was pound sterling. However, there are some factors lying under the dominance of USD appeared after world war II and the Bretton Woods System. Salvatore (2002:125) narrates those factors as (1) high inflation rate in U.K. and sharp fluctuation in pound compared to the low inflation in the U.S. and stability of USD during late 1940s and early 1950s, (2) exchange controls in England in contrast to the relative openness of U.S. financial market, and (3) decline in the sterling area's share of world exports in comparison to the rise in the U.S. share.

The three dynamics prepared the rise of USD in global politics after world war II. In the following years, however, pricing of petroleum in USD contributed to the rise of USD in global politics. (Salvatore, 2002:125) In essence, it can be comprehended as role switching between Pound and USD. As Narloff (2014:1059) underlines that "After the collapse of the Bretton Woods system in 1971, the US insisted that Saudi Arabia and other Gulf states price oil in dollars and not accept any other currency in exchange. This agreement happened under the US. military existence and pressure. (Spiro, 1999)."

In the contemporary world, United States Dollar is considered as reserve or global currency. Gold, petroleum and other precious commodities are priced in USD in the world. International trade of goods and services are made in USD as well. In many developing countries, nominal trade is also made in USD. The United States has been steering a global unit of exchange account which has been regarded as a precious unit to measure the values of goods and services produced in world.

Global trade developed enormously in twenty first century. The means which are being used as an exchange unit in global trade is as significant as the trade being made. According to Board of Governors of the Federal Reserve System (February 1, 2019) "there was approximately $1.70 trillion in circulation as of January 23, 2019, of which $1.66 trillion was in Federal Reserve notes."

According to IMF (2019), total official foreign exchange reserve was $ 1,389,816 million while the weight of USD was 58,96 % and it has increased its weight to 61,94% gradually in foreign exchange reserves so far. It realized its peak point as 71,51 % in the last quarter of 2001. The weight of USD in foreign exchange reserves has been the highest since 1995 according to the official records. It illustrates the view of the dominion of USD over the world exchange reserves. As Best (2019) underlined, it is important to note that 40% of the world's debt is denominated in USD.

As a result of the study conducted by Gopinath (2015:9), U.S. share in imports is 10 percent while the share of imports invoiced in USD is 40 percent of Euro and other currencies between 1999 and 2014. The imbalance between invoicing and import share of the U.S. is so much that the former is three times more than the latter. The ratios are similar in the share of exports of the U.S. and in the share of exports invoiced in USD in the world as well.

Gopinath (2015:10) points out that there is also a huge imbalance between the USD invoicing share in imports (black bar) next to the share of imports from the U.S. in the world. According to it, the invoicing share of USD in imports (showed with black bar) is doubled the share of imports from the U.S. (showed with grey bar) in almost any of 35 countries studied between 1999 and 2014.

1.1. Methodology

In this section, methodology of this study will be revealed. With this regard, following titles will be covered: problem statement, aim of study, research question, hypotheses, dependent and independent variables, unit of analysis, data, analysis method, contributions, limitations, overview of chapters respectively.

1.1.1. Problem Statement

United States Dollar has dominated global politics and begun to be used as reserve currency especially after WWII and the Bretton Woods System which forms a basis for the current dominant status of the USD in the sense that USD was indexed to gold whereas other currencies were indexed to the USD with the Bretton Woods System. From that point on, global politics, trade, economy are affected and shaped by the United States through dollar due to its worldwide usage and reserve currency status. In this context, research problem of this study is to understand how global usage of United States Dollar affects global politics.

USD was not a dominant currency in global politics since its first issuance. Before USD, there were some other reserve currencies in the world, the last one was pound sterling. USD has taken over the role of Pound Sterling in global politics after world war II. In the following years, however, pricing of petroleum in USD contributed to the rise of USD in global politics. (Salvatore, 2002:125)

Before the USD, pound was dominant currency in global politics, and it was the pound in which petroleum was priced. However, what has not changed is the effects of the worldwide usage of reserve currencies on global politics. Many research and results indicate that USD has been used worldwide as a reserve currency since the world war II. The problem is that sole producer of a reserve currency is a certain country while it has been used by all over the world and it is more likely to create many effects on both the U.S. and the rest of the world. For this reason, this study is aimed at discovering those effects on both sides.

The research problem of this study arose from not only theoretical ground but also practical ground as well. It is so wide problem that majority of the country leaders declare its disadvantages and hegemony, and the need for a change. For example, Turkey's president Recep Tayyip Erdoğan expressed repeatedly the need for the use of national currency instead of USD. He also underlined that "Converting USD into TL and using our national currency instead of USD will be our nation's answer to those who declared economic war against us." (BBC, 2016; Hürriyet, 2018)

Russian leader Vladimir Putin declared that "Use of the dollar as a political weapon is a mistake because such actions undermine confidence in the US currency." (Russian News Agency, 2019.) In another press briefing, Putin stated that the role of the US dollar should be reconsidered and that the global trust in the US dollar has weakened by stating that the US is trying to expand its authority limit globally. (Sabah, 2019) Putin also declared that

“The USA is interfering in the world politics with monopoly of USD. The US takes advantage of the fact that the dollar is practically the monopoly of the world. This is a problem and bad for the global economy.” (Haberler, 2011.)

Indian president, on the other hand, signed deals with both Iran and United Arab Emirates on using the India’s local currency (Rupee) in their trades of petrol and other commodities by underlining and escaping from the negative of the USD usage in international trades. (Amarujala, 2018.)

Consequently, research problem of this study is that a currency is produced and steered by a sole country and used by the world while it provides many positive and negative effects on both that sole country and the rest of the world. In addition, the actions and reports of the country leaders mentioned above show that this research problem is not only on the theoretical ground but also on the practical ground in the world.

1.1.2. Aim of Study

The aim of this study is to find out and reveal the effects of the worldwide use of USD on global politics. Firstly, it categorizes the effects in question into two groups the effects on the U.S. and the effects on the rest of the world since effects on both sides are more likely to differ from one another. Furthermore, effects on each side are divided into three sub-categorized into three grounds to be comprehended and compared better which are, effects on economy, effects on culture, effects on politics. In addition, each sub-category is constituted by related effects. In this context, effects on economy of each side is aimed to reveal the effects on the following areas: seigniorage, usage of local or regional monetary units, effects on the current account balance, effects on the total public debt between 1995-2018. Effects on politics of each side is aimed to reveal the effects on the following areas: effects on the global interaction, effects on the national culture and national consciousness while effects on politics category is aimed to find out the following effects of each side: political power and discourse of the leaders and monetary policy.

1.1.3. Research Question

This study seeks to explain the following research question: "What are the effects of the worldwide use of USD on global politics?". In order to find out scientific answers to this research question, this thesis has been conducted.

1.1.4. Hypotheses

Hypothesis of this study are mainly derived from the worldwide use of USD phenomenon. In this context, effects of worldwide use of USD on global politics is the mainstream of this study's hypotheses. As it was underlined above, the effects which are the subject of this study are categorized into three groups (economy, culture, politics) for both the U.S. and the rest of the world. Therefore, hypotheses will be expressed in four categories for both sides.

Initially, three categories of effects in question for the U.S. side constitute the first part of hypotheses. In this context, hypotheses regarding with the economic, cultural and political area of the U.S. are as follows:

Under economic effects category, the following hypothesis has been formed and tested.

Hypothesis 1

As global USD usage increases, US is more likely to get affected positively in fields of **Seigniorage, Current Account Balance, Total Public Deb**t and to be disadvantageous in the **usage of local or regional monetary units**; while rest of the world is more likely to get affected negatively in the relative fields except for the usage of local or regional monetary units.

Under cultural effects category the following hypothesis has been formed and tested.

Hypothesis 2

- As global USD usage increases, US is more likely to get affected positively in fields of **Global Interaction, National Culture and National Consciousness**; while rest of the world is more likely to get affected negatively in the fields underlined above.

Under the political effects category, the following hypothesis has been formed and tested.

Hypothesis 3

- As global USD usage increases, US is more likely to get affected positively in the fields of **Political Power and Discourse of the Leaders, and Monetary Policy**; while rest of the world is more likely to get affected negatively in the relative fields.

1.1.5. Dependent and Independent Variables

The independent variable of this study is constituted by *worldwide usage of USD* while *its effects on global politics* forms fundamental dependent variable of this study. In this context, further dependent variables as expressed in the hypotheses section are as listed below. Dependent variables of *the effects on both the U.S.* and *the rest of the world* parts are listed below.

- Effects on Seigniorage
- Effects on Usage of Local or Regional Monetary Units
- Effects on the Current Account Balance
- Effects on the Total Public Debt Between 1995-2018
- Effects on the Global Interaction
- Effects on the National Culture and National Consciousness
- Effects on Political Power and Discourse of the Leaders
- Effects on Monetary Policy

1.1.6. Unit of Analysis

Geographical unit of analysis is benefited and there are two geographical units in this study. In the first section which is *effects on the U.S.*, the geographical unit of analysis is *the United States* while *the rest of the world* forms the geographical unit of analysis of the second section of this study. World comprises the countries whose relevant data is available in the database researched. The number of countries varies between 45 and 160 depending on the subject researched and names of each countries whose data has been obtained are indicated in the relevant pages and subjects.

1.1.7. Data

Multiple sources of data were benefited in this study. In this context, secondary data for each section (effects on the U.S. and effects on the rest of the world) is benefited from the online sources of International Monetary Fund (IMF), World Bank, World Trade Organization (WTO) FED and other data bases and publications. In varying parts of this study, the secondary data obtained from the sources above are compared, mixed and created new data regarding the subject on which studied. In this context, database of International Monetary Fund has been utilized in the constitution of this study's main variable which is "The USD's Status in World Currency Composition of Official Foreign Exchange Reserves (%)" to measure the worldwide use of the USD. As other variables, Consumer Price Index (CPI), Current Account Balance, Trade Balance and Total Public Debt of both the and the rest of the world has been obtained from the databases of the FED, World Bank, International Monetary Fund and World Gold Council according to their relevance.

1.1.8. Analysis Method

Different analysis methods are benefited in varying sections of this study. In this context, descriptive and comparative research methods are utilized in this study. In the first chapter which is "Methodology and Conceptual Framework", descriptive method has been deployed to describe and evaluate the methodology, development of USD and international exchange system, relation between global politics and USD have been described.

In the second chapter, comparative method has been used to compare the positive and negative effects of the use of USD on the US and the world in terms of economic, political and cultural aspects. From the economic aspect, effects of the USD use on the US and the world has been compared in terms of following grounds: Seigniorage, Usage of Local or Regional Monetary Units, Current Account Balance and Total US Public Deb. From the cultural aspect, effects of the USD use on the US and the world has been compared in terms of following grounds: Global Interaction of the world and the US citizens, and National Culture and National Consciousness of the US citizens and the world. From the political aspect, effects of the USD use on the US and the world has been compared in terms of following grounds: Political Power and Discourse of the Leaders, and Monetary Policy The data for the world comprises the countries whose data is available in the local, regional, and global databases researched and the availability of the number of countries varies between 45 and 160 in accordance with the subject researched.

In the third chapter, comparative method has been deployed to compare possible the alternatives of USD dominated global politics while descriptive method has been deployed to describe the new balances in the global politics after COVID-19

1.1.9. Contributions

In the literature, there is a gap in the field researching the effects of the worldwide USD usage on the global politics. In addition, there are quite limited empirical studies which are aimed to provide comprehensive knowledge about the pros and cons of the global currencies for the world. There are also relatively limited alternative models which are suggested based on an empirical research and analysis. With this regard, this study is to contribute to the literature by providing scientific knowledge and analysis of the effects of widespread USD usage on the global politics. It is to set a light in this field to enlighten advantages and disadvantages of the ongoing global exchange system. Furthermore, it is to contribute to the literature by providing a comprehensive alternative model of the existing USD dominated global monetary system.

1.1.10. Limitations

There are some limitations of this study. Firstly, global politics as a concept is wide field. It is hard to examine as a whole, which forms a limitation for this study. However, it doesn't mean that effects of the worldwide USD usage on global politics can not or should not be studied. It will of course be studied. In this study, global politics was researched by dividing it into three categories which are Economy, culture and politics. Under these three categories are to represent global politics for this study because it is almost impossible to examine every aspect global politics. For this reason, these three categories are to represent global politics. However, further comprehensive studies should be made in this field to compose a cumulative knowledge about this subject.

Secondly, the existence of very limited number of studies in this field composes another limitation for this study. The existence of previous studies with their right and wrong

findings encourage and enlighten the way on which researchers study. However, the absence of abundant studies in this field forms a limitation for this study.

Thirdly, the available data for many issues studied in this thesis can not be traced back. 1990s forms the starting point of much of the data which is necessary for this study. For example, many countries don't have the tradition of keeping written economic data until 1990s. This is making study hard to achieve the data of distant past for many countries.

In the literature, there are quite limited number of studies covering the effects of the worldwide usage of USD on the global politics and almost all them research the issue on the ground of economics. The number of the researches which examines this worldwide popularity of the USD in terms political science studies is very low. One of the main pillar scholars who studied the issue in terms of political science aspects is Prof. Dr. Barry Eichengreen (Berkeley Economics from, University of California) in his book named "Exorbitant Privilege: The Rise and Fall of The Dollar and The Future of The International Monetary System" in 2012. There are many weaknesses in his study about the methodology and coverage. I argue that he revealed quite prominent information about this subject. However, his study becomes weak because it lacks a comprehensive analysis based on data-driven information.

Another important source in the literature is the studies of Gita Gopinath (chief economist of International Monetary Fund) and especially her following study "The International Price System". Her studies cover quite important aspects of the effects of worldwide USD usage. However, her studies' coverage is limited only with the economic aspects and political aspects carry significance as well to be studied.

In Turkey, there are also many studies researching the worldwide USD usage. However, they are examining the issue to in terms of business administration, economics etc and they are lacking the aspects of political science. The following studies can be regarded as examples: Işık S. (2019): Dollarization and bank performance; Bulgurlu HB. (2003): Current state of the Euro and Dollar within the world Economy and Euro-Dollar Inter-relationships; KÖSE T. (2008). The hegemony of the Dollar and its sustainability in the international monetary system.

1.1.11. Overview of Chapters

This study is aimed to find out the positive and negative effects of the worldwide USD usage on global politics. In this context, this study has been conducted on 4 chapters. In the first chapter which is an introduction named as Methodology and Conceptual Framework, following subjects are covered mainly Methodology, Problem Statement, Aim of Study, Research Question, Hypotheses, Dependent and Independent Variables, Unit of Analysis, Data, Analysis Method, Contributions, Limitations, Overview of Chapters. As a conceptual framework, the first chapter covers the development of USD and the exchange system that forms their contemporary status and the relation between global politics and USD.

The main pillar of this study is formed by the second chapter in which positive and negative effects of the worldwide usage of the USD on global politics is examined. In this context, the effects are questioned for two different sides which are effects on the United States and effects on the rest of the world. Furthermore, the effects on each side are categorized in three main areas which are economy, culture and politics. Under the economical field, the following four main effects are questioned: seigniorage, usage of local or regional monetary units, current account balance and total public debt between 1995-2018. Following the economical field, cultural effects on each side are questioned. In this context, effects of the global use of USD on Global Interaction and National Culture and National Consciousness of the U.S. and on the rest of the world are questioned. Lastly, effects on politics are questioned under two titles which are effects on the Political Power and Discourse of the leaders in addition to the effects on the monetary Policy of both the US. and the rest of the world.

In the third chapter, alternatives of USD dominated global politics (Special Drawing Rights (SDRs), Electronic Monies, Gold, Model 1 and Model 2) were examined in addition to the new balances after COVID-19. Following the third chapter, this study has been completed with the conclusion and recommendations parts.

1.2. Conceptual Framework: Development of the USD and Exchange System

In this chapter, historical development of United States Dollar and the global exchange system are explained. In order to comprehend the effects of the worldwide use of USD on global politics, it is necessary to comprehend the milestones in the development of the global exchange system and USD in addition to their association and interdependency. In this context, historical development of the USD is initially explained. Afterwards, historical development of the global exchange system and the association between the USD and global exchange system are explained in order.

1.2.1. Historical Development of the USD

The exchange systems that the U.S. has used so far plays significant role in understanding the current exchange system valid in the world. Understanding the main historical dynamics that prepared the USD's current status plays significant role in understanding the current US' exchange system. Therefore, short history of the exchange system in the U.S. was given place in this study. In order to point out the breaking points of it, 7 phases that the U.S. exchange system has been through are given place which are as the followings: colonial currency era, continental currency era, 1785: first formal adoption of dollar and establishment of Department of Treasury, 1791: Central Management of The U.S. Dollar, 1913 - Federal Reserve Act- Currency Bill- Oven Glass Act, Gold Standard:1879-1933, 1946-1970: Bretton Woods System.

1.2.1.1. Colonial Currency Era

Until early 17th century, Native Americans were using barter economy system. Skins of animals, wheat and spice were among the most popular commodities in exchange system of Native Americans. The most common problem in barter economy was the difficulty in defining the precise value of goods being exchanged. The interaction between Native Americans and colonists brought many advantages to the both sides. Wampum (which was beads used in place of money by the Native Americans in early 1600s) became one of the trading tools among the colonists as well. It became so popular that payments of the debts with wampum was recognized and admitted by official institutions as well in early 1600s.

On the Natives' side, interaction with the colonists expanded Native Americans' trade culture as they met with the currency with and thanks to the colonists. When in 1620 a landing party of English religious dissidents led by William Bradford and Myles Standish came ashore near what is today Provincetown, Massachusetts, they brought with them English Money and a custom of expressing values in pounds, shillings and pence. Native Americans valued the purple and White quahog and whelk shells strung in the form of necklaces and ornamental belts and were willing to part with furs, skins and other commodities to obtain them. (Eichengreen, 2012:9)

The use of wampum in legal and private payments widened in time. Almost any local governments admitted a sort of commodity as a unit of payment and exchange. For example, Connecticut admitted wheat as a legal payment unit while Tobacco was valid for the same process in Virginia. The most popular exchange units were wheat, corn and tobacco. However, that system led to many problems in the course of time. Firstly, the use of these commodities in both legal and private transactions encouraged the producers of the goods in question to enhance their production level, which gave way to the diminish the purchasing power of the related commodities due to the loss of value since they're over produced and were abundant in the market. A word which was expressed around 1740s from an English visitor narrates exactly the situation in question "There certainly can't be a greater Grievance to a Traveler, from one Colony to another, than the different values that their Paper Money bears." (Kimber, 1998:52). After many of failed limitation attempts towards the production of the popular exchange commodities, farmers revolted against the low purchasing power of the goods they produced in early 1680s.

Corn, tobacco or wheat-based barter economy led to many other disadvantages in addition to the decrease in purchasing power. The most widely known of them are lack of standard in quality, high storage expenses and the risk of spoilage. The problems in question pushed the Native Americans to use currency. However, they had to import coin from England due to the fact that England didn't allow its colonies to run a mint. In 1600s, the only mint in America was found in Massachusetts that operated just for 30 years and was ordered to be closed by King Charles in 1682. (Crosby, 1875:34) Native Americans reached English Coin by exportation of the goods they produced despite the difficulties arose from the English side. However, Native Americans acquired most of the coins from the West Indies in consequence of the restriction brought by the England. The restriction in question led to smuggling and piracy among the Native Americans to obtain coin from different parts

of the earth such as France, Portugal, Venice and Spain. The most widely used coin was Spanish silver coin which was also imported considerably much by Native Americans.

The coins of other countries like Spain, France, Britain were admitted as legal tender for a long time. “By an act of February 1793 (Act to Regulate Foreign Coins, 1 Stat. 300) certain coins of Britain, Portugal, France, Spain, and Spanish colonies were designated legal tender at prescribed rates until 1797.” (Elwell, 2011: 2) However, the legal tender position of other countries’ coins remained the same for fifty years- period thank to the legal regulations accordingly since the United States was a developing country whose currency requirements demanded such solution.

One enduring legacy of the Spanish coins that constituted the bulk of the circulation is the dollar sign. The sign “$” derives from peso, the parallel line being the vertical portion of “P”, and “S” indicating plurality. (Eichengreen, 2012:12) It would also show us the path to comprehend the root cause of the $ sign which has been used by some countries like Colombia (Colombian Peso), Argentina (Argentina Peso), Mexica (Mexican Peso)

1.2.1.2. American Revolutionary War

The colonies’ war of independence was necessarily improvised, but nowhere more than in the monetary sphere. (Eichengreen, 2012:11) In the Continental Congress, representatives didn’t have the power to commit the principals they wish. In addition, they were not enabled to raise the taxes. The only way for them to compensate the expenses of the war was to issue IOUs. Every colony chose the path to issue their own IOUs in addition to the ones issued by the Continental Congress, which created many problems in economy. A great number of IOUs in circulation led to a sort of uncertainty in prices at which they were treated. It also gave rise to a great inflation in the economy at the end of which a great deal of silver and gold were lost from trade.

When the former British colonies became the United States following the American Revolution, they faced with a task similar to that of the European Community’s recent efforts to establish a single currency. The thirteen original states had four independent regional currencies. This circumstance added complexity to commerce between states. The experience of the European Community in creating a single monetary unit (Euro) out of a bewildering maze of national currencies (e.g. Lira, Franc, Deutsche Mark, Peseta, etc.) for

all its confusion, took place in substantial shorter time span than did the integration of regional colonial currencies in to the United States Dollar." (Nogler & Armstrong, 2007: 19)

The difficulties and confusions faced in the absence of a single unit of exchange account in the U.S. led to a quest on the solution of the issue in the Continental Congress. As it was mentioned by Nogler and Armstrong, Continental Congress chose the way to unite and integrate the currencies which are in production and in use in the country to get rid of the complexities, difficulties, and disadvantages it created. The process of transition from multiple units of account into a single unit of exchange lasted quite shorter than that of the Euro zone. In order to describe the process of the establishment of single U.S. Dollar, the following time intervals that played great significant roles will be illustrated below.

1.2.1.3. 1785: First Formal Adoption Dollar

Continental Congress took a step towards the unification of the unit of accounts in circulation and admitted the dollar as a legal unit of exchange of the United States in 6 July 1785. Decimal system which was applied in France was considered as favorable by Thomas Jefferson who worked in France as ambassador of the U.S. and comprehended the benefits of decimal system. Therefore, he was an effective figure on the adoption of decimal system in the United States. In the following year, it was adopted that one percent component of a dollar was named as "cent" and the sum often cents were named as "dime". Gold and silver were the only components of the ratio (15.253 to 1) at which the value of dollar was calculated. (Eichengreen, 2012: 11)

In 1786, The Department of Treasure was established by Continental Congress with the Annapolis Convention. Alexander Hamilton (who was also regarded as the founder of financial system of the U.S.) was appointed as first minister of the Department of Treasure. Thanks to the convention, The United States possessed a mint which issues coins solely in its early times. However, states began to issue coins in addition to the Department of Treasury, which created to complexities and difficulties in national and international trade of the U.S. In 1789, the right to issue money was declared to belong solely to the Congress, which forbade states to issue money or things which were in use money (E.g. IOUs).

1.2.1.4. 1791: Central Management of The U.S. Dollar: Central Bank

On the road of establishing the foundations of U.S. Dollar, existence of an independent and strong central bank was indispensable in order to provide with a safe, stable and flexible monetary and financial system. However, establishment of a central bank for The U.S. went through a difficult process.

In Spite of the fact that there were many attempts to establish a central bank in The U.S., it couldn't be realized due to the dominant public opinion in the opposite direction including presidents and farmers. They refused the idea of central banking because they thought that existence of a central bank would make merchants richer. (TARLAN, 1986:36) Therefore, creation of a central bank in the U.S. was delayed until late eighteenth century.

The first minister of Treasury of the U.S., Alexander Hamilton put a great effort and the first central bank of the U.S. was established with its twenty years tenure and named as "The First Bank of the United States" in 1791. Although it provided with relatively much benefits to the U.S. economic and financial system, it got closed when its charter was over in 1811 by putting forth two arguments that it was obstructing the development of U.S. economy and most of its stocks (about 70 percent) were owned by British investors. Despite the fact that British investors didn't possess any sort of power to steer the decisions of the CB management, the argument behind the decision was that giving twenty years more tenure would lead to benefit about $12 million to the British and other foreign investors while it scarce gold and silver were already being exported (Hixson, 1993:115).

The necessity of a central bank for a safe, stable and flexible monetary and financial system didn't disappear after removal of the First Bank of The United States. Therefore, Alexander Hamilton, who was also known as the founder of the U.S. financial system, became an effective figure again on the establishment of The Second Bank of The United States in 1816 after five years of the previous one's closure. Even though the second central bank's physical existence continued for a while, it couldn't work effectively due to the fact that Andrew Jackson, the president of the era in question, vetoed the concession of the bank by claiming that central bank with exclusive powers would lead to monopoly in the country and it was unconstitutional since that authority or power was not given them by constitution. In the light of these developments, The Second Bank of The United States was terminated in 1836.

In the absence of a central bank, The United States experienced a rough process in which management, issuance and supervision of the U.S. Dollar didn't have a center to be steered. In addition, banks faced with serious financial difficulties in meeting their urgent cash needs since there was no mechanism to be applied for. It hereby led to the financial crises in 1873, 1884, 1893 and 1907. (Mishkin, Matthews, & Giuliodori, 2013, p. 182)

The last crisis (1907) mentioned above was quite significant in the sense that the necessity of central banking in the U.S. was detected again by the authorities. However, various attempts for establishment of a central bank was refused by opponents in the Congress between 1907 and 1912. What became the milestone for the U.S.' central banking and economic history has been the election in which Woodrow Wilson appeared to be president of The United States.

The need and quest for a healthy central bank kept its existence in early 20th century. In 1908, "National Monetary Commission" was found in order to examine and evaluate the possible solutions for the monetary difficulties that The United States had been through. The commission was consisting of eighteen Congress members and a senior senator who is Nelson Aldrich. Under the direction of Aldrich, commission prepared a plan as a guideline for the revision of the basics of monetary system. Aldrich also studied about the plan with his friends, advisers and other scholars away from the commission.

It was clear that Aldrich was admiring the economic and monetary system functioning in Europe, which was reflected to his plan as well. The plan has been called as "Aldrich Plan" In essence, Aldrich plan was based on the regional central banks (named in the plan as 'National Reserve Associations') and those regional central banks were to be managed and audited by national board of commercial bankers. Providing with loans to its members, management and control of liquidity and money supply in the market, being a fiscal tool to be used were some of the expected profits of the Aldrich Plan. (Hulbert, 1912: 25-32)

What they hesitated about the plan was its probable refusal by the House of Representatives, which turned into reality later with a high share of refusal votes. Aldrich delayed the plan until Woodrow Wilson became president. However, Aldrich plan had some features that kept it away from approval of both Wilson and The House of Representatives. Those features were concentrated especially on the regionality of the central banks due to the concern that their authority can be manipulated or misused for individual benefits.

Another reason lying under the refusal of plan was to set up a strong central bank by learning from the previous attempts which were end up with termination (First and Second Bank of The United States were set up. However, they were terminated due to the weakness of functional and legal infrastructure in addition to the high level of share in its stocks) The result of Aldrich plan was not absolute fail but a success in the sense of being a basis for the formation of new central bank. (Federal Reserve History, 2013.)

1.2.1.5. 1913: Federal Reserve Act

National Monetary Commission completed their study and they offered congress to establish a central bank with some specific features. The draft was adopted in The House of Representatives with 298 votes out of 358 and in The Senate with 43 votes out of 68 representatives. President Woodrow Wilson approved the establishment of Federal Reserve System in December 23, 1913 and the act was named in short as Federal Reserve Act, Currency Bill or Oven Glass Act. Thanks to the Currency bill, a central bank named as federal reserve system was found although it doesn't correspond to the one existing today because it has been modified many times since its establishment.

When the Federal Reserve System is examined deeper, it can be easily detected that it has many features resembling to what Aldrich plan offered. The Currency Bill separated the United States into 12 Districts and granted each of them a Reserve Bank. The locations of districts mentioned in the bill was regulated in accordance with the economic aspects like popular commercial areas. Hence, they are not reflecting the state boundaries as they can be seen in the figure 1 below.



Figure 1. Twelve Federal Reserve Districts in 1913[1]

The Reserve Banks that each of 12 districts which are indicated above were designed to act independently from one another while they were being overseen by Federal Reserve Board of Governors. What Currency Bill brought to the U.S. Financial System is the ability for bankers of possessing regional reserve banks, which forms the private sector of central banking in the U.S. while the ability of the Federal Reserve Board consisting of the members like the Secretary of the Treasury, the Comptroller of the Currency, and other officials appointed by the President, which forms the public interest and supervision over the private central banking. Although there were some differentiations in discount rates applied to the reserve banks and some other sub-structural problem existed, they are fixed in time with new

[1] The figure is taken from the online publication of Board of Governors of the Federal Reserve System (Tenth Edition, October, 2016), namely "Federal Reserve System : Purposes&Functions". Retrieved from February 22, 2019 from https://www.federalreserve.gov/aboutthefed/files/pf_complete.pdf

reformations on the structure of Federal Reserve System especially after the two economic crises which are great depression and the oil crisis happened in early 1970s.

In the contemporary view of Federal Reserve System, there are three major components of it which are the Federal Reserve Board of Governors (Board of Governors), the Federal Open Market Committee (FOMC) and the Federal Reserve Banks (Reserve Banks). Board of governors consists of seven members and can be described as a head of the FRS and its members are appointed by the president and are confirmed by the senate. Board members are appointed with fourteen-year tenure, which can be regarded as the sign of independency from the politics and its temporary policies while bringing the stability in the monetary policy. Federal Reserve Banks are in charge of controlling the economic activities of financial institutions within their territory. "Seven Board members and five Reserve Bank presidents direct open market operations that set the U.S. monetary policy to promote maximum employment, stable prices, and moderate long-term interest rates in the U.S. economy." (Board of Governors of the Federal Reserve System, 2016:9)

Twelve Reserve Banks in the U.S. fulfill mainly four significant functions at the local level which are supervising state member banks, lending to depository institutions to ensure liquidity; providing key financial services that undergird the nation's payment system and lastly supervising certain financial institutions to ensure the compliance with federal consumer protection and fair lending laws. (Board of Governors of the Federal Reserve System, 2016:14)

The existence of Reserve Banks in different parts of the country provide the federal government to comprehend the latest economic status of local communities better and it has been quite beneficial for the federal government to adjust the monetary policy by considering the economic and financial information they obtained from the Reserve Banks related with the district they are in. Reserve Banks are also effective in determining the discount rates since they are proposals of discount rates to the Board of Governors by which proposals are being evaluated.

1.2.1.6. The Federal Open Market Committee

Federal Reserve System was redesigned in 1933 and 1935 since The Federal Open Market Committee (FOMC) was added to its structure. The essential component of the Federal Reserve System became The FOMC and it has been authorized to steer the national monetary policy. “The FOMC makes all decisions regarding the conduct of open market operations affecting the federal funds rate, the size and composition of the Federal Reserve’s asset holdings, and communications with the public about the likely future course of monetary policy.” (Board of Governors of the Federal Reserve System, 2016:15)

The monetary policy of the U.S. and the direction of the dollar on the earth has been steered by the FOMC. Hence, its structure is decisive in understanding the essentials of the background of U.S. Dollar. The FOMC is structured by twelve members having the authority to vote in its decisions. Board of governors with its seven members and the president of the Federal Reserve Bank of New York are the permanent members while the four out of eleven presidents of the rest Federal Reserve Banks form the essence of the FOMC. The four presidents mentioned are authorized to serve for one year in order. “While the Federal Reserve Bank of New York has largely the same responsibilities as the 11 other Reserve Banks, it also has several unique responsibilities associated with its presence in the financial capital of the United States.” (Federal Reserve Bank of New York, 2008). The reason behind the exclusive status of New York FED is arising from its existence at the center of financial capital of the U.S. That’s why it has also authorized to fulfill many other responsibilities in addition to the ones given any of the remaining Federal Reserve Banks.

The Currency Bill which was issued in 1913 was revised in 1977 and The Board of Governors and FOMC are entrusted to act in accordance with some specific directions as it can be seen in the related act given below.

> The Board of Governors of the Federal Reserve System and the Federal Open Market Committee shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates. (The United States, 1977: Section 2A)[2]

According to the law mentioned, the decisive figures on the determination of the U.S. monetary policy which affects any country on the world are emphasized to be FOMC and Board of Governors of the Federal Reserve System. In addition, they are given the authority to ensure the provision of maximum employment, stability of prices and modest long term interest rates. "The Fed has three tools in its monetary toolbox: open-market operations, reserve requirements, and the discount rate. The Fed controls the money supply primarily through open-market operations." (Mankiw. 2004:331-335) It can also adjust the money supply by changing reserve requirements or the discount rate.

1.2.1.7.FED and Independency

Fed is regarded as one of the most independent central banks in the world. According to Waller (2011:293), "Congress purposefully created the FED as an independent central bank, for a fundamental tension: how to ensure the Fed remains accountable to the electorate without losing its independence." Monetary policy, on the other hand, is a bilateral instrument which can be used for the benefit of a country while it can also be manipulated on behoof of a governing elite while economy is being damaged.

For Waller (2011: 291) "a central bank's independence, however, is the key tool to ensure a government will not misuse monetary policy for short-term political reasons." The

[2] The law is taken from the online publication of Board of Governors of the Federal Reserve System (March 27, 2017), namely "Federal Reserve Act: Section 2A: Monetary Policy Objectives". Retrieved from February 29, 2019 from https://www.federalreserve.gov/aboutthefed/section2a.htm

independence of the FED doesn't necessarily mean that it is totally sovereign or separated institution from the government. Instead, FED and government of the U.S. are in quite close cooperation. In this context, FED can be described as an "independent institution in the government." (Akyazı. 2001: 13) The relation between FED and government can be examined in two different grounds. Firstly, it is the institution responsible for the financial issues of government while the second one is that it is the advisory body for government on both domestic and international economic issues. The latter is executed via the information gathered by the twelve Federal Reserve Banks, which enables the government to track any development happened in any point of country.

Treasury keeps the revenue it obtained in the FED while making its payments through the checks it draws over the accounts it has in the FED. The first duty of FED mentioned above has been fulfilled through the bonds and bills issued in the times that government faces with a gap between its incomes and expenses. FED adjusts the income expense gap by exchanging the bonds and bills in the market.

1.2.2. Historical Development of Contemporary Global Exchange System

Global exchange system was not the same from the beginning till now. It has been through many changes or evolutions. As Kaplanhan (2020:104-105) noted that exchange system in the world continues its evolution beginning from barter system to commodity money, then gold/ silver, then valuable papers which are regarded as value of gold and then fiat monies that don't have correspondence, based on trust. With the globalization, international interaction has risen enormously, which also increases the level of international exchanges. Difficulties of the physical currencies (holding, exchanging etc.) pushes countries to use electronic monies more. Today, electronic monies began to take over the role of fiat money gradually. In the near future, global exchange system and is more likely to take another shape with the increasing usage of electronic monies, which will probably affect the domination of the USD as well.

Contemporary global exchange system on the other hand can be traced back to the gold standard and Bretton Woods System both of which are explained below in order to provide better understanding and analysis on the effects of the worldwide usage of USD on global politics.

1.2.2.1. Gold Standard: 1879-1933

Gold standard can be defined as a monetary system in which currency is bounded to a predetermined amount or proportion of gold. Gold was not the only center of standard for issuing currency at the first stages in The United States. In this context, the U.S.' first coinage act came into force in 1792 with the advice of Alexander Hamilton on implementing a bimetallic standard which uses both gold and silver. However, the sole use of gold standard in the U.S. was implemented between 1879 and 1933.

The gold standard led to many problems especially in the area of liquidity for the economy, which brought banks about sinking between 1930 and 1933. Banks were not able to provide with cash in their business since they couldn't get enough cash from the FED, which prepared their ends in addition to the gold standard. According to Elwell (2011, 12), "The FED would have had to create much more money and to lower interest rates in order to meet the demands for cash. Lower interest rates on the other hand, would have raised the export of gold as investors looked abroad for higher returns." Another option for the U.S. was to coin more money, which would've led to the loss of trust on the FED in terms of application of gold standard. The loss of trust on the FED had a risk of decrease in gold amount in the U.S., which might've given rise to the impossibility of application of predetermined gold standard. In order to save the economy, The United States had to find a path to supply appropriate amount of liquidity to the market, which brought end of the gold standard in 1933. President Roosevelt became the most effective figure in termination of gold standard and the new era occurred in the absence of gold standard.

1.2.2.2.Bretton Woods System: 1946-1970

Bretton Woods System was an international monetary system established after several meetings in 1944 in Bretton Woods, a town in New Hampshire, USA. The system was designed in accordance with the desires of the U.S. although many representatives from forty-four countries attended the meeting. Bretton Woods system forms a sort of basis for the current dominant status of the USD in that USD was indexed gold whereas other countries' currencies were indexed to the USD. As Tatlıyer (2019:11) mentioned, the indexation in question made the USD world currency and it is still preserving its position.

Although it cached a rise in the national incomes of the G7 countries in the following twenty-five years of its establishment, it ended up with abolishment by its major founder country in 1971.

The establishment of the three institutions were promised in the Bretton Woods Meeting in 1944 in order ensure the proper functioning of the global economy. The institutions in questions were International Monetary Fund, World Bank, and International Trade Organization or World Trade Organization. (University of Southern Indiana, 2019:5)

As Bordo and Eichengreen (1993:3-14) stated what lied behind the success of the Bretton Woods system was the exchange rates applied on the USD and gold. As USD was the only currency converted to the gold it provided the U.S. many advantages and it was holding about 65 percent of gold reserves in the world. (Green, 1999: 18) As it is mentioned in the following chapters, current account deficits of the U.S. led to the gap between the face value and real value of the gold since it was fixed to a certain amount of the USD (35$ for an ounce) and the loss in the value of the USD created a huge disadvantage for the Bretton Woods System. As the time passed, capital flow out of the U.S. gained momentum since the trust on the USD was decreasing and countries enhanced their gold reserves by exchanging it with the USD, which prepared the end of the Bretton Woods System. High inflation with huge current account deficits in the U.S. became the last point contributing the termination process of the Bretton Woods System. In 1971, President Nixon terminated the Bretton Woods System and abolished the fixed exchange rate between gold and USD.

Currencies of signatory nations were pegged to USD within a 1% deviation limit. Central banks would buy or sell U.S. dollars to keep their currencies within the permitted fluctuation band. Thus, the U.S. dollar became the world's official reserve currency." "Under the Bretton Woods system, central banks of countries other than the US were given the task of maintaining fixed exchange rates between their currencies and the dollar. They did this by intervening in foreign exchange markets." (Cameron, 2005: 128) Bretton Woods System collapsed because of the following problems which are equalization, distrust, open position to speculations. Even if some countries defend to return gold standard, it has been detected that it is impossible for gold to be a proper international currency. (Seyidoğlu, 2003:561) It would be beneficial to underline that as of march, 2012, only 4.46% percent of US dollars in circulation are 'backed' by gold, the rest backed by false promises and goodwill. (Blackwell, 2012)

After the termination of Bretton Woods System, Neo Liberal Economy with its free market understanding became dominant in the world. Bretton Woods System was consisting of fixed exchange rate systems and state interventions to the economy whereas the time following it and lasting up to date has been consisted of free economy in which no fixed exchange rates and harsh state interventions exists. Termination of Bretton Woods system also brought the end of representative currency system. It is a system in which currencies are fixed to amount of precious commodity like gold or system. The amount of precious metal that the currency is equal is generally written on the currency. However, as it is underlined, representative currency system disappeared after the termination of the Bretton Woods System and Fiat Currency system has been applied in the world from that point on and has lasted till today. Fiat currency system is system in which currencies are not bounded to any sort of precious metals like gold or silver. Authorities pre-determined by government (generally central banks) adjust the value of the currency by increasing and decreasing the amount of money in circulation through varying economical tools. (Kaplanhan, 2020:108)

1.2.2.3.Post Bretton Woods System: 1970 and Today

After the termination of Bretton Woods System, the international monetary system and international political economy in general has witnessed quite significant turning points. The most important ones are the Cold War and The Decolonization process. Between 1947 and 1991 with the dissolution of Soviet Union, Cold War era has taken place in the near history. The Cold war was an era comprising tensions between the allies of the US and Soviet Union. The globe was divided into three groups: First group (countries supporting the US), second group (countries supporting the Soviet Union) and the third world was consisting of developing countries. Cold war took place between the first and the second world to dominate one another while the real war between them took place on the third world like Kowean and Wietnam Wars. (University of Southern Indiana, 2019:6)

The decolonization process comprises the timeline between 1950 and 1975 in which many nations arose thanks to the European countries' decolonization. There were more than 35 nations which obtained their independency in this timeline and they altered the balance of powers in the world and in the United Nations. "The U.S. used aid packages, technical assistance and sometimes even military intervention to encourage newly independent nations

in the Third World to adopt governments that aligned with the West. The Soviet Union deployed similar tactics in an effort to encourage new nations to join the communist bloc."

These new nations followed the path to implement powerful and Keynesian government models and chose to industrialize by producing goods with their own row materials instead of importing the raw materials from colonists as in the colonization period of the past. However, their production experience and technique were inadequate and inefficient, which led to stagflation which pushed them to produce the policy of export promotion for the goods having high world demand. (University of Southern Indiana, 2019:7) And those new nations got integrated with the world more as the globalization gained pace especially after 1980s

Another significant point after the termination of Bretton Woods System was the oil crises in 1973 and 1979 in which both inflation and recession took place at the same time. When the embargo of petroleum export against the US by Arab member of OPEC was executed due to the US. decision to support Israeli military and when its devastating negative economic and social effects took place in reality, both the US and the world detected that the new global political economy was inter-depended to one another. (US Office of the Historian, 2019; University of Southern Indiana, 2019:8)

Oil exporting countries were facing with an imbalance in favor of what they were earnings from their petroleum exports compared to what they are spending. There appeared to be huge amount of excessive money invoiced in USD and this huge amount of USD went to the global financial system: to the US and European Banks in other words. However, developing countries had to own huge debts to access the import of petroleum whose prices were rising. In 1980s, The US took some precautions to combat with the inflation it faced by increasing the interest rates and reducing the supply of money, which led to the appearance of the worst scenario for the developing countries owning huge debts because of the rising interest payments coming the rising interest rates.

The precautions taken in the US. caused the chain effects and the products of developing countries lost their demands by the world, which led those countries disabled to pay their debts. Brazil, Mexico, Argentina had to apply for the IMF restructuring programs. (Boughton, 2001:359; University of Southern Indiana, 2019:8) Those developing countries had to move their development policies away from the productions which doesn't heavily need energy.

Developing countries also altered their policies of producing with their own raw materials and prohibiting import towards connecting to the global economy. This crisis went to the solution thanks to the developing countries integration with the developed, industrial countries and rising trade between them, which led to the emergence of new factories in developing countries in the late 1980s. Thanks to it, integration into the world economy has proven a powerful means for countries to promote economic growth, development, and poverty reduction. Policies that make an economy open to trade and investment with the rest of the world are needed for sustained economic growth. (IMF, 2001.) Furthermore, with the disintegration of Soviet Union in 1991, the world has witnessed real example of the idea that government-oriented countries are not successful. Instead, more market-oriented models which are integrated to global economy and bounded to the global interdependence are detected to be the best model from that point on. (University of Southern Indiana, 2019:9)

Nye (1977:24) describes globalization as the intensification of interdependence. He describes three characteristics of "complex interdependence": "multiple channels of contact among society, lack of clear hierarchies of issues, and irrelevance of military force. Complex interdependence is not universal, but it seems to extend more widely than it did in 1977 or 1989" Consequently, the world has been experiencing the increasing complex interdependence since 1977 by gaining pace after 1989.

1.2.3. Global Politics and USD

Global politics and USD are corelated and interdependent with one another in many aspects as they are affecting and shaping each other for decades. After Bretton Woods system, USD has become the dominant in global politics. With the effects of the globalization after 1960s, international connectedness increased and the USD became the sole medium of exchange in the international area and owned a hegemonic status. This status increased its and its sole producer country's significance in the global politics and there has been appeared an order in which the two (global politics and the USD) shapes and depends each other inter-connectedly. In order to comprehend and analyze the effects of the worldwide use of USD better, it will be beneficial to examine global politics, USD and the relation between them. In this context, dimensions of global politics, effective powers on global politics and the rise of USD in global politics will be examined in order.

1.2.3.1.Dimensions of Global Politics

Many thinkers agree that modern global politics emerged with Westphalia Treaty in 1648. As the world became ultimately interconnected, countries are affected from the events, actions of other states in a level that has never reached before due to the interaction in the global politics thanks to the improvements in technology. Heywood (2011) puts forth two perspectives (liberal (emphasizing on conflict) and realist (emphasizing on cooperation) perspectives) on global politics and both of which are the products of positivist understanding.

Figure 2 below formed by Heywood (2011:3) and depicts the dimensions of global politics divides the global politics into three categories or levels which are subnational, regional, international and worldwide. While there is a common place shared by all categories, there are some areas shared by individual countries. It is crucial to note that the area shared by the three categories has been growing fast thanks to the interconnectedness of the world with the improvements in technology and interactions among individuals, nation and states.

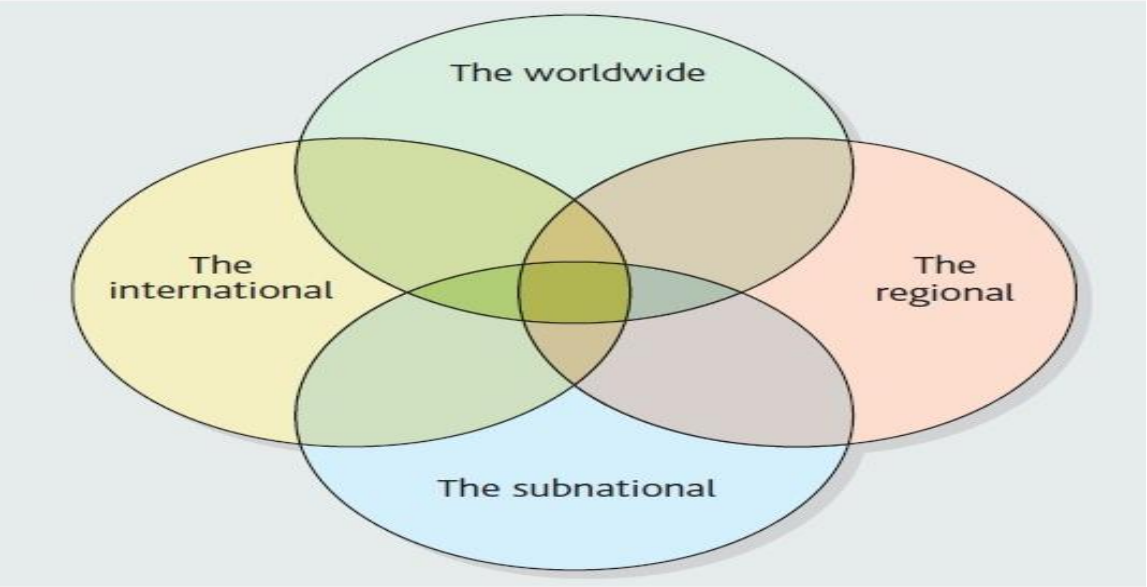


Figure 2. Dimensions of Global Politics

Source: Heywood, A. (2011). Global Politics. New York: Palgrave Macmillan P:3

The civilization which began in the Mesopotamia has changed relatively much and world became ultimately interconnected, so did politics. In the contemporary era there are

global actors shaping and steering global politics and global economy. There has been turning points that shaped the global politics such as modernization, renaissance, enlightenment, hegemony of the Europe (Britain, France) over the rest of the world between seventeenth and nineteenth centuries, World War I, Russian Revolution in 1917 extremist movements in Europe (Mussolini, Hitler), and world war II. There is no doubt that all events mentioned above affected global politics. However, U.S. became the only winning side of the World War II and its still sustaining its hegemony over the world. "Barely two decades after its debut as an international currency, the U.S. Dollar was the dominant unit in which prices were quoted, trade was invoiced and transactions were settled worldwide." (Eichengreen, 2012:39) USD was considered as good as gold since The. U.S. was ready to sell gold at a fixed price of $35 per an ounce.

International Monetary Fund (IMF) with its 189 member countries was established in 1945 to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. (International Monetary Fund, 2016) However, as Eichengreen (2012:39) mentioned that it was the same IMF which acknowledged the unique status of the USD by authorizing countries to define their exchange rates in dollars. While all other countries in the world were in a competition of holding as much dollars as possible in their central banks and converting their transactions into dollars, the U.S. citizens was enjoying to import the products of other countries with their unique international money and their government was enjoying to sustain high current account deficit by balancing it thanks to other countries' competence to hold more dollar. As it can be detected, while the U.S. is the leading figure with its military, economic power and technological advances, there are other artificial factors that made current dominant position of the U.S., effecting the global politics which will be examined in the subsequent chapters.

Effective powers on global politics don't comprise only the U.S. Other countries especially Russia, China, India, Japan, U.K., Germany and France the pioneer countries coming after the U.S. to steer and shape world politics and economy.

1.2.3.2. Effective Powers on Global Politics

In history, there has always been a competence among countries to become an effective power in the world. Some of them achieved this goal by using varying methods like suppressing other nations with military and economic tools or colonizing them. In addition, they've tried to sustain that sort of hegemony of power over other countries. According to Nye (2004:1) "power is the ability to influence the behavior of others to get the outcomes one wants. But there are several ways to affect the behavior of others. You can coerce them with threats; you can induce them with payments; or you can attract and co-opt them to want what you want." He divides the power into two categories which are soft power and hard power. Countries sometimes apply hard power while they occasionally use soft power to obtain what they want. The dominant country of the world can also apply for those powers to sustain the prepotency it has over the rest of the world. Though balance of powers theory exists in the literature of the international relations, the order in the world is in essence, not functioning in that way as it happened after the World War ll. "For a quarter of a century after world war II, the dollar reigned supreme. Only the U.S. emerged strengthened from the war. Its economy towered over the worldlike none other. It accounted for fully half of global industrial production. Only its currency was freely traded." (Eichengreen, 2012:39)

As Modelski (1988:135) stated that every century brings a new global dominant power affecting and dominating the international system as a whole. Modelski underlines in his theory that domination of the oceans is an important and defining feature of the global power in question. (Ercan and Ayata, 2018:114). Modelsky takes its theory's beginning point as 15th century in which overseas colonialism began. From that point on, 5 countries which are Portugal, Spain, Netherlands, France and US gained the global power status respectively since 15th century. As it is indicated in table 1 below, Portugal became the first country to gain the global power position in the 15th century, when overseas colonialism began. However, when the Portuguese Emperor Sebastiao died in the Valley's Seyl war with the Moroccan Sultanate, the Portuguese Empire entered into a great collapse. After that, Spanish Emperor Felipe II conquered Portugal. Thus, Spain reached the peak of its power and became the dominant power of the 16th century.

After the becoming global power, the wealth of the world was transported to Spain, by Spanish ships. Spain sustained its dominant power throughout the 16th century. However,

during this period, the British navy defeated the Spanish Invincible Armada navy and this victory paved the way for the Netherlands. After this victory, the British stayed in the island instead of going further. Netherlands had an enormous navy. As a result of the Dutch-Spanish wars, the Netherlands became the dominant power of the 17th century and it lasted throughout the century. It came to an end due to the competition and trade wars of the Netherlands with Britain in the second half of the 17th century and it led to the emergence of France as a global power which lasted throughout the 18th century. Hegemony of France came to an end with the seven years war between Britain and France and it turned the Britain into a global power of 19th century on which the sun never sets. (Modelski, 1988:135; Çelik, 2018) Germany's opposition to Britain caused the World Wars and the US became the global power of the 20th century by benefitting from the clash between the two countries.

Table 1. Circulation of Powers in The Global Political System (1494--1993) [3]

Time	**Global Power**
15. century	**Portugal**
Clash btw Portugal and Morocco	
16. century	**Spain**
Clash btw. Britain and Spain	
17. century	**Netherlands**
Clash and trade wars btw Netherlands and Britain	
18. century	**France**
Clash btw Britain and France	
19. century	**Britain**
Clash btw Germany and Britain	
20. century	**US**

Consequently, Spain in 16. century, Netherlands in 17. c., France in 18. c., Britain in 19. c. and U.S. in the twentieth century became the global power in order Every global power has had approximately a hundred years of lifetime as a global power. Furthermore, Modelski

[3] Data in table 1 is retrieved from Modelski G, Thompson W. (1988). Sea Power in Global Politics, 1494-1993. Macmillan Press, p:135.

puts forth that there has always been a challenger against the global power, which created conflict between the two and a new global power (generally a third country) appeared and dominated the world as a result of the conflict in question. The global power of the contemporary era (the US.) obtained its dominant power position by benefiting from the conflict and competition between Germany and Britain which was the global power of the nineteenth century.

It is quite significant to note that Modelsky's theory is relatively explanatory of historical dynamics of the global powers. However, it has a missing side which is Ottoman Empire. It was an empire that ruled the continents and it is serious deficiency for such a theory not to give place to such a great empire. Although Modelsky (1988:135) stated in his theory that the reason behind the absence of the Ottoman empire is the pre-condition (which is owning the domination of overseas and beginning of colonialism overseas) that he defined for becoming a global power, the pre-condition itself seems to be inaccurate for revealing the comprising facts about Ottoman Empire. The theory will be more accurate when it include Ottoman empire as a global power of 15th century.

Heywood (1997:2) describes the politics as the activity through which people make, preserve and amend the general rules under which they live linking with conflict and cooperation. Global politics on the other hand, "is based on a comprehensive approach to world affairs that takes account not just of political developments at a global level, but at and, crucially, across, all levels – global, regional, national, sub-national and so on." (Heywood, 2011)

1.2.3.3. Gold and USD Reserves of Effective Powers

Gold and USD reserves means quite a lot in terms of countries economic powers and development. In order to locate countries in the scale global politics, it is significant to compare them in terms of their economic reserves. In this sense, table 2 below has been established in the light of the data obtained from World Gold Council (2020:a), monthly central bank statistics.

Table 2[4] below was designed to illustrate the gold reserves of top 20 countries in terms of GDP. When the table 2 is examined, it draws the attention that many of the top 20 countries have strived for increasing their gold reserves while others have not in the last 20 years. In this sense, U.S., Japan, Germany, UK. and Italy do not seek for increase in their gold reserves in last two decades while China, India, Brazil, Saudi Arabia and Turkey increased their gold reserves. China having one in almost 15 of the gold that the U.S. had in 2001. However, China increased its gold reserves dramatically during the time and it increased its reserves to four times and became a country having gold reserve one in almost four of the gold that the U.S. have. Turkey on the other have increased its gold reserves up to four times approximately in the last two decades. The rise in the Turkey's reserves grabs attention in the sense that it increased its reserves by four times in 2019 compared to 2015, which is regarded as a real success that moved its ranking to tenth country.

On the other hand, France, UK. Canada and Netherlands in the table 2 followed the path to decrease their gold reserves in the last two decades. In that, Canada has declared to have no gold reserves in its central bank since 2017. Whereas, China, Germany, France and Russian Federation have the closest gold reserves to the US among the top 20 countries. However, the gap between Germany and the U.S. is almost 4.5 tons as of 2019.

[4] Data in table 2 was obtained from World Gold Council on May 6, 2020. For more information, please see https://www.gold.org/goldhub/data/monthly-central-bank-statistics

Table 2. Gold Reserves of Top 20 Countries Between 2001-2019[5]

Country/ Year/ Gold (Tons)	2001	2003	2005	2007	2009	2011	2013	2015	2017	2019
1. U.S.	8149	8134	8135	8133	8133	8133	8133	8133	8133	8133
2. Germany	3456	3439	3427	3417	3406	3396	3387	3380	3373	3366
3. Italy	2451	2451	2451	2451	2451	2451	2451	2451	2451	2451
4. France	3024	3024	2825	2603	2435	2435	2435	2435	2436	2436
5. Rus. Fed.	422	390	386	450	649	882	1035	1414	1838	2271
6. China	500	599	599	599	1054	1054	1054	1762	1842	1948
7. Japan	765	765	765	765	765	765	765	765	765	765
8. India	357	357	357	357	557	557	557	557	558	634
9. Netherlands	884	777	694	621	612	612	612	612	612	612
10. Turkey	116	116	116	116	116	116	116	116	202	412
11. Saudi Arabia	142	142	142	142	322	322	322	322	323	323
12. UK.	355	313	310	310	310	310	310	310	310	310
13. Spain	523	523	457	281	281	281	281	281	281	281
14. Mexico	7	5	3	3	8	105	123	121	120	120
15. S. Korea	13	13	14	14	14	54	104	104	104	104
16. Australia	79	79	79	79	79	79	79	79	79	79
17. Indonesia	96	96	96	73	73	73	78	78	80	78
18. Brazil	34	33	33	33	33	33	67	67	67	67
19. Canada	32	3	3	3	3	3	2.98	1.7	0	0

[5] Source: World Gold Council. (2020: a). Monthly Central Bank Statistics: Quarterly Official Gold Reserves. https://www.gold.org/goldhub/data/monthly-central-bank-statistics. May 6, 2020.

Gold reserves of the top twenty countries were analyzed and compared above. Additionally, reserves of the huge economies and their comparison plays significant role in order to obtain better analysis in the subjects researched in this study. With this regard, total reserves (includes gold, current US$) of top twenty countries by GDP will be examined and compared under the light of the data indicated in table 3 which was obtained from World Bank (2020) below. The reserves in table 3 include foreign exchange under the control of monetary authorities, monetary gold, SDRs, reserves of IMF members held by the IMF.

According to the table 3, China attracts attention with an enormous rise in its total reserves. In that, its reserves increased from 80 billion $ in 1995 to 3.168 trillion $ in 2018. The nearest reserve to China is Japan with its 1.27 trillion $ reserves in 2018, which is almost one in three of Chinese total reserves. The gap between the first and the second in the scale is so huge that China tripled the reserves of the second, which locates China far beyond to be competed.

In addition, serious rise in almost all countries' reserves between 2010 and 2015 is another significant point. In addition, United States as global power is not among the first three in the total reserves scale while it was at the top in the gold reserves scale by country. Furthermore, total reserve of The United States is four times more than Turkey's while US reserves is one in six of the Chinese reserves. Turkey grabs attention with its enormous rise in its total reserves as indicated in table 3 below. According to it, Turkey recorded an enormous rise in its reserves especially in 2018 by recording 76 times more than that of its record of 1995. Only 9 countries in the list managed to catch this much rise between 1995 and 2018 and those countries can be listed as China, Japan, Russia, Korea Republic, India, Brazil, Mexico and Indonesia

Table 3. Total Reserves (including gold, USD) of Top 20 Countries (1995-2018)[6]

	1995	2000	2005	2010	2015	2018
1. China	80.288427870	171.763098226	831.409619696	2.913.711711315	3.405.253363888	3.168.216331199
2. Japan	192.619707815	361.639097012	846.895906145	1.104.563760972	1.233.097790282	1.270.467038787
3. Saudi Arabia	10.399125055	20.846854711	157.386678401	459.313194915	626.989686478	509.468527336
4. Russia	18.023640710	27.656266696	182.272103918	479.222324221	368.042950259	468.645216083
5. US.	175.995426883	128.399516603	188.259141662	488.928508742	383.728497570	449.907088829
6. Korea Rep.	32.804280495	96.250965793	210.552008739	292.143494467	366.707257929	403.082233386
7. India	22.864636916	41.059061575	137.824828256	300.480168786	353.319061013	399.167159227
8. Brazil	51.842389631	33.015297296	53.799284977	288.574623537	356.464980327	374.709673448
9. Germany	121.816082183	87.496869035	101.675919832	215.977935890	173.730930555	198.027061675
10. Mexico	17.045558633	35.577279054	74.109703346	120.584016515	177.596632553	176.390278596
11. UK.	49.144184298	50.939389681	59.135108205	98.025460114	148.109299506	172.657749536
12. France	58.509689575	63.728079968	74.359915676	165.852088071	138.198984338	166.483400197
13. Italy	60.690107044	47.201146788	65.954006492	158.478306213	130.592432980	152.361936422
14. Indonesia	14.907558866	29.352929561	34.730799049	96.210980584	105.928847089	120.660974091
15. Turkey	13.890900402	23.514529510	52.493941950	85.959461666	110.489628113	92.982552061
16. Canada	16.369362024	32.427268296	33.018041276	57.151157771	79.753521150	83.925602808
17. Spain	40.530652088	35.607623345	17.227460742	31.871836373	53.973842236	70.633189428
18. Australia	14.951886130	18.821546024	43.257063109	42.267797177	45.712035071	53.880533420
19. Netherlands	47.161826300	17.688007847	20.447919847	46.146883951	38.213751383	38.431677255

[6] Data in table 3 was obtained from World Bank on May 7, 2020. For more information, please see https://databank.worldbank.org/reports.aspx?source=2&series=FI.RES.TOTL.CD&country=TUR,CHN,USA,GBR,JPN,DEU,FRA,IND,ITA,BRA,CAN,RUS,KOR,AUS,ESP,MEX,IDN,NLD,SAU#advancedDownloadOptions.
Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. Data are in current U.S. dollars.

1.2.3.4. The Rise and Contemporary Status of USD in Global Politics

Hegemony is a regime organized around a single country with acknowledged responsibilities (and privileges) as leader. (Cohen, 1977:9) Dollar hegemony describes such an arrangement patterned around the dollar although this definition is somewhat different from the way it was first used (Narrloff, 2014: 1046) United States Dollar has dominated global politics and begun to be used as reserve currency especially after WWII and the Bretton Woods System which forms a basis for the current dominant status of the USD in the sense that USD was indexed to gold whereas other currencies were indexed to the USD with the Bretton Woods System. (Barisone, 2020:1) From that point on, global politics, trade, economy are affected and shaped by the United States Dollar due to its worldwide usage and reserve currency status. In this context, research problem of this study is to understand how global usage of United States Dollar affects global politics.

"There are economic and political factors that sustain international currency status of an exchange unit. Scholars agree that economic factors like economic size (GDP), the size of commercial liquidity, confidence, and transnational networks and financial markets determine a given capacity for international currency status. Political factors, such as the credibility of domestic institutions and politico-military power for protecting investments, also play a role." (Narrlof: 2014: 1044) The status of the US economic and political power gains importance here and Narrlof explains the persistence of dollar hegemony as a direct result of the United States' capacity to exercise different forms of power: bargaining power, structural power and socializing power; across different actors (governments and private actors) and across dimensions of currency use (medium of exchange, unit of account and store of value). (Narloff, 2014: 1045)

The following figure shows the military and monetary shares in the world. According to it (Narloff, 2014: 1049-1050), The US has been preserving its military and monetary superiority over the rest of the world as of 2014 and the following argument would be easily said after the notion that economic and political factors that sustain international currency status of an exchange unit: The US is preserving its hegemony over the rest of the world by beneficiating from its monetary and military superiority, which also supports that the worldwide USD usage and the US hegemony has close interdependency.

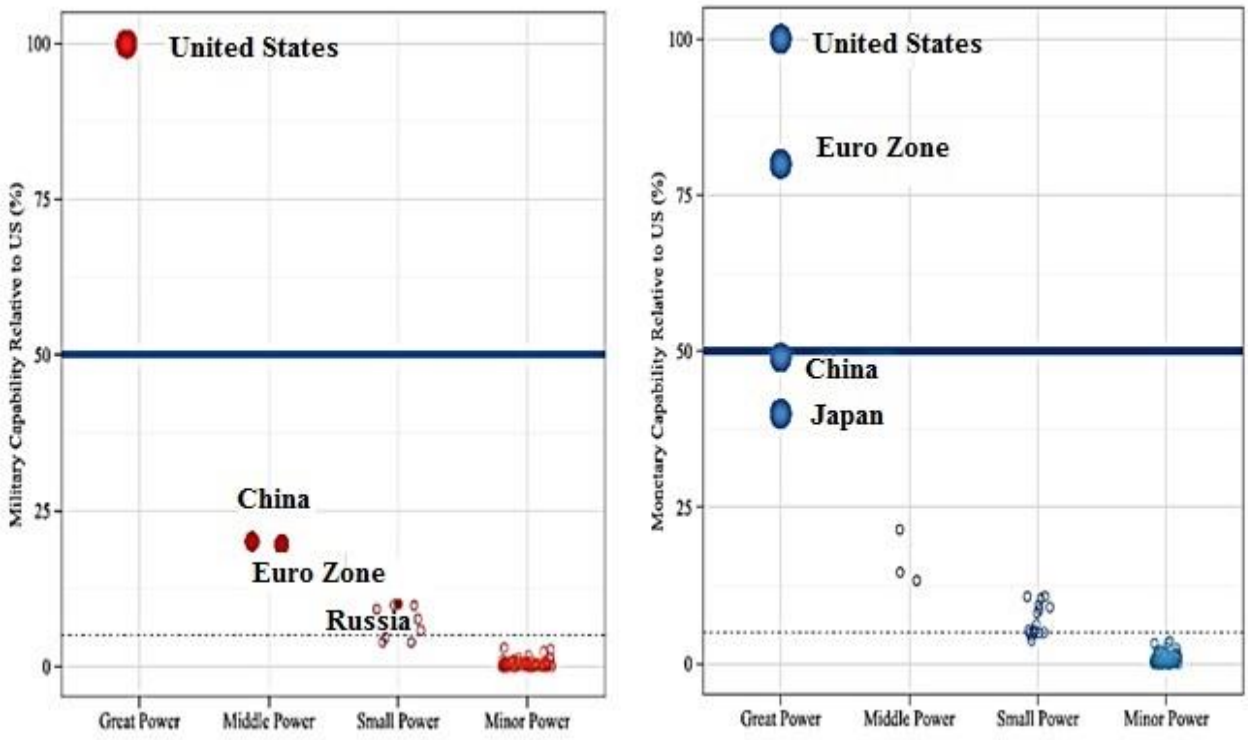


Figure 3. Monetary and Military Shares in the World (relative to the United States)[7]

USD was not a dominant currency in global politics since its first issuance. Before USD, there were some other reserve currencies in the world, the last one was pound sterling. However, there are some factors lying under hegemony of the USD appeared after world war II and the Bretton Woods System. Salvatore (2002:125) narrates those factors as (1) high inflation rate in U.K. and sharp fluctuation in pound compared to the low inflation in the U.S. and stability of the USD during late 1940s and early 1950s, (2) exchange controls in England in contrast to the relative openness of U.S. financial market, and (3) decline in the sterling area's share of world exports in comparison to the rise in the U.S. share.

[7] Source: Norrlof C. (2014) Dollar Hegemony: A power Analysis, Review of International Political Economy, 21:5, 1042-1070

In the contemporary world, United States Dollar is considered as reserve or global currency. Gold, petroleum and other precious commodities are priced in USD in the world. International trade of goods and services are made in USD as well. In many developing countries, nominal trade is also made in USD.

The United States has been steering a global unit of exchange account which has been regarded as a precious unit to measure the values of goods and services produced in world. Historical background of the U.S. Dollar and the institutions which are in charge of the steering the USD has been detailed under the previous titles. The contemporary status of U.S. Dollar and the FED plays vital role in comprehending the effects of the use of USD on the global politics.

Global trade developed enormously in twenty first century. The means which are being used as an exchange unit in global trade is as significant as the trade being made. According to Board of Governors of the Federal Reserve System (February 1, 2019) "there was approximately $1.70 trillion in circulation as of January 23, 2019, of which $1.66 trillion was in Federal Reserve notes."

USD is also a quite decisive factor in the prices of gold and petrol. As Obadi (2006:253) stated that oil prices are obviously affected by inflation as well as real developments, and also by the value of the US dollar exchange rate. There is a definite link between monetary policies, exchange rates and other factors and oil prices, and this is the subject analyzed in this paper.

The amount of the USD in circulation has increased gradually since 1997 as it is illustrated in the table 4 below. (Board of Governors of the Federal Reserve System, 2018, November 16) According to the table 4, the amount of USD in circulation diminished only once (1999-2000) in the last twenty years period, the reason of which can be associated with the 2001 crisis. In addition, it can be easily detected from the table 4 that the amount of USD in circulation has performed a steady uptrend since 1997 (except for 2000) and it quadrupled its first amount in twenty years approximately. It can be taken into consideration as a tool to comprehend the popularity and the circulation of the USD in the world.

Table 4. Value of Currency in Circulation, as of December 31 of Each Year[8]

Billions of USD	**$1**	**$2**	**$5**	**$10**	**$20**	**$50**	**$100**	**$500 to $10,000**	**Total**
2017	$12.1	$2.4	$14.8	$19.6	$183.8	$86.4	$1251.7	$0.3	$1 571
2016	$11.7	$2.3	$14.2	$19.2	177.2	$83.5	$1154.8	$0.3.	$1 463.4
2015	$11.4	$2.3	$13.7	$19.0	171.3	$79.8	$1082.2	$0.3	$1 380.0
2014	$11.0	$2.2	$13.1	$18.9	162.2	$76.9	$1014.5	$0.3	$1 299.1
2013	$10.6	$2.1	$12.7	$18.5	155.0	$74.5	$924.7	$0.3	$1 198.3
2012	$10.3	$2.0	$12.2	$17.7	148.9	$72.5	$863.1	$0.3	$1 127.1
2011	$10.0	$1.9	$11.8	$17.2	141.1	$69.6	$782.6	$0.3	$1 034.5
2010	$9.7	$1.8	$11.5	$16.6	$130.6	$66.9	$704.6	$0.3	$942.0
2009	$9.6	$1.7	$11.2	$16.2	$127.5	$65.3	$656.4	$0.3	$888.3
2008	$9.5	$1.7	$11.0	$16.3	$125.1	$64.7	$625.0	$0.3	$853.2
2007	$9.3	$1.6	$10.8	$16.2	$121.8	$63.0	$569.3	$0.3	$792.2
2006	$9.0	$1.5	$10.5	$16.0	$119.2	$62.8	$564.1	$0.3	$783.5
2005	$8.8	$1.5	$10.3	$15.5	$115.4	$62.1	$545.0	$0.3	$758.8
2004	$8.3	$1.4	$9.8	$15.1	$107.6	$60.6	$516.7	$0.3	$719.9
2003	$8.2	$1.3	$9.7	$15.1	$107.8	$59.9	$487.8	$0.3	$690.2
2002	$8.0	$1.3	$9.4	$14.9	$103.7	$58.5	$458.7	$0.3	$654.8
2001	$7.8	$1.3	$9.2	$14.7	$100.9	$57.0	$421.1	$0.3	$612.3
2000	$7.7	$1.2	$8.9	$14.5	$98.6	$55.0	$377.7	$0.3	$563.9
1999	$7.5	$1.2	$9.0	$16.2	$116.1	$64.7	$386.2	$0.3	$601.2
1998	$7.0	$1.2	$8.0	$14.3	$90.9	$50.5	$320.1	$0.3	$492.2
1997	$6.7	$1.1	$7.8	$14.2	$88.0	$48.2	$291.6	$0.3	$458.0

In table 5 below, official foreign exchange reserves for world currency composition covering every two years between 1995 and 2018 are illustrated below in order to create a better understanding about current status of the USD in the contemporary world. According to the values in the table retrieved from the official website of IMF., total official foreign exchange reserve was $ 1,389,816 million while the weight of USD was 58,96 % and it has increased its weight to 61,94% gradually in foreign exchange reserves so far. It realized its peak point as 71,51 % in the last quarter of 2001. The weight of USD in foreign exchange

[8] The values are retrieved from International Monetary Fund. (2020). World Currency Composition of Official Foreign Exchange Reserves. http://data.imf.org/regular.aspx?key=41175. August 2, 2020. The values also include federal reserve notes, U.S. notes and currency no longer issued.

reserves has been the highest since 1995 according to the official records. It illustrates the view of the dominion of USD over the world exchange reserves.

International money status for a currency is not a feature reached overnight. It takes long time and needs some precious features as Alan (1996:127) underlined that an international currency should encompass the following classical roles of money; it should be store of value, medium of exchange and unit of account. So, any currency in the world can't be considered as international currency. An international currency should be qualified much more than what is stressed above. According to Alan (1996:127) an international currency should constitute a preponderant share of the official reserves of central banks and it should be utilized relatively much as hand to hand currency in foreign countries. Its usage aim should be denomination a disproportionate share of international trade and should have a dominant role as the currency of choice in international financial markets.

Comparison of the of the weight of USD with other currencies on the other hand, would put forth a clear sight for the comprehension of the current position of the USD in today's world. According to the table 5, Euro has been the most powerful competitor of USD since 1999 as it has covered the share between 17,9-27,7 percent of foreign exchange reserves so far. At the end of third quarter of 2018, Euro constituted 20,48 percent while USD constituted 61,94 percent of all foreign exchange reserves.

As Kaplanhan (2020:104) stated that the strongest currencies in the international arena are the US dollar and Euro. Other currencies in circulation doesn't have a significant weight in foreign exchange reserves as the most powerful of them appears to be Japanese Yen with 4,98 percent and pounds sterling with 4,49 percent in foreign exchange reserves in the third quarter of 2018. Shares of other currencies are below 4,49 percent in 2018, which decreases their chance to be alternative to USD by which they are being dominated.

As Best (2019) underlined, 40% of the world's debt is denominated in USD. The overall values in table 5 and examinations above indicate that USD dominates the world's official foreign exchange reserves with a proportion which is more than 58 percent since 1995. It illustrates the current view and position of the USD in the world's foreign exchange reserves.

Table 5. World Currency Composition of Official Foreign Exchange Reserves [9]

USD/ Millions	1995 Q4	1997 Q4	1999 Q4	2001 Q4	2003 Q4	2007 Q4	2009 Q4	2011 Q4	2013 Q4	2015 Q4	2017 Q4	2018 Q3
Total Foreign Exchange Reserves	1,389,816	1,616,244	1,781,943	2,049,441	3,024,884	6,705,257	8,165,269	10,204,168	11,684,011	10,918,634	11,440,456	11,396,623
Allocated Reserves	1,035,202.9	1,273,287.3	1,379,704.9	1,569,852.8	2,222,992.7	4,122,290.9	4,583,470.2	5,643,222.28	6,223,602.45	7,413,138.13	10,014,040.6	10,705,449.3
Unallocated Reserves	354,613.69	342,956.	402,238.	479,588.	801,891.	2,582,966	3,581,799	4,560,945	5,460,408	3,505,496	1,426,415	691,174.42
Allocated Reserves (%)	74.48	78.7	77.4	76.6	73.4	61.4	56.1	55.3	53.2	67.8	87.5	93.94
U.S.D. (%)	58.96	65.10	71.01	71.51	65.45	63.87	62.15	62.69	61.27	65.74	62.72	61.94
Euro (%)			17.90	19.18	25.03	26.14	27.70	24.44	24.21	19.15	20.16	20.48
Chinese RMB (%)											1.23	1.80
Japanese Yen (%)	6.77	5.77	6.37	5.04	4.42	3.18	2.90	3.61	3.82	3.75	4.90	4.98
Pounds sterling (%)	2.11	2.58	2.89	2.70	2.86	4.82	4.25	3.84	3.99	4.72	4.53	4.49

It is important to underline that nothing can survive forever. As humans born, grow up and dies, reserve currencies born, rise and die. That is to say, USD as a reserve currency won't sustain its dominant position forever as happened all other reserve currencies (like Sterling) in history. In the history, there has always been an (weak or strong) alternative to the prevalent reserve currency and it took over the dominant one's position when it weakened or started to lose its power, hegemony, popularity or value. According to the values of IMF given in table 3 above, although USD seems to have the highest rates in the world's official foreign exchange reserves, its status doesn't seem to be quite brilliant when its status was

[9] The values are retrieved from International Monetary Fund. (2020). World Currency Composition of Official Foreign Exchange Reserves. http://data.imf.org/regular.aspx?key=41175. August 2, 2020.

considered and compared historically. In the 1970s and 1980s, …current account deficits, oil shocks, budget deficits, the cost of wars, military spending and inflation were said to conspire against the dollar's international standing. The reappearance of some of these difficulties, … has reignited suspicions that we are witnessing the last sign of the dollar era. (Norrlof, 2014: 1043)

As it can be seen in table 5 above, USD was forming 71.51 percent of world's official foreign exchange reserves in the last quarter of 2001, it formed 61.94 percent of exchange reserves in the world. It can be comprehended better in table 6 below showing historical evolution of the USD's status in world currency composition of official foreign exchange reserves. According to the table 4, the slope of USD amount in foreign exchange reserves is downwards as there is a gradual decrease after 2001 and the total gap between the peak point (2001) and 2018 is almost ten percent. It is also important that it has never cached up the level it reached in 2001. It is clear that the values and analysis above support what was said about the evolution, status and fall of USD.

The current dominant position of the U.S. in both global politics and economy literally dates back to end of the 1940s in which international financial institutions were established with a high effect and guidance of the U.S. due to its economic power. As Cameron (2005: 128) stated "The U.S. at the time accounted for over half of the world's manufacturing capacity and held most of the world's gold, the leaders decided to tie world currencies to the dollar, which, in turn, they agreed should be convertible into gold at $35 per ounce." The Bretton Woods system, on the other hand, deployed the world's central banks to sustaining fixed exchange rates between USD and their monetary units. The central banks were in position of balancing their currencies' values in the foreign exchange markets by selling and buying their currencies in accordance with the value of it.

Table 6. Status of The USD Use[10] and The US. GDP Share[11] in the World Currency Composition of Official Foreign Exchange Reserves (%)

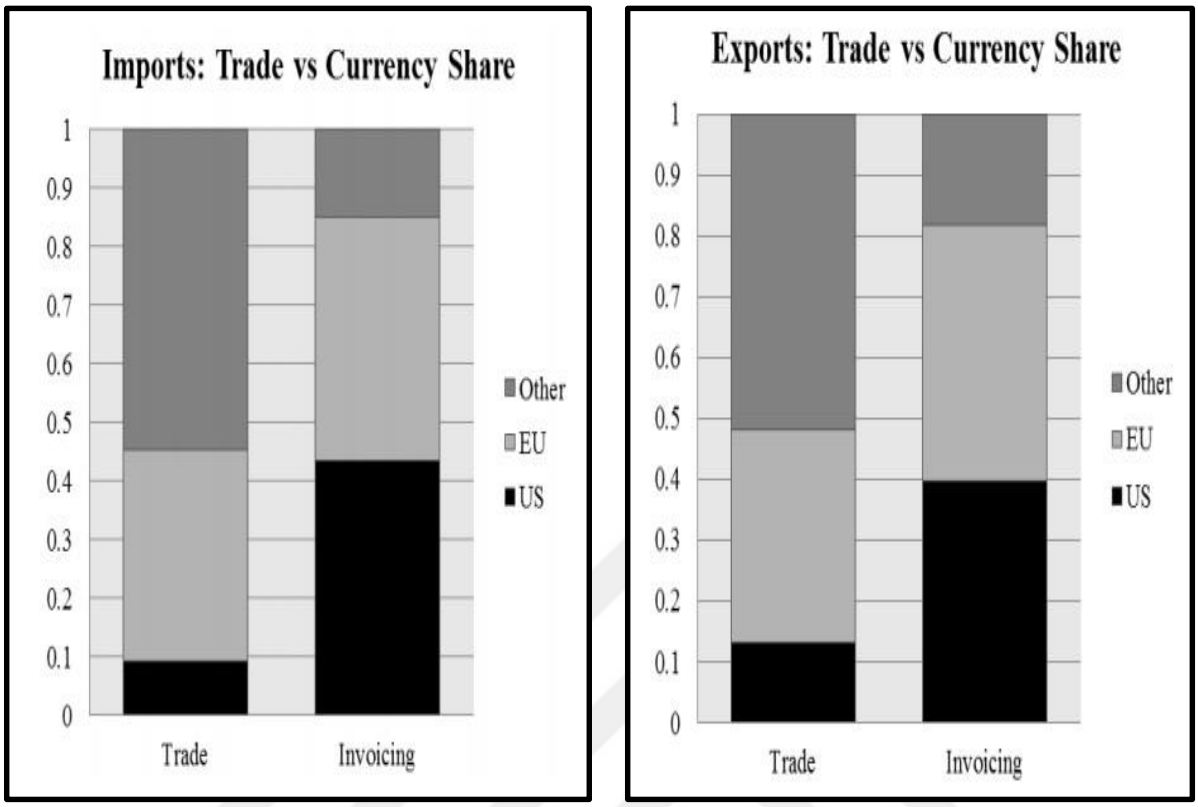
As percent of The World	Status of USD in the World (%)	The US. GDP Share in the World (%)
1995	58.96	24.96
1997	65.1	27.52
1999	71.01	29.84
2001	71.51	31.91
2003	65.45	29.63
2007	63.87	27.58
2009	62.15	23.99
2011	62.69	21.23
2013	61.27	21.77
2015	65.74	24.44
2017	62.72	24.22
2018	61.74	24.18
2019	60.9	-
2020 Q1	61.99	-

Another dimension of the dominance of USD on global politics would be seen better in the sense of its position among the currencies invoiced in world trade. In 2015, the value of world trade exports was around USD 19.3 trillion. (World Trade Organization,2016:10) To illustrate the dominance of USD in world trade, figure 4 below will be benefited.

[10] The values are retrieved from International Monetary Fund. (2020). World Currency Composition of Official Foreign Exchange Reserves. http://data.imf.org/regular.aspx?key=41175. August 2, 2020.

[11] The values are retrieved from the official website of the Global Economy. (2018). USA: percent of World GDP. https://www.theglobaleconomy.com/usa/gdp_share/. May 5, 2019.

Figure 4 Dominance of the USD in World Trade[12]



The study[13] conducted by Gopinath (2015:9) illustrates in figure 4 the degree at which U.S. and USD dominate the world trade between 1999 and 2014. According to it, U.S. share in imports is 10 percent while the share of imports invoiced in USD is 40 percent of Euro and other currencies between 1999 and 2014. The imbalance between invoicing and import share of the U.S. is so much that the former is three times more than the latter. The ratios are similar in the share of exports of the U.S. and the share of exports invoiced in USD in the world as well.

[12] This figure has been conducted by Gita Gopinath (2015:9). Source: https://www.nber.org/papers/w21646.pdf. August 3, 2020.

[13] In the study, 43 importing, 44 exporting countries are taken into the calculation. The trade data is the average of the quarterly data from 1999-2014 and the invoicing data is computed. For detailed information, see Gopinath G. (2015:9). The International Price System. *Nber Working Paper Series*. National Bureau of Economic Research, 8-10. https://www.nber.org/papers/w21646.pdf. April 13, 2020.

In addition to the imbalance between invoicing in USD and import share from the U.S. in global area, Gopinath (2015:10) points out that there is also a huge imbalance between the USD invoicing share in imports (black bar) next to the share of imports from the U.S. in the world. Figure 5 below is put forth to indicate this gap by comparing the USD's invoicing share in imports (black bar) and the share of imports from the U.S. (grey bar) for each of 35 countries. As a result, the domination of USD usage over other currencies became more visible with this chart. When the figure 6 below is examined, it can be put forth quite easily that the invoicing share of USD in imports (showed with black bar) is doubled the share of imports from the U.S. (showed with grey bar) in almost any of 35 countries studied between 1999 and 2014.

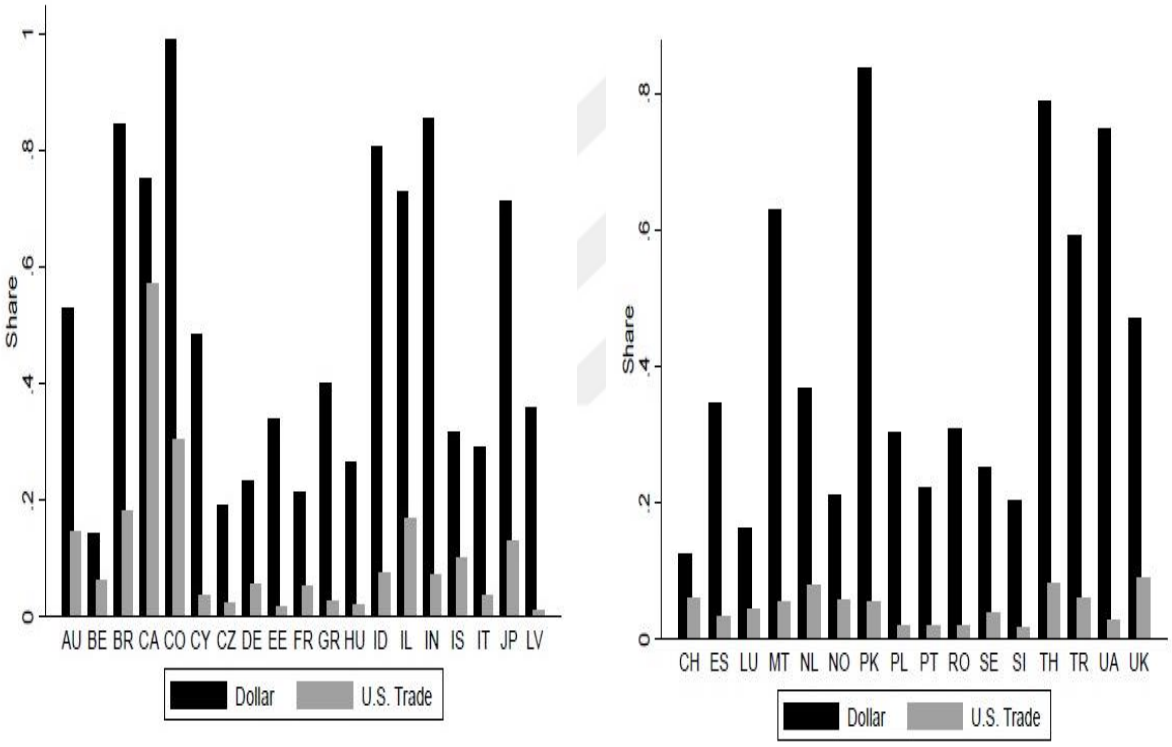


Figure 5. Dominance of the USD in World Trade by Country[14]

[14] This figure has been conducted by Gita Gopinath (2015:10). Source: https://www.nber.org/papers/w21646.pdf
This figure illustrates the share of imports that are imported from the US, Eurozone, or the rest of the world; versus the share of imports that are invoiced in dollars, euros, or other currencies and exports in order.

Even though The Bretton Woods System was terminated in 1971, its effects in the global economic operation stayed alive and well. USD's international reserve currency status is the biggest problem of the countries giving foreign trade deficits and the countries whose economies always need constant foreign financing. (Karagöl, 2019) The stability and order with which it brought, created a path of dependency and it supported with the financial institutions steering global finance like IMF, world bank etc. in which the U.S. had the largest contributions and effects in their establishments and managements. As a result of different studies indicated in this thesis show that USD has had an overwhelming domination against other currencies with its global usage for decades. This study will examine the positive and negative effects appeared along with the global usage of USD and its domination on both the U.S. and rest of the world.

2. POSITIVE AND NEGATIVE EFFECTS OF THE USD USE ON GLOBAL POLITICS

International trade and economy have been functioning with USD for seventy-four years dating back to the foundation of The Bretton Woods System in 1946. USD has been used as a reserve currency and became a value of standard in international trade and economy. In addition, precious metals gold, silver etc., petrol and other valuable resources are priced in USD and it is clear that prices of those goods and services are getting affected from the developments in USD. It has many other usage and store areas like central banks of the world countries.

The global usage of USD hereby provides both the U.S. and the other countries with many different positive and negative effects. Therefore, the effects of the global usage of USD are examined in two different parts under the following titles: *effects on the U.S.* and *effects on the rest of the world* which are examined in order.

2.1. Effects on The U.S.

Global usage of the USD has various positive and negative effects on the US in quite different areas from economy to politics, culture etc. and they will be examined in this study in order to provide better assessment and comparison. Norrlof (2014: 1043) stated that "The dollar's international role provides the United States with a series of benefits, these are well documented and include prestige, seigniorage, balance of payments flexibility, and policy autonomy, as well as capital and exchange-rate gains (Rueff, 1972; Cohen, 1977; Strange, 1987; Gourinchas and Rey, 2005, Cohen, 2006, Lane and Milesi-Ferretti, 2008, Norrlof, 2008, 2010)." Furthermore, there are many other effects of the worldwide USD use on both the US and the World. With this regard, effects of the widespread USD usage on the US in the economy field will be analyzed firstly. Under economy title, effects on the four variables in the US will be analyzed which are Seigniorage, Usage of Local or Regional Monetary Units, Current Account Balance, Total US Public Debt between 1995-2018. Afterwards, effects in politics and culture will be analyzed in this study.

2.1.1. Economy

Worldwide usage of the USD constitutes prominent effects on the US economy in varying areas. In order to analyze the positive and negative economic effects of the widespread USD usage on the US economy, following fields in the US will be analyzed respectively: seigniorage, Usage of Local or Regional Monetary Units, Current account Balance and Total Public Debt.

2.1.1.1. Seigniorage

Global trade is growing day by day. According to United Nations (2019:2) total merchandise trade was 34.9 trillion USD in 2017 by a growth of 9,8 percent over the previous year. Every country works hard to increase its export by uniting and spending great amounts of human resource, capital, labor, energy. At this point, a clear distinction appears between the U.S. and all other countries. Reserve currency status of the USD creates disadvantage or negative effect on the rest of the world while it provides with a special privilege to the United States in international trade. The negative effect in question can be described shortly with seigniorage. Seigniorage was defined by Manfred and Neumann (1996) as the profit gained from issuing money which is the difference between the face value of a money and the production costs of it. Table 7 below illustrates the costs of printing federal reserve notes for each denomination in The U.S.

Table 7. Costs of Printing Federal Reserve Notes for Each Denomination in The U.S. [15]

Denomination	Printing Costs
$1 and $2	5.5 cents per note
$5	11.4 cents per note
$10	11.1 cents per note
$20	11.5 cents per note
$50	11.5 cents per note
$100	14.2 cents per note

Countries have to purchase petrol to make their citizens sustain their daily lives. Not only petrol, but also the gold they hold, or all other products subjected to the international trade (either exported or imported) are priced in USD. "The Dollar is used in 85 percent of all foreign exchange transactions worldwide." (Eichengreen, 2012:2) USD as it was mentioned in the table 7 above constitutes nearly 60 percent of central bank's official reserves of foreign currency in the world. Hence, this competence provides the U.S. with a great deal of free advantage. It issues USD without bearing any cost other than seigniorage which is almost none while it can purchase other countries' labor, capital, technology, service etc. in return.

Table 7 illustrates the seigniorage costs of U.S. bills. For instance, the cost of $100 for the U.S. is 14.2 cents per note which is close to zero while it can purchase a technology product from Japan with that $100 in return. Technology product in question was created as a result of unification of labor, capital, investment into innovation and the risk of bankrupt. As it was demonstrated in table 8 below, while Japan bared all of those costs to obtain $100 banknote, The U.S. bared only the unification 14 cents to produce a $100. When the risks bared to obtain USD by the U.S. and the world are compared, similar imbalance is visible again. Because, The U.S. is risking 14 cents and is sure that it will worth $100 due to the

[15] The values are retrieved on May 09, 2019 from https://www.federalreserve.gov/faqs/currency_12771.htm

ongoing trend demand in USD by the world while Japan is risking at least $100 without any confidence in whether its product will be demanded or not. So, it creates an imbalanced trade in that The U.S. gains a great advantage and positive effect from the use of USD globally.

Table 8. Costs and Risks Taken by the World and the U.S. to Obtain $100

Country/Costs/Risks for $100 or Equivalent Product	Costs Born	Risks Taken
World	$100+ labor, capital, investment into innovation	Bankrupt risk
U.S.	14.2 cents	Inflation

2.1.1.2.Usage of Local or Regional Monetary Units

As the USD dominates global trade more, the tendency to run away from the USD is being developed by countries to avoid the negative effects of it. According to Karagöl (2019) as the worldwide need for USD increases and the vulnerabilities that it can cause intensify, problems will arise in the current global economic system. At this point, efforts of the countries to escape from the USD, to trade with local currencies and to create reserves will accelerate.

Economic manipulation like tariffs, sanctions by the sole producer of the USD are constituting the prominent negative effects. The tendency mentioned above includes using local or regional currencies in international trade, signing swap deals with as many countries as possible etc. The tendencies in question turned into action in the last years as it can be seen in "the effects of the rest of the world using USD" part, it created negative effects on the U.S. After countries' actions for moving away from USD by using local or regional currencies and signing swap deals, the share of USD in world currency composition of official foreign exchange reserves diminished to %61.94 in the fourth quarter of 2018 from % 63,87 in the last quarter of 2007 which is the beginning of the 2008 financial crisis and also from %71, 51 in the last quarter of 2001 which is another financial crisis that the world has gone through.

The increasing gap (which is %9 between 2001 and 2018 while %2 between 2008 and 2018) among the USD shares in world currency composition illustrates that The U.S. has been affected negatively by usage of local or regional currencies which is caused by manipulation of the USD in favor of the U.S.' self-interest by taking advantage of its worldwide usage.

The negative effect in question is diminishing the U.S.' privilege in global economy since its currency is not demanded by the world as much as in 2001 (%71.51) and it became one of the factors affecting the increase in the U.S.' consumer prices index as it was illustrated in table 7 below. As the world began to use local and / or regional currencies more, the USD flow towards out of the U.S. slowed down while the consumption of the U.S. kept growing. It became one of the prominent factors affecting the increase in the CPI of the U.S.

Countries' usage of local or regional currencies in the international trades is increasing. One of the most recent one is the "S-400 Missile Air Defense System Trade" which was made in July 2017. With this regard, Putin declared that "The US would hurt the world with the pressure of sanctions imposed on countries over the use of dollars in international trade, and this situation leads countries to the means other than USD by adding that S-400 trade couldn't have been made with USD, which led them to make it with alternative means."(Habertürk, 2018.) The trade in question costs approximately $2.5 billion, which is a loss and a disadvantage for the US since its payment unit is not USD.

According to figure 6 below, consumer price index of the U.S. rose 201.558 in 2006 from 152.383 in 1995, also rose and became 251.104 in 2018 and it means roughly 66 percent increase between 1995 and 2018 in overall prices for goods and services paid by urban consumers in the U.S. In essence, the worldwide use of the USD creates a sort of vicious circle. Namely, as the world use the USD more, it boosts the privilege of the U.S. in world politics and gives it an absolute power. As English historian Lord Acton declared "Power tends to corrupt and absolute power corrupts absolutely.", power or privilege given to the U.S. affected in a way that it used that power in favor of itself. Sanctions, tariffs, Marshall aids, Petro-dollar etc. As a result, world countries looked for an alternative medium of exchange and they began to agreements and used local and or regional currencies, which led to increase in the CPI of the U.S.

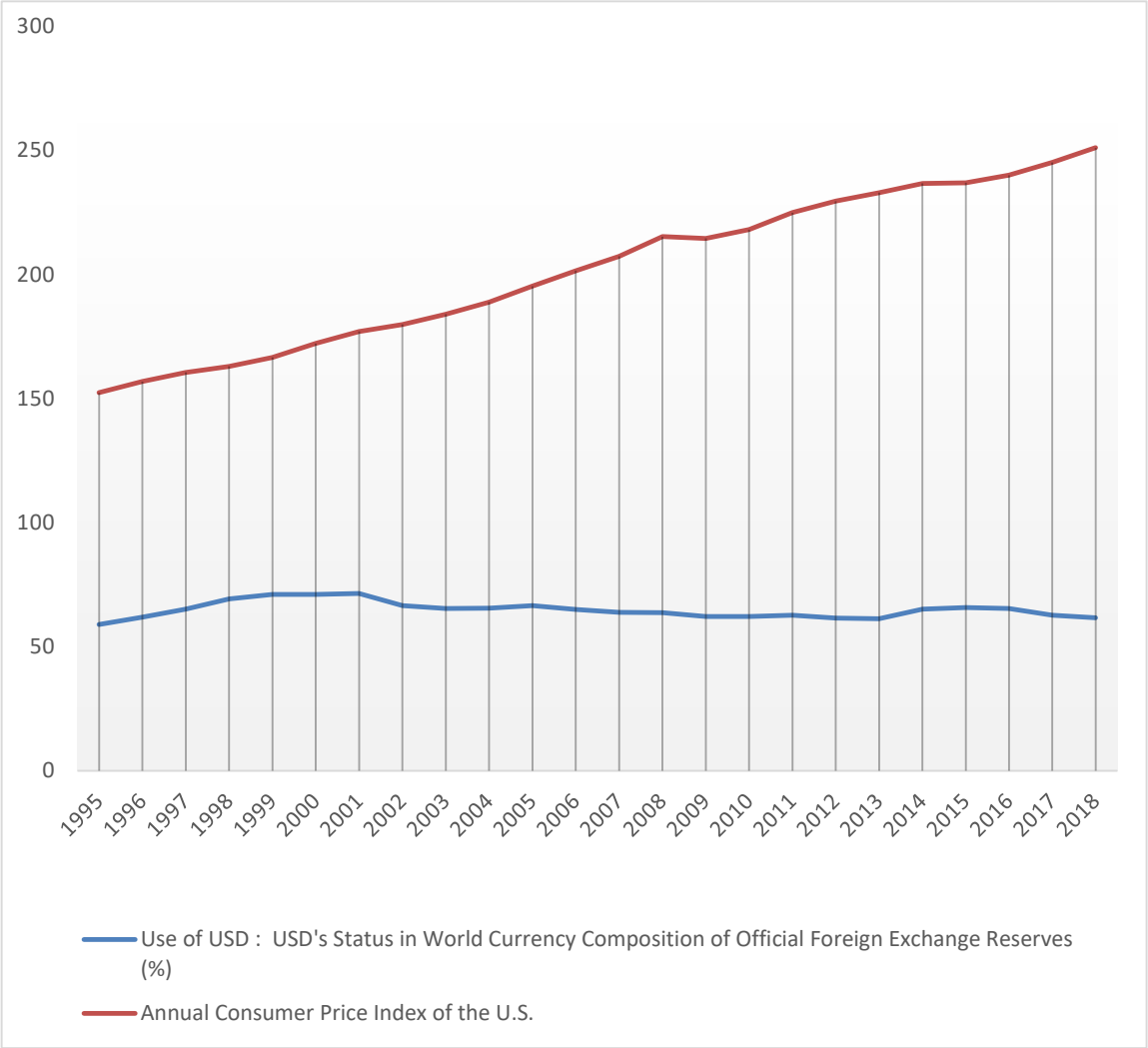


Figure 6. Annual Consumer Price Index of the US and The Worldwide Use of USD[16]

[16] International Monetary Fund. (2019:a, January 8). Currency Composition of Official Foreign Exchange Reserves. Retrieved on March 12, 2019 from http://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4

2.1.1.3.Current Account Balance

Current account balance is one of the most important indicators of a country's economy. It can be formulated as following: (X-M) + NI + NT. In the formula, X is used to refer exports, M is used to refer to imports while NI is used to refer to net income and NT is used to represent net current transfers. Under the light of the formulation, current account balance can be described as the final economic status of a country appeared after overall measurement of its imports and exports in addition to its net incomes and transfers. Hence, current account status of a country describes its economy's reliability and the economic future.

U.S. current account balance problem and net foreign indebtedness problem was first put forth by Triffin (1960). As Alessandrini and Fratianni (2009:45) underlined that the external deficits of the US, with the attendant dramatic rise in its net foreign indebtedness, date back a long way and result from a fundamental weakness of an International Monetary System where a single national money functions also as an international money.

As Blanchard, Giavazzi and Sa (2005:2) described "there are two main forces behind the large current account deficit of the U.S. First, an increase in the U.S. demand for foreign goods. Second, an increase in the foreign demand for U.S. assets. Both forces have contributed to steadily increasing current account deficits since the mid-1990s." When the current account of the U.S. is examined, it appears that the U.S. has the biggest deficit in the world with $ 488.5 billion which is equal to 2.4 percent of its GDP in 2018 while China (which is the second largest economy in the world) has $164.9 billion current account surplus. (U.S. Bureau of Economic Analysis, 2019; Amadeo, 2019:a)

As Obadi (2006:254) stated that the US dollar, now a fiat currency, is at a 17-year trade-weighted high despite record US current-account deficits and the status of the USA as the leading debtor nation. According to figure 7, The U.S. gave $113.56 billion current account deficit in 1995 and it became $488.48 billion in 2018. So, the deficit given in 2018 is three times more than what was in 1995. The trend of the U.S.' current account deficit as can be seen in the figure 7 below, which means the current account deficit of the U.S. will grow in the future and it's a sign of great risk for both the U.S. and the rest of the world holding and using USD in international trade.

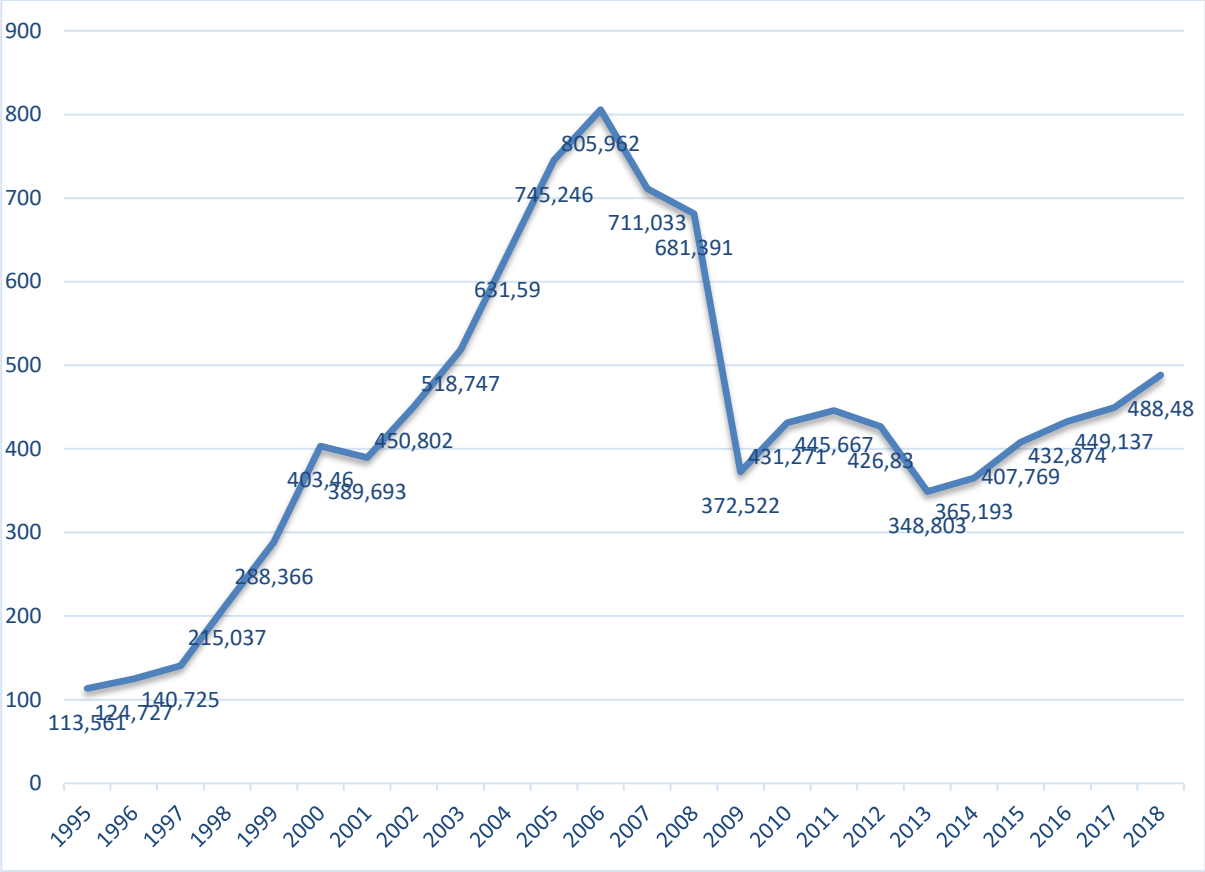


Figure 7 The U.S.' Current Account Deficit over Years (Billions of $)[17]

The current account deficit of the U.S. is basically because of the trade deficit, which means The U.S. is demanding, importing and consuming more than what they are producing and exporting for more than 14 years as its current account balance has never been positive since 1995. The trade deficit of the U.S. became $627 billion in 2018 as it can be seen in table 9 below. So, the USD which is used as a medium of exchange by world is under the control of a country which runs the greatest current account deficit in the world and much of its current account deficit is originating from trade deficit.

[17] The World Bank. (2019) Data: Current Account Balance: Balance of Payments Statistics Yearbook and Data Files, https://data.worldbank.org/indicator/BN.CAB.XOKA.CD?locations=US&view=chart,Last Date of Access: 11.07.2019

Table 9. U.S. Trade Balance, Seasonally Adjusted (Millions of Dollars) [18]

Years	Exports	Imports	Balance
2018	1,665,992.0	2,540,805.7	-874,813.7
2017	1,546,473.5	2,339,884.0	-793,410.6
2016	1,451,459.7	2,186,785.9	-735,326.2
2015	1,503,328.3	2,248,811.4	-745,483.0
2014	1,621,873.8	2,356,356.1	-734,482.3
2013	1,578,516.9	2,267,986.7	-689,469.9
2012	1,545,820.8	2,276,267.1	-730,446.3
2011	1,482,507.0	2,207,954.0	-725,447.0
2010	1,278,493.0	1,913,858.0	-635,365.0
2009	1,056,042.0	1,559,625.0	-503,583.0
2008	1,287,441.0	2,103,641.0	-816,200.0
2007	1,148,197.0	1,956,962.0	-808,765.0
2006	1,025,969.0	1,853,939.0	-827,970.0
2005	901,081.8	1,673,456.0	-772,374.2
2004	814,874.5	1,469,703.0	-654,828.5
2003	724,771.0	1,257,121.0	-532,350.0
2002	693,104.0	1,161,366.0	-468,262.0
2001	729,100.0	1,140,999.0	-411,899.0
2000	781,918.0	1,218,021.0	-436,103.0
1999	695,798.0	1,024,618.0	-328,820.0
1998	682,137.0	911,896.0	-229,759.0
1997	689,181.0	869,703.0	-180,522.0
1996	625,077.0	795,290.0	-170,213.0
1995	584,742.0	743,543.0	-158,801.0

[18] United States Census Bureau (2019) Foreign Trade: U.S. International Trade in Goods and Services https://www.census.gov/foreign-trade/balance/c0004.html, Last Date of Access:11.07.2019

When the current account deficit of the U.S. is taken into consideration in terms of its relationship with the use of USD as global medium of exchange as it's been visualized, it can be easily detected that there is a strong correlation between the use of USD by world and the current account deficit of the U.S. According to the data in the table 9, the current account deficit of the U.S. is rising as the use of USD by world rise until early 2000s and vice versa is also valid after early 2000s. It shows that there is a direct ratio between the two variables. The reason behind the direct proportion of the two variables in question is that world is selling goods and services to the U.S. in exchange of U.S. Dollars, which causes imbalance between exports and imports of the U.S. As a result, the amount and use of USD in the world is rising, which increases the U.S.' trade deficit and it causes the rise in the U.S. current account deficit. So, it can be said that the use of USD by world has negative effects on the U.S. current account deficit. The direct proportion of the variables in question has many other effects for the world using USD and it will be examined in the related chapter.

When the table 9 and table 6 are examined to look at the issue from bigger perspective, the privilege of the U.S. in the global economy can be easily detected. The worldwide usage of the USD gives the U.S. the privilege to spend a lot more than what it has produced or exported without facing difficulty of devaluation since its currency is demanded any time in the world. Gold, petrol and many other precious commodities are priced in USD. 62 percent of the official foreign exchange reserves in the world is in USD. In essence, the case in question can be described as the world is working, producing and the U.S. is consuming thanks to the worldwide usage of the USD. Although the consumption in question effects the current account balance of the U.S. in a negative way, it doesn't hit it much in terms of inflation or devaluation issues since its currency is demanded by the world in a continuous way, it compensates its current account deficit's harms.

Table 10. Status of The USD Use[19] and The US. GDP Share[20] in the World Currency Composition of Official Foreign Exchange Reserves (%)

As percent of The World	Status of USD in the World (%)	The US. GDP Share in the World (%)
1995	58.96	24.96
1997	65.1	27.52
1999	71.01	29.84
2001	71.51	31.91
2003	65.45	29.63
2007	63.87	27.58
2009	62.15	23.99
2011	62.69	21.23
2013	61.27	21.77
2015	65.74	24.44
2017	62.72	24.22
2018	61.74	24.18
2019	60.9	-
2020 Q1	61.99	-

The report conducted by Barisone (2020:1) indicates that persistent and concerning fiscal and current account deficits in the US leads to the loss of confidence in USD.As it was underlined above, the use of USD by world has negative effect on the current account of the U.S. However, it has another effect on the U.S.' economy, which is the fact that it contributes positively to the stabilization of the USD value. As the world stores and uses the USD as a medium of exchange, they are contributing the prevention of USD abundance in the market, which is a positive effect for the United States. However, as Amadeo (2019:a) noted "no

[19] The values are retrieved from International Monetary Fund. (2020). World Currency Composition of Official Foreign Exchange Reserves. http://data.imf.org/regular.aspx?key=41175. August 2, 2020.

[20] The values are retrieved from the official website of the Global Economy. (2018). USA: percent of World GDP. https://www.theglobaleconomy.com/usa/gdp_share/. May 5, 2019.

country with an economy this large has ever run a deficit this large. If foreign investors panicked and started selling U.S. assets at any price, it could cause the dollar's value to collapse. That would create a global economic crisis.“ Consequently, the positive effect in question can turn into a great negative effect in a sort of panic situation and it would cause a huge economic crisis especially for the U.S. and the USD since it is not much a remote possibility when the U.S.’ current account deficit (highest in the world) is taken into consideration.

2.1.1.4. Total Public Debt Between 1995-2018

In the contemporary world, public debt is regarded as normal to some extend for the countries and their economies. According to a research conducted by the World Bank researchers (Grennes, Caner and Koehler, 2010:8), 77 percent of public debt to GDP is an important line for the countries and below this line is regarded as ordinary. However, excessing this line has been found in this research to be slowing the economies down. According to the research, each additional percentage point of debt costs 0.017 percentage points of annual real growth. In developing countries, the result is more critical. Because the line in question is found to be 64 percent in developing countries and each additional percentage point of debt causes to 0.02 percent loss in real growth. In addition, public debt to GDP indicates a country’s reliability in terms of economic aspects. If this ratio is high, that country seems to consume and get loans more than they produce, which creates financial security and investment risks in the relevant country. If this ratio is higher than 100 percent, it means that that country has a debt more than its annual income, which also means that country in debt swamp. On the other hand, if this ratio is gets close to zero or even excess zero towards negative side, it means the security, reliability, and health of the relevant country is high. With this regard, public debt to GDP is playing significant role in understanding an economy’s dynamics and status, which forms the reason of this title to research the effects of the use of USD on the US’s total public debt.

Under this title, the progression of the U.S.’ total public debt and its relationship with the worldwide use of USD between 1995-2018 will be evaluated. As it can be seen in Table 13 below, the U.S.’ total public debt as percent of its gross domestic product has a strong correlation with the use of USD by world. According to it, total public debt of the U.S. was 64.66 percent in 1995 and decreased to 55.13 percent in 2001 while the worldwide use of

USD was 58.95 percent in 1995 and it increased to 71.51 percent in 2001. on the other hand, total public debt of the U.S. increased between 2001 and 2019 from 55.13 to 104.59 percent while the use of USD by world was decreasing in the same years from 71.51 to 61,68 percent. So, it can be inferred from the correlation seen in the figure that there is an inverse ratio between the use of USD by the world and the overall public debt of the U.S.

The inverse ratio between the use of USD and the total public debt of the US indicates many significant results. Firstly and simply, it can be easily stated that worldwide use of USD is affecting the total public debt of the US positively. Because, US public debt decreases when the use of USD increases. The years covering 1995 and 2001 would be given as examples in which worldwide use of USD rises while total public debt of the US falls with a considerable percentage. The following years to 2001 until 2019 in which worldwide USD usage fell to 61 percent from 71 percent are examples of the effect in question because the total public debt of the US raised considerably much up to 104 percent of its GDP. The two trends in question exist as a solid foundation of the relative positive effect. So it means that the world is contributing to the US excessive debt's payment as by using USD worldwide The following question raised by Cohen (2011: 152) is relatively meaningful: For how long can the United States go on building up a mountain of debt before doubts finally begin to take over? And the following question also gains significance: for how long can the world pay the debt mountains of the US?

The last snapshot of the U.S. overall public debt illustrates that it borrowed 4.5 percent more than its GDP in 2019. It is a sign of danger bells for the U.S. economy. The danger in question is so close that even only China can be the starter of the crisis for the U.S. since China has been holding the highest percent of the US.' treasuries among foreign governments in 2018 (The U.S. Department of Treasury, 2019). When the status of the US total public debt is taken into consideration together with the contribution of the worldwide USD usage, total public debt of the US has been affected positively from the worldwide USD use.

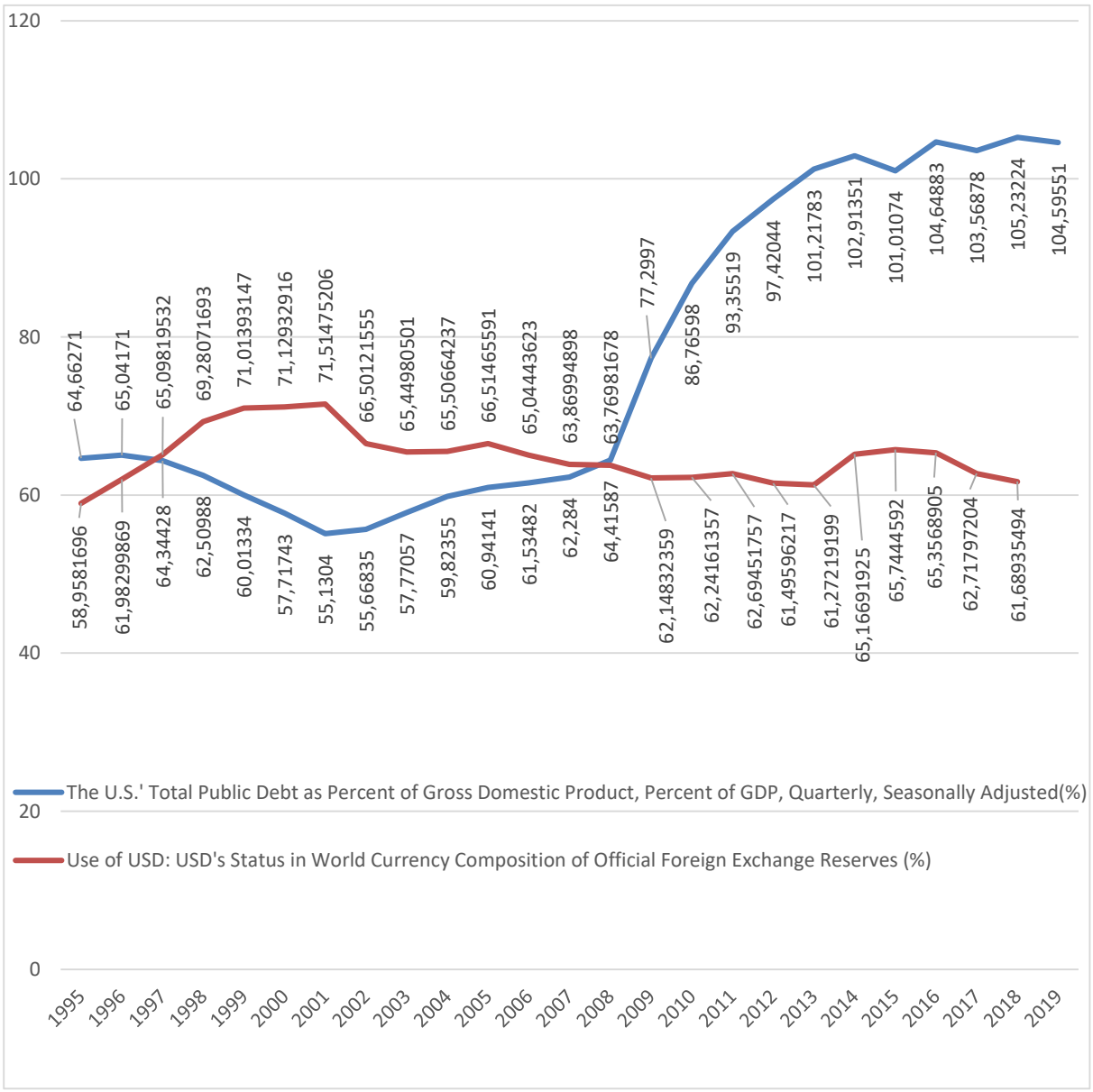


Figure 8. The U.S.' Total Public Debt and The Use of USD by World[21]

[21] Federal Reserve Bank of St. Louis and U.S. Office of Management and Budget, Federal Debt: Total Public Debt as Percent of Gross Domestic Product [GFDEGDQ188S], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/GFDEGDQ188S, Last Date of Access:12.07.2019

"In the early 1980s the US was a net creditor relative to the rest of the world by about $150 billion. At the end of 2004 the US was a net debtor to the rest of the world to the tune of $3 trillion, or 25 percent of US GDP" (Cameron, 2005: 127). The fragility of the US economy would be seen better from its total public debt to GDP perspective. The contribution of the worldwide USD usage to the US public debt is clear and it creates more fragility for the US economy since it makes the US economy more dependent on the worldwide popularity of USD. However, nothing exists for ever, so does the popularity of USD. When the global popularity of the USD disappear, (it has already been diminishing.[22]) the US will need to handle with its debt mountains in the absence of the world's hand in hand contribution to its total public debt.

2.1.2. Culture

Culture is one of the key players in understanding and steering a country or a society. Culture can be affected by many things such as interaction with other cultures, being exposed to the cultures, beliefs, traditions of other societies, wars etc. However, the effect and change in question don't always by the consent of the influenced societies. They sometimes have been exposed to change even if they didn't have consent. With this regard, global usage of a currency and its effects on the culture is the subject of this study. In this context, effects on the US culture will be analyzed under the following chapters respectively: Effects on the U.S.' Global Interaction, Effects on the U.S.' National Culture and National Consciousness.

[22] For more information, please see Table 6: USD's Status in the World Currency Composition of Official Foreign Exchange Reserves (%)

2.1.2.1.Global Interaction

The reserve money status of the USD constitutes many positive and negative effects on the global interaction of the U.S. The global interaction concept in question is utilized to describe any sort of mutual action requiring financial expense among humans, groups, countries, NGOs etc. from different countries. Positive effects can be described with the ease provided to the U.S. citizens. While the rest of the world are bearing the additional physical and financial costs of converting their national currencies into USD before and during their global interaction phase, the U.S. citizens can use their national currency in their global interactions without paying any additional physical or financial costs of converting the currency they've got. Eichengreen (2012:3) gives place the situation in his book as "…this dominance is something from which we Americans derive considerable benefit. An American tourist in New Delhi paying his cab driver in dollars is spared the inconvenience of having to change money at his hotel." He also includes American banks and firms into the group which is in advantage of the widespread use of the USD.

Although reserve currency status of the USD creates many positive effects on the global interaction of the US., it creates some responsibilities to the US., which can be regarded as negative effect. As it was underlined in the related chapters, USD has a dominant status in the global scale with its 62 percent share in world currency composition of official exchange and it makes the U.S. more responsible, accountable and proactive in its operations related with the USD to its value and economy in addition to the world's economy linked to the USD. As USD is demanded immensely by all around the world, the US. has to take the responsibility of regulation, distribution and protection of the USD. The responsibility of the U.S. is greater than any other country since they (Euro is absent) do not constitute more than 5 percent of the world currency composition of official exchange. From this point of view, the use of USD as value of standard can be considered to have negative effect on the U.S.' global interaction in addition to the positive effects underlined above.

2.1.2.2. National Culture, Identity and Consciousness

The global use of USD has many effects on the U.S.' national culture, identity and consciousness. From this point of view, it is beneficial to underline the definition of nation. Heywood (1997:109) describes nation as "a group of people who regard themselves as a natural political community, classically expressed through the quest for sovereign statehood." Culture on the other hand is described by H. Hofstede, J. Hofstede and Minkov (2010:6) as "the collective programming of the mind that distinguishes the members of one group or category of people from others." National culture thus can be described as the features carried by the citizens which differentiates a nation from others. National culture comprises customs, flags, faiths, anthems. Currency, on the other hand, would definitely be regarded as one of the components of national culture as it makes a nation unique or different than others in the sense that it bears historical, social and cultural values, symbols etc.

As Heywood (1997:187) noted "globalization is associated with homogenization process through which a relatively narrow common culture has tended to be adopted the world over. It comprises rising urbanization … and increasing cultural mixing through the 'multiculturalization' of national cultural traditions. Globalization is therefore seen as a threat to national culture, and so to traditionally based forms of identity."

Benjamin Barber (1995:49) stated in his famous book Jihad vs Mcworld that "McWorld is a product of popular culture driven by expansionist commerce. Its template is American, its form style. Its goods are as much images as matériel, an aesthetic as well as a product line. It is about culture as commodity, apparel as ideology. Its symbols are Harley-Davidson motorcycles and Cadillac motorcars ...". On the other hand, national identity is not only a matter of will and strategy, but is enmeshed in the embodied, material ways in which we live – in the rich realm of 'thick description' (Edensor, 2002: 7; Geertz, 1993,)

Kudret Bülbül (2005:108; 2019:453) defines globalization as "increasing influence (in the meaning of being affected) processes among individuals, societies, states, nations in areas varying from politics to economy, from sport to art, from business to culture." When the starting point of the globalization (which is 1960s) is taken into consideration, it can be easily put forth that the widespread use of USD is component of globalization since Bretton Woods system and its inherited effects dates backs approximately 1960s. As an era, 1960s plays significant role in the beginning of the globalization processes (Bülbül, 2019:453) and also for the worldwide use of USD. With this regard, it is visible that worldwide usage of

USD is heritage and component of economic aspect of globalization. In this sense, widespread usage of the USD has some reflections or effects on the national culture and consciousness. In this context, the effects of the worldwide use of the USD on the national culture and consciousness will be examined for both the U.S. and the rest of the world.

The Cultural and historical signs of the U.S. on the USD are visible. The U.S. banknotes carry the Great Shield of the United States as it can be seen in the figure 5 below. It has American eagle representing freedom. It carries 13 arrows in its left talon which stresses war while it is carrying olive branch in its right talon to stress peace. The blue ground on the shield stands for congress which unites 13 colonies of the U.S. colonies which are illustrated in by 13 lines. The thirteen stars on top of the eagle stands for a new nation. On the opposite of the great shield, an uncompleted pyramid exists to stress strength and duration. "Novus Ordo Seclorum" words below the pyramid means "a new order of ages" stressing the new phase under the leadership of the U.S. (Federal Reserve Bank of Philadelphia, 2007:4) The motto, "In God We Trust", on the USD notes reminds the nation's religious belief.



Figure 9. Great Seal of the United States[23]

[23] Federal Reserve Bank of Philadelphia. (2007) Symbols on American Money. Retrieved on October 26, 2019 from

The global usage of the USD has positive effects on the U.S.' national culture and consciousness due to many reasons. First of all, U.S. citizens are able to use their currency all around the world since it is valid in all transactions on the earth while other currencies are being restricted or invalidated in the international interaction ground. The U.S. citizens, thus are not being kept away from their currency which is symbol of their national culture, history, social values etc. In addition, they are being honored since their currency is demanded by the world and they're earning a globally demanded currency in their homeland. They don't need any other currency to be exchanged when they're interacting with the rest of the world and it evokes positive emotions towards their currency which is a reflection of their culture, history, etc.

The U.S. citizens feel like home regardless of wherever they're. They can keep their national culture alive with the use of USD even if they are away from their countries since their currency evokes their national culture. While the world needs to exchange their currencies into USD and adopt their minds in terms of the USD prices when they're getting into international interaction and it creates a negative effect on their national culture and consciousness since they can think their national currency is useless outside of their countries, the U.S. citizens are enjoying the comfort of using their currency (bearing historical and cultural symbols) all around the world without any concern. In this context, the worldwide USD use is contributing to the U.S.' national culture and consciousness while it has many other effects on the same variables of the rest of the world.

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https://www.philadelphiafed.org/education/teachers/publications/symbols-on-american-money/

2.1.3. Politics

Politics is a changing concept which is affected by local, regional, national and international events, habits etc. Politicians of a country are key players for the will and citizens of the related country since they're representatives of the citizens and they are to steer the country in the way that their citizens desires. In this context, the power and independency of the politicians and their leaders possess significant role in the sense that they will steer country without depending on anything other than the wishes of their electorates. There shouldn't be any artificial obstacles or factors bounding them to another country's politicians or damaging their political power or discourse. Likewise, countries shouldn't possess any artificial factors that bounds and harms other countries and their decisions to theirs. While the both cases creates injustice, the former creates victimization and harm; the latter creates privilege for the related country.

In this part of study, effects of the worldwide USD usage on the US politics will be analyzed through following titles: political power and discourse of the U.S. leaders, role of IMF, sanctions, embargoes, tariffs and World Bank" and "monetary policy"

2.1.3.1.Political Power and Discourse of the Leaders

In the contemporary world, the popularity of the USD turned the world into a place in which a currency (USD) became almost the sole valid currency in any international transactions, interactions, in which standard of values of the goods and services are priced in USD. However, it was not limited with it. Global usage of the USD became an instrument for the U.S. politicians to be used in both foreign and internal politics. In other words, the worldwide usage of the USD provides with many advantages for the U.S. leaders in both foreign and internal politics.

In the U.S. foreign politics, worldwide usage of the USD provides the U.S. politicians with the ability to preserve U.S.' dominant status in global politics and with the ability to manipulate world politics in favor of what they want.The first dimension is the effect of the worldwide use of USD on the foreign politics of the U.S. The global usage of the USD as medium of exchange in international trade and transactions and as value of standard for petroleum and precious metals like gold, silver, diamond etc. gives the U.S. a privilege to have an authority in the steering of the global politics. The authority in question is not a

usual one like any EU country possesses. Rather, it gives the U.S. a unique and superior position. The U.S. leaders use this privilege as a tool to steer global politics in favor of the U.S. interests through sanctions, trade and investment embargoes, tariffs, IMF, World Bank, USAID, soft and hard power etc.

2.1.3.2.Role of IMF, Sanctions, Embargoes, Tariffs and World Bank

IMF (International Monetary Fund) is one of the ways used by the U.S. to steer the global politics through USD. As Cameron stated (2005: 128), the U.S. authority on IMF rests on its initial contribution to IMF's establishment which is 25 percent of $8800 million in capital. IMF is the institution which is responsible from the regulation of smooth and proper functioning of the international monetary system. (Seyidoğlu, 2003: 562) The way that the U.S. follows for gaining benefit from the popularity of the USD through IMF lies under the lending process of IMF to the borrower countries. IMF requires some criteria for the countries to give loan in USD and it demands various reforms from the borrowing country before lending. Here, The U.S. having a major authority in the IMF steps in and manipulates the issue towards its self-interest. The U.S. leaders take the issue to more dramatic distances. The U.S.'s interest is playing vital role in the direction of IMF's actions.

Oatley and Yackee conducted a study in 2004 investigating the effects of the U.S. on the IMFs. In this context, the study aimed to reveal whether and to what extend the U.S. is able to shape the content of IMF programs, conditionalities, the amount of the loans offered by the IMF to the countries. The study also aimed to reveal the relationship between the American commercial bank loans and IMF loans. As a result of the study conducted by Oatley and Yackee (2004:426), "American policymakers regularly shape the specific content of IMF's conditionality agreements. When the U.S. has interest at stake, the IMF offers larger loans while the U.S. has fewer interest at stake, the IMF offers smaller loans." It can be easily detected from the result that the U.S. has been affecting the operational decisions of the IMF since the popularity of the USD obligate countries to obtain USD for liquidity problem, to buy petroleum, precious metals and to make international trade. IMF thus becomes a tool for the U.S. to be used and directed in accordance with its interest. The

analysis[24] in question also proved that "The U.S. uses this tool to pursue financial and foreign policy goals. A robust positive relationship between American commercial bank loans and IMF loans is identified. In addition, the U.S. directs IMF credits to friendly governments."

Table 11. IMF Members' Voting Power and Quotas[25]

Quota			Votes		
Member	**Millions of SDRs**	**Percent of Total**	**Governor**	**Number**	**Percent of Total**
United States	82,994.2	17.46	Steven T. Mnuchin	831,407	16.52
China	30,482.9	6.41	Gang Yi	306,294	6.09
Germany	26,634.4	5.60	Jens Weidmann	267,809	5.32
France	20,155.1	4.24	Bruno Le Maire	203,016	4.03
Russia	12,903.7	2.71	Anton Siluanov	130,502	2.59
Canada	11,023.9	2.32	Bill Morneau	111,704	2.22
Iran	3,567.1	0.75	Abdolnaser Hemmati	37,136	0.74
Israel	1,920.9	0.40	Amir Yaron	20,674	0.41

[24] For Further information about the analysis, data and methodology, please check the following source: Oatley T, Yackee J. (2004). "American Interests and IMF Lending". *International Politics*. 426-430

[25] International Monetary Fund. (2019:c, Nov. 13). IMF Members' Quotas, Voting Power and IMF Board of Governors. Retrieved on November 13, 2019 from https://www.imf.org/external/np/sec/memdir/members.aspx#top

The results are supporting the influence of the U.S. on the IMF's decisions. As it can be seen in table 10 above, The U.S. has the highest voting power in IMF's decisions. According to table 13, The U.S. has 16.52 percent of total votes in IMF's Board of Governors while even China has almost one third of U.S. power of votes with 6.09 percent. There is no country other than the U.S. having double digit voting power in IMF. As Weisbrot (2019) noted, it makes the U.S. be in a position to have right to veto many major decisions by itself. The U.S. which is the sole producer of the USD is able to manipulate its dominance over IMF which is giving its loans in USD. Countries need USD to obtain petroleum, precious metals, or any other goods or services to be imported.

The countries which are facing with a USD liquidity problem has been applying the IMF for borrowing. The U.S. and its interest step in here and play vital role in IMF's attitude towards borrower country. If the borrower country hasn't acted in the way that U.S. likes or hasn't acted in harmony with what the U.S. desires, the country gets in red list and faces with harsh and different procedure in the borrowing process from IMF, which usually ends up with worse results for the borrower country in its economic affairs due to the reform requirements demanded by IMF and adjusted in accordance with the U.S.' attitude and interest. There are many examples of this case in history. Ecuador is just one of them.

Ecuador signed an Extended Fund Facility (EFF) deal with the International Monetary Fund (IMF) in February 2019. The deal comprised lending 4.2 billion USD on condition that Ecuador was to execute reforms requested by IMF in various areas. The reforms in question covered massive layoffs in public sector, dramatic hikes in fuel prices, reduction in real wages, the privatization of pension funds. Armstrong (2019) notes that the purpose of the conditions demanded from the Ecuador are intended to impoverish the entire country.

The root cause of the harsh conditions demanded from Ecuador by IMF lies under the conflict of interest of the United States. As President of Ecuador, Lenin Moreno, closed the U.S. military base in Galapagos Islands which is part of the country, and it damaged the U.S.' interest in the region, which led the U.S. to punish Ecuador with the IMF tool. (Weisbrot, 2019; Writer, 2019) The conditions demanded by the IMF (2019: d) led Ecuador to go into deeper crisis. IMF projected that there will be $5.4bn (about 5% of GDP) net foreign private sector inflow into the economy between 2019–2022. However, in the last three years, there was an outflow of $16.5bn (17% of GDP), which just opposite of what IMF projected. (Weisbrot, 2019) The demands of IMF (massive layoffs in public sector,

dramatic hikes in fuel prices, reduction in real wages, the privatization of pension funds) have been realized in Ecuador, the country went into deeper crisis and recession which has been kept foreign investors away from investment into Ecuador. For this reason, IMF's project in question constitutes a contrast with itself and economics; practice and theory. After reforms, the diesel fuel price more than doubled overnight, Gasoline prices increased by 29% in Ecuador. (Armstrong, 2019)

While the economic status of the Ecuador went worse, Weisbrot (2019) underlines that the U.S. obtained great deal of power thanks to the $4.2. billion IMF loan in addition to the $6 billion from other U.S. dominated multilateral institutions like World Bank, Inter-American Development Bank.

There are many other examples that occurred in quite the opposite way of what happened to Ecuador. As it was stressed above, the U.S. shapes operational decisions (amount of the loans, degree of the conditionalities) of the IMF in accordance with its interest on the issue. In 1989, Argentine economy was in severe crisis due to a huge fiscal deficit. IMF had been compelled by the U.S. to provide financial support to Argentina and it obtained what it wanted. (Killick, 1998:73)

In history, there are many other instances of the U.S. pressure on the IMF to make it operate in the way it desires. Boughton (2001:281) noted that "a successful resolution of Mexico's financial difficulties was economically and politically crucial for the United States." The interest of the U.S. from the issue was constant, which led President Reagan to make pressure on the IMF to give 3.9 billion credit to Mexico in 1982 as it obtained what it wanted.

When the cases of Ecuador, Argentine and Mexico are compared, it can be easily detected that there are dual and non-objective approaches and processes for the two group of countries. It is obvious that there is a pushing U.S. power for the Argentine and Mexico while there is a pulling power for the Ecuador. More instances suited to both groups can be easily found in history. However, the aim here is to illustrate the pushing and pulling impacts of the U.S. on the operational decisions of the IMF towards borrowing countries. The conditionalities and the amount of credit defined to each country changes in accordance with the U.S. interest from the borrowing country's financial (and indirectly political) stability or non-stability; alliance or hostility with the U.S.

When the root cause of countries' application for the IMF loan is taken into consideration, it'll be detected that USD liquidity problem is common among all and they have to resolve this USD liquidity problem to buy petroleum, precious metal and make international trade for sustaining daily life as USD is dominant (sole in many areas like petroleum) medium of exchange in international trade since almost everything including petroleum and gold are priced and traded in USD. The obligation in question pushes countries to borrow USD loan from the IMF and the U.S. has been converting this obligation into political opportunity and has been pushed IMF's operational decisions towards its interest to obtain political interest from the borrowing country's financial USD liquidity problem.

As Oatley and Yackee (2004:426) noted, the U.S. interest from the borrowing country shapes the operational decisions of IMF. The interest in questions depends on the alliance and suitability of the country's policies with the U.S. foreign policy and interests. If they suit, as a result of the analysis conducted by Oatley and Yackee (2004:426), the borrowing countries gets easier conditionalities and more credit. If they don't suit, the conditionalities demanded by IMF get hard and the amount of the loan defined becomes narrower. The result is not limited with the conditionality and amount of loan defined by IMF to the countries. It provides the U.S. with a great political advantage against the countries to be used. Consequently, the worldwide popularity of USD affects the U.S. foreign politics positively and provides with a huge advantage to be used through IMF.

Global usage of the USD became an advantageous instrument for the U.S. politicians to be used in both foreign and internal politics. USD's current domination provides the U.S. politicians with the ability to preserve U.S.' dominant status in global politics and with the ability to manipulate world politics in favor of the way they desire.

The global usage of the USD as medium of exchange in international trade and transactions and as value of standard for petroleum and precious metals like gold, silver, diamond etc. gives the U.S. a privilege to have a superior authority in the steering of the global politics. The global usage of USD provides the Us with the ability to use pressure on both the private sectors and governments in many ways. (Norrlof, 2014:1058-1059) Sanctions, trade and investment embargoes and tariffs form another way (in addition to IMF, soft and hard powers) through which the U.S. leaders use as privilege or an advantageous means to steer global politics in favor of the U.S. interests.

Sanctions, tariffs and trade, investment embargoes in question are administrated by The Office of Foreign Assets Control (OFAC) in U.S. "OFAC executes economic sanctions programs against countries and groups of individuals. The sanctions can be either comprehensive or selective, using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals." (The U.S. Department of Treasury: 2019:c)

The U.S. employs sanctions, trade-investment embargoes and tariffs to direct the global politics. Those are the ways that the U.S. willingly puts the opponent country out of global trade and harms its economy. As Kameran (2020:2) "a global reserve currency can be used by the issuing country politically, for instance, via sanctions, bolstering the country's global hegemonic status." Sanctions and tariffs etc. cause huge devaluations in the opponent economy not only after their entry into force but even after their verbal expression by the U.S. politicians in charge. There have been many examples took place in history. Turkey, China, Iran, Russia, can be illustrated as the most concrete ones.

In 2018, Turkey and its economy got shocked and shaken by the consecutive press briefings and tweets of the U.S. president and other top-level politicians in charge. The U.S. policy towards Turkey got changed and started to exhibit a sort of threatening attitude against Turkey. Starting from August 2018, Turkey has witnessed a huge wave of sanction threats by the top authorities of the U.S. On August 1, 2018, The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) began to exhibit the wave in question by declaring sanctions against two of the most significant ministers (minister of Justice and Minister of Interior) of Turkey. As it was published in the official website of The U.S. Department of the Treasury's OFAC (2018), the U.S. targeted related two ministers pursuant to Executive Order (E.O.) 13818, "Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption," by accusing them of playing significant role in the organizations responsible for the arrest and detention of Pastor Andrew Brunson. The main purpose of the U.S. sanction in question was to obtain what was expected (which is the immediate release

of related person as specified in the OFAC (2018)) 26 The effects and results of related sanction is quite supportive for this study's main arguments as stressed above.

The effects of the U.S. sanctions on Turkish economy can be seen more clearly under the related title below. The exact date of the sanction against Turkish ministers is August 1, 2018. To see the precise effect of related sanction, it is better to compare one day before and one day after the sanction decision which are July 31, 2018 and August 2, 2018 in order. According to table 18, USD/TL was 4,9250 on July 31, 2018 which is one day before the sanction statement while the same USD/TL became 5,09 on August 2, 2018 which is one day after the sanction decision. Decrease in the value of TL reached 3,45 percent in just one day by the hand of U.S. The constant decrease in TL continued and ten days after the sanction, USD/TL reached 6.50, which means 32,11 percent loss in the value of TL.

The value loss made by the hands of the U.S. owing to the worldwide use of USD tool with brought the U.S. more political power and powerful discourse in the global politics while it weakened Turkish economy and it can't be explained with justice because Turkish citizens spent a great deal of resource, time and effort to reach where they are economically. However, their currency lost its 32 percent of value in just ten days because of the desire of the U.S. and it is too far away from fairness. So, it is meaningful to see that the global usage of the USD provides with a privilege to the U.S. and countries are getting affected negatively from this privilege.

As it was stressed above, USD is not a usual currency bounding its sole producer country and its counterparts. Rather, it is a global currency according to which petrol and gold is priced; with which goods and services in international trade are being branded. In other words, USD is a value of standard for the world. However, any sort of sanction, tariff etc. exerted by the U.S. to its opponent affects not only the two countries, but also the rest of the world with which that country is making interaction. As in Turkey example, it affected

[26] "As a result of these actions, any property, or interest in property, of both Turkey's Minister of Justice Abdulhamit Gul and Turkey's Minister of Interior Suleyman Soylu within U.S. jurisdiction is blocked, and U.S. persons are generally prohibited from engaging in transactions with them." For more information, please see https://home.treasury.gov/news/press-releases/sm453. December 27, 2019.

Turkish economy more than relations with the U.S. and Turkey. Since, Turkey is importing petrol and natural gas priced in USD, purchasing power of Turkey decreased 32 percent. In other words, it started to buy 32 percent less petrol and natural gas with the same amount of money (TL) in just ten days from the countries irrelevant with the U.S. All in all, U.S. Pastor Andrew Craig Brunson being accused of "committing crimes on behalf of a terrorist organization and espionage" in Turkey got released on October 12, 2018. The U.S. obtained what it demanded, and it was the Turkish economy getting hurt by the will of U.S.

Any country without a legitimate reason can face with huge economic losses due to the desire of the U.S. by using the worldwide popularity of the USD. President Trump also declared it through his official twitter account on October 7, 2019 as following. "*As I have stated strongly before, and just to reiterate, if Turkey does anything that I, in my great and unmatched wisdom, consider to be off limits, I will totally destroy and obliterate the Economy of Turkey (I've done before!). They must, with Europe and others, watch over..."*[27] It indicates that the U.S. benefits from the USD's worldwide popularity and gives huge economic damages to the countries to obtain political, economic, military interest or to reach other objectives. Sanctions and tariffs are just some of the ways used by the U.S. to reach its objectives through worldwide use of the USD.

As President Trump stated through his official twitter account, the U.S is not using hard power to reach its political objectives in the global area. Rather, it benefits from its currency's worldwide popularity to obtain what it desires by threatening countries with sanctions, tariffs etc. and sometimes executing these ways as well. The following tweet by President Trump is a brief of what was mentioned above. *"....Kurds may be releasing some to get us involved. Easily recaptured by Turkey or European Nations from where many came, but they should move quickly. Big sanctions on Turkey coming! Do people really think we should go to war with NATO Member Turkey? Never ending wars will end!*"[28] The political interest of the U.S. wins this battle as President Trump thanks to not hard power but sanctions, tariffs exerted to the related countries for achievement of U.S. political objectives.

[27] https://twitter.com/realdonaldtrump/status/1181232249821388801. December 27, 2019.
[28] https://twitter.com/realdonaldtrump/status/1183702529403695104. January 27, 2020.

The following expression is another example of the way used by the U.S. to design global politics by manipulating it through the worldwide usage of USD and threats of sanctions. President Trump stated on 10 October 2019 that:

> "Turkey has been planning to attack the Kurds for a long time. They have been fighting forever. We have no soldiers or Military anywhere near the attack area. I am trying to end the ENDLESS WARS. Talking to both sides. Some want us to send tens of thousands of soldiers to the area and start a new war all over again. Turkey is a member of NATO. Others say STAY OUT, let the Kurds fight their own battles (even with our financial help). I say hit Turkey very hard financially & with sanctions if they don't play by the rules! I am watching closely. "[29]

Through his official twitter account. The relevant expression is crucial in the sense that it proves that previous theory which is "U.S is not using hard power compared to the thirty years ago to reach its political objectives in the global area. Rather, it benefits from its currency's worldwide popularity to obtain what it desires by threatening countries with sanctions, tariffs, executive orders etc. and sometimes executing these ways as well."

The consecutive briefings of President Trump didn't just pass away. Those expressions, threats of sanctions were made for the political objectives of U.S., which touched their points as it was denoted in table 18. Sanction threats of the U.S. president against Turkey began on October 7, 2019. [30] USD/TL was 5.7250 one business day before the president's expression. U.S. President's final consecutive expression was made on October 10, 2019 one day after which USD/TL became 5.9050. The threats caused 3.23 percent loss in the value of TL in just one week.

It is quite obvious that the losses in TL reached much more than what is denoted above during the days. It hit Turkish economy in terms of international trade balance more than what is seen in table 18. However, in order to provide much more accurate and scientific knowledge, the markets' closing data is taken into account.

[29] https://twitter.com/realdonaldtrump/status/1182286414353981440. January 27, 2020.
[30] https://twitter.com/realdonaldtrump/status/1181232249821388801. December 27, 2019.

Consecutive briefings, expressions, sanctions threats of President Trump were not the shots in the dark or a vain attempt. They were made for the political objectives of U.S., which touched their points. Sanction threats of the U.S. president began on October 7, 2019. BIST100 was 103.463 points only one business day before the president's expression. U.S. President's final consecutive expression was made on October 10, 2019. One day after that expression, BIST100 decreased to 99.027 points. The threats caused 4.28 percent loss in the value of TL in just one week. The loss in question reached its top point one week later than U.S. president's latest relevant briefing through his twitter account on October 10, 2019 and BIST100 witnessed 8.28 percent loss due to the manipulative threats. It is significant to note that the global use of USD provides the U.S. with an ability to diminish target countries' economic indicators to dramatic levels.

The U.S. threats included the following sentence of U.S. president. "I say hit Turkey very hard financially & with sanctions if they don't play by the rules! I am watching closely."31 When the total trading volumes of shares included in BIST 100 index are compared between 4 and 17 October 2019, it corresponds to 489.399$ loss. It is not an easy amount to earn over 1 day. It is the product of a nation that was destroyed owing to the arbitrary threats of the holder of a global currency and this privilege is again provided to it by most of the world countries' hand in hand effort for years consciously or unconsciously.

Volatility is another path that enhances the power of the U.S. in terms of affecting target country's economy. In economics, volatility is defined as the fluctuations in prices in a specific period of time. As it was mentioned above, volatility in USD/TL during the day becomes quite high at the time periods of sanction threats of the U.S. As an instance, USD/TL was 6.95 on 13.08.2018 and it was an end of day data. However, the same USD/TL reached 7.2032 during the same day, which indicates the degree of volatility in exchange rates in the time periods of U.S. sanctions and threats. The fluctuation in exchange rates during the day gets quite high when the U.S. shows a country as a target. The difference between the end of day data and during day data of exchange rates reaches more than 3.5

[31] https://twitter.com/realdonaldtrump/status/1182286414353981440. Last Date of Access: January 27, 2020.
[32] https://tr.euronews.com/2018/08/12/dolar-turk-liras-kars-s-nda-7-20-seviyesini-gordu. Last Date of Access: February 6, 2020.

percent as it happened in the sample given above. (6.95-7.20) It gives the U.S. a tool to depreciate the target country's economy a lot, which is examined in detail under the title of "the effects on the world".

The volatility in question affects the target country not only on the paper but also on the practice a lot. Countries don't face with so high volatility in general in the absence of a threat or danger either in the perception or in the reality. Markets work properly and investments are made as long as they are enabled to see the bright future in the relevant country. The U.S. sanction threats constitute a huge shadow for the countries it targets. In those countries investors and capital owners look for the precautionary ways to secure their resources. Depending on the severity of threats, those precautions can become either for short term or long term. In either way, economic and commercial movements would slow down and would even stop in such time, which hurts the target economy pretty hard. That country face with two options in front of this pressure. One of them is to admit the desires of the U.S. by waiving sovereignty which can cause many chain effects on the electorates and their voting behavior. The second way is to proceed with the ongoing policy and struggle with the continuous U.S. pressures. Those pressures isolate the target country from the global economy and trade, which cause huge damages to its economy and politics indirectly as well. The isolation in question takes places since countries don't want to face with the same pressure coming from the U.S. and to avoid that they cut the trade with the target country and position itself against it willingly or unwillingly. It basically composes the negative effect of the worldwide usage of the USD. It is the magic that puts the U.S. in such a superior and router position.

The U.S holds the power to affect every aspect of life with petrol on which any product is depended. Since everything is transported after production, petrol prices are effective on the cost of any production. Since many developing countries are importing petrol, and petrol is priced in USD. Currencies of the countries in question are depreciated when the U.S. exert sanctions, tariffs etc. when its interest contradicts with its contact country. Hence, the contact country faces with another loss because of the rises in the petrol prices and the prices of everything (in other words consumer price index) indirectly, which becomes a tool for the U.S. to punish the relative country. It is important to stress that electricity began to get into daily life in the contemporary era and it diminishes the dependency on petrol, which also diminishes the dependency on USD, U.S. and its power deriving from the popularity in question as well.

Arbitrary movements of the U.S. in global politics resulting substantially from the worldwide usage of the USD are not limited with Turkey. There are various examples of such arbitrary movements, sanctions, tariffs that put the target country in such an unfair and imbalanced battle in history. China would definitely be counted among the victims. The U.S. president declared via his twitter account that the USA owes its great economic results to the China's tariff payments for ten months. The hegemony of the U.S. economy stayed constant while the country paying tariffs or being subjected to the sanctions has changed for years. The U.S. president's statements on August 1, 2019 about sanctions on China indicate the stage of the arbitrary manipulation of the worldwide usage of USD by U.S. as showed below.

> *For 10 months, China has been paying Tariffs to the USA of 25% on 50 Billion Dollars of High Tech, and 10% on 200 Billion Dollars of other goods. These payments are partially responsible for our great economic results. The 10% will go up to 25% on Friday. 325 Billions Dollars of additional goods sent to us by China remain untaxed, but will be shortly, at a rate of 25%. The Tariffs paid to the USA have had little impact on product cost, mostly borne by China. The Trade Deal with China continues, but too slowly, as they attempt to renegotiate. No![33]*

The statement above puts forth one of the sources of U.S.' economic hegemony, the U.S. president narrates the reason behind his %10 additional adjustment on the tariffs applied on China in the following statement. It clearly reveals the effects of U.S.' arbitrary actions on the wills of the world countries. According to it, U.S. wanted China to purchase agricultural products from the U.S. When it didn't do what was demanded, it faced with additional tariffs and as it was announced by the U.S. president. The U.S. is able to take such an arbitrary action by taking advantage of this hegemonic position in the world politics and as it is explained above, the hegemony in question comes hardly from the popularity, hegemony and worldwide usage of the USD.

> "Our representatives have just returned from China where they had constructive talks having to do with a future Trade Deal. We thought we had a deal with China three months ago, but sadly, China decided to re-

[33] https://twitter.com/realDonaldTrump/status/1125069835044573186. Last Date of Access: March 2, 2020.

> negotiate the deal prior to signing. More recently, China agreed to buy agricultural product from the U.S. in large quantities, but did not do so. Additionally, my friend President Xi said that he would stop the sale of Fentanyl to the United States – this never happened, and many Americans continue to die! Trade talks are continuing, and during the talks the U.S. will start, on September 1st, putting a small additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our Country. This does not include the 250 Billion Dollars already Tariffed at 25% We look forward to continuing our positive dialogue with China on a comprehensive Trade Deal, and feel that the future between our two countries will be a very bright one!"[34]

According to Yorulmaz (2018: 9-11) "This process reduced the reliability of the U.S. Dollar due to Trump administration's obvious use of the USD as an economic war weapon. In this context, debates unite on the idea of a new, common currency among the countries like Russia, Turkey, Iran for the financial processes." When the current account deficit of the U.S. is taken into consideration together with this idea, U.S. will be the country which gets the highest damage while the rest will get the greatest benefit in such a global market in which there is no dependency on the USD in international processes.

The most coward thing in the world is capital. If investors perceive any sort of danger or risk in the country they trade, they tend to leave that investment area easily. In this context, threats of the U.S. do not only mean that it takes what it desires from its opponent, but also mean the outflow of capital from the country it targets and it gives huge losses to that country both in the short and long term especially if the country in question is among developing countries. As it was explained above, this privilege is deriving from the worldwide usage and popularity of the USD. This sort of authority is too big to be left to a single country since it can be manipulated.

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[34] https://twitter.com/realdonaldtrump/status/1156979443900067841. Last Date of Access: March 2, 2020.
https://twitter.com/realdonaldtrump/status/1125069835044573186. Last Date of Access: March 2, 2020.
https://twitter.com/realdonaldtrump/status/1165005927864512512. Last Date of Access: March 2, 2020.
https://twitter.com/realdonaldtrump/status/1165005927864512512. Last Date of Access: March 2, 2020.

It is obvious that The U.S. is also given the privilege to affect country leaders negatively with the sanctions and threats. The leaders fall into the dichotomy between what they promised to their electorate and what the U.S. demands from them. They get into big trouble regardless of which path they follow. Because, if they follow the first path and do what they desire even if it is against the U.S. demands, they will face with U.S. sanctions, tariffs and threats. It will affect their economy badly, which will end up with loss of vote in the next elections. If they follow the second path by acting in accordance with the U.S. demands even if its against the sovereignty and the demands of the voters, citizens, they will again face with loss of votes in the next elections since they are unable to fulfill what they promised to the electorate in the previous elections. Consequently, leaders of especially developing countries face with loss of either political or economic power if as a result of the global usage of the USD since it provides the U.S. with an exorbitant privilege and it utilize from this privilege to adjust the global politics and economy to serve for it. Sanctions, tariffs and other economic threat instruments becomes a strong stick of the U.S. and its leaders to shape the global politics.

2.1.3.3.Monetary Policy

Worldwide usage of the USD has many effects on the monetary policy of the U.S. which is shaped by the Federal Open Market Committee (FOMC). FOMC is the institution which can easily and directly steer the course of dollar which is currently considered as global exchange unit. FOMC actualizes it by changing its target for the federal funds rate which is the interest rate valid for overnight borrowings between banks. Barisone (2020:2) states in a report that "widespread use of a currency beyond its national borders increases spill over risks; changes in domestic monetary policy and exchange rates can significantly threaten financial stability in other countries. Similarly, the one-sided dominance of a single currency can lead to global liquidity shortages, as shown during the financial crisis when many banks reported severe US dollar funding shortages."

The monetary policy of the U.S. plays relatively significant role in the value of the U.S. Dollar as a global currency. For instance, a reduction in the interest rates leads to the fall in the value of The U.S. Dollar since the interest obtained from the USD assets will

decrease as well, which will redirect the investors to look for some other investment grounds and will create the abundance of USD.. The tool to adjust or change the value of USD on the other hand provides the U.S. with the advantage of steering the global economy and politics. The U.S. obtains and uses this advantage it in the steering of global economy since the value of USD affects almost everything in the world. For example, the sudden rise in the value of USD put the citizens on the streets in Lebanon in June 12, 202035.

The change in the monetary policy mentioned above will also lead to many other chains of changes in the social and economic life of both the U.S. and other countries' citizens who are in connection with the U.S. bilaterally. For instance, a fall in the value of the USD will lead to a rise in the exports of the U.S. goods and services since other countries will regard and obtain the U.S. goods and services in a cheaper way with their own currency than the price they bought before. It will also lead to a fall in the U.S. imports since the value of USD diminished, the equivalent goods and services of a unit of the USD also diminished. Therefore, the citizens of the U.S. will need to pay more than they were paying before for a unit of goods and services imported, which will lead to a fall in the import rates relevant to the downward change in the federal funds rate.

While the ease in monetary policy causes the results mentioned above, tightening of monetary policy will lead just to the opposite results happened in the easing of the policy in that a rise in the federal funds rate will easily lead to a relevant increase in the value of the U.S. Dollar since the amount or the percent of the interest obtained from the USD assets will rise as well, which will redirect the investors to concentrate their investments more on the USD assets. However, any rise in the value of the USD will lead to a fall in the exports of the U.S. goods and services since other countries will regard and obtain the U.S. goods and services in a more expensive way with their own currency than the price they bought before. It will also lead to a rise in the U.S. imports since the value of USD increased, the equivalent goods and services of a unit of the USD also increased. Therefore, the citizens of the U.S. will need to pay less than they were paying before for a unit of goods and services

[35] https://www.aa.com.tr/tr/dunya/lubnanda-dolardaki-ani-yukselis-halki-sokaga-doktu/1874157. June 16, 2020.

imported, which will lead to a rise in the import rates relevant to the upward change in the federal funds rate.

Figure 10 below indicates correlation between the interest rates of the world and US. between 2013 and 2019. According to data obtained from IMF (2020:b), the direction of the interest rates of the world are getting affected from the U.S interest rates. The world is adjusting its monetary policy to the U.S. for protection of its currency's existing value against USD to sustain future international trades. It blocks countries deciding the direction on which they desire, which is against sovereignty. On the other hand, this obedience is compensating thee deficiencies of the US. trade by protecting the "status quo", which is another negative advantage on the world and positive effect on the US. On the U.S. side, it is giving the U.S. the tool to steer the global monetary policy since the global trade and politics is functioning with the USD, which makes countries obey and adjust their monetary policies with the U.S.'.

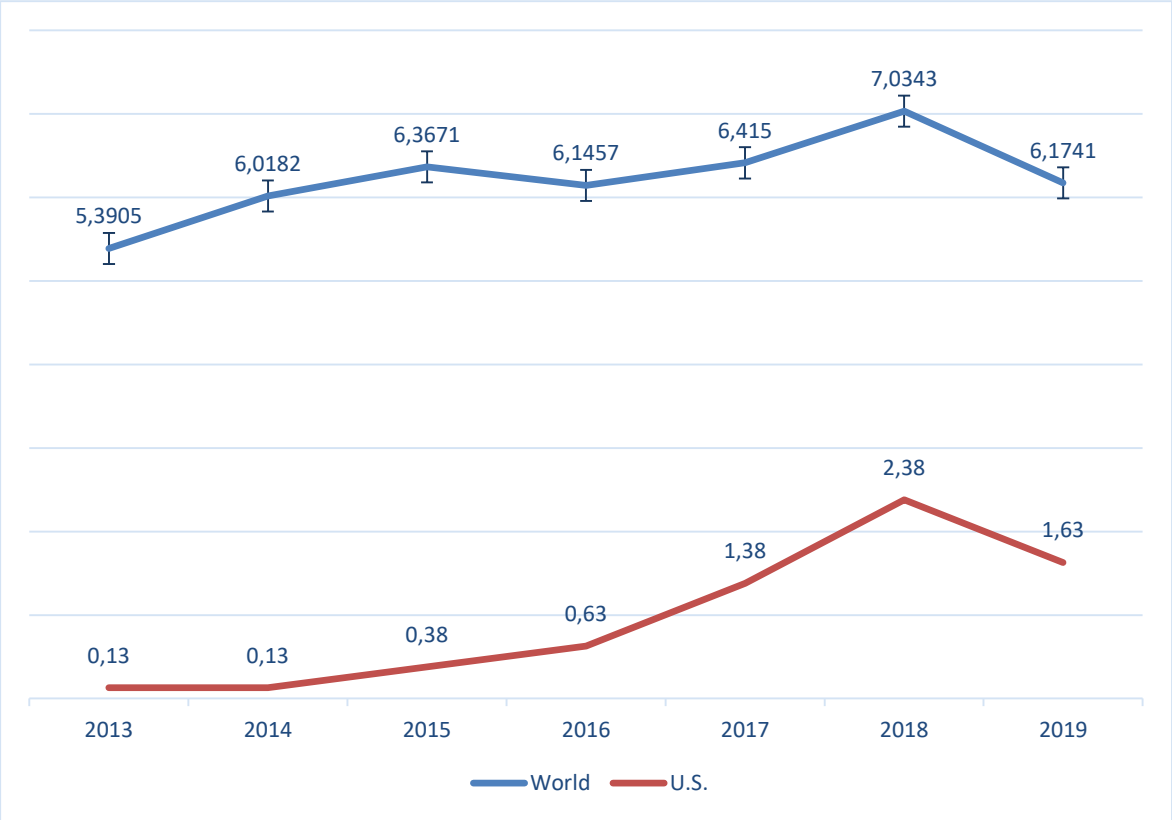


Figure 10. Interest Rates of both the U.S. and the World (2013-2019) [36]

In order to illustrate the influences of changes in monetary policy on the values of USD in practice, two variables will be used. The independent variable is the attitude of the FOMC toward the federal funds rate while the dependent variable is the value of USD against any unit of account. (Japanese Yen (¥) was randomly selected for this example.) While all other variables are deemed to be constant (ceteris paribus), the effects of the attitude of FOMC toward federal funds rate on the value of USD against Yen will be examined between the August 14, 2008 and December 14, 2008.

[36] Data in the Figure 19 has been obtained from the official website of IMF and calculated to obtain the mean of the interest rates (12 of every year) of the 66 countries whose data is available in the IMF's data base.
International Monetary Fund. (2020:b). Interest Rates: Selected Indicators. https://data.imf.org/regular.aspx?key=61545867. June 17, 2020.

The FOMC (as an independent variable) changed its attitude toward federal funds rate and declared to lower its target for the federal funds rate 50 basis points to 1 percent in October 29, 2008. (Board of Governors of the Federal Reserve System, 2008, October 29) In order to comprehend the effect on the dependent variable (which is value of the USD against JPY), the comparison of the values of USD (against JPY) before and after the FOMC statement carries significance.

Table 12. USD/JPY before and after FED's Decision on Federal Funds Rate[37]

Currency	Date	Exchange Rate
United States Dollar ($)/Japanese Yen (¥)	14.08.2008	1USD=109,58 JPY
United States Dollar ($)/Japanese Yen (¥)	14.12.2008	1USD=90,11 JPY

When the two values are compared as given in the table above, there is significant change in the value of USD in negative way against JPY after The FOMC statement compared to the value on record before. According to the values given in the Table 11, one USD was equal to one hundred and nineteen JPY (which is almost two months before the FOMC statement) while one USD was equal to the ninety JPY. (which is almost two months later the FOMC statement) It can be easily detected that the effect of the FOMC 's decision on the monetary policy is almost twenty percent loss in the value of USD against JPY in just several months, which can be regarded as a significant illustration in comprehending the influence and significance of the FOMC and its attitudes toward monetary policy on the value of USD which is used as a unit of exchange in the global trade.

[37] The values are retrieved on February 28, 2019 from http://fxtop.com/.

2.2. Effects on the Rest of the World

Global use of the USD has provided many positive and negative effects on the world in many areas. In order to make better assessment, the effects in question are categorized into three groups which are effects on economy, effects on culture, effects on politics, all which are researched in order.

2.2.1. Economy

Global usage of the USD has many effects on the countries' economies in many aspects. In this context, the effects of the worldwide usage of USD on the world' economy will be examined under four titles which are seigniorage, usage of local or regional monetary units, current account balance, total public debt between 1995-2018.

2.2.1.1.Seigniorage

Reserve currency status of the USD creates a negative effect on the rest of the world in terms of seigniorage. When the costs and efforts being spent on obtaining USD by both the U.S. and other countries are compared, it can be easily detected that the U.S. bares almost no cost and effort to obtain USD while other countries are working very hard by bearing great deal of costs in accumulation of knowledge, human resource, uniting capital and taking bankrupt risk to produce goods or services for obtaining USD. The U.S. is obtaining concrete goods or services in exchange of some USD banknotes and it can benefit from it in the long term while other countries are obtaining a paper which is not ensured to secure its value in the long term and on which they don't have any administrative authority.

Countries are obtaining USD not only through trade with the U.S. but also trade with other countries. International trade is being made via USD instead of countries' national currencies. However, USD as a medium of exchange is not guaranteed to protect its value in the long term as there is always a risk of inflation in the U.S. in addition to its rising current account deficit which is $488.5 billion (equal to 2.4 percent of its GDP) in 2018. (U.S. Bureau of Economic Analysis, 2019) Moreover, figure 11 below illustrates annual consumer price index of the U.S. between 1995 and 2018. According to it the CPI in the U.S. actualized as 251.14 in 2018 while it was 152.383 in 1995. It underpins that there has been a steady

movements in the prices of the U.S. it is almost doubled, which supports the insecurity of the USD in the long era in terms of devaluation that would create negative effect on the countries holding and using USD in international transactions in the long term.

Some of the countries subjected to the domination of the USD began to notice the issue in question and to take step against it. The countries in question includes China which is the second biggest economy in the world after the U.S.

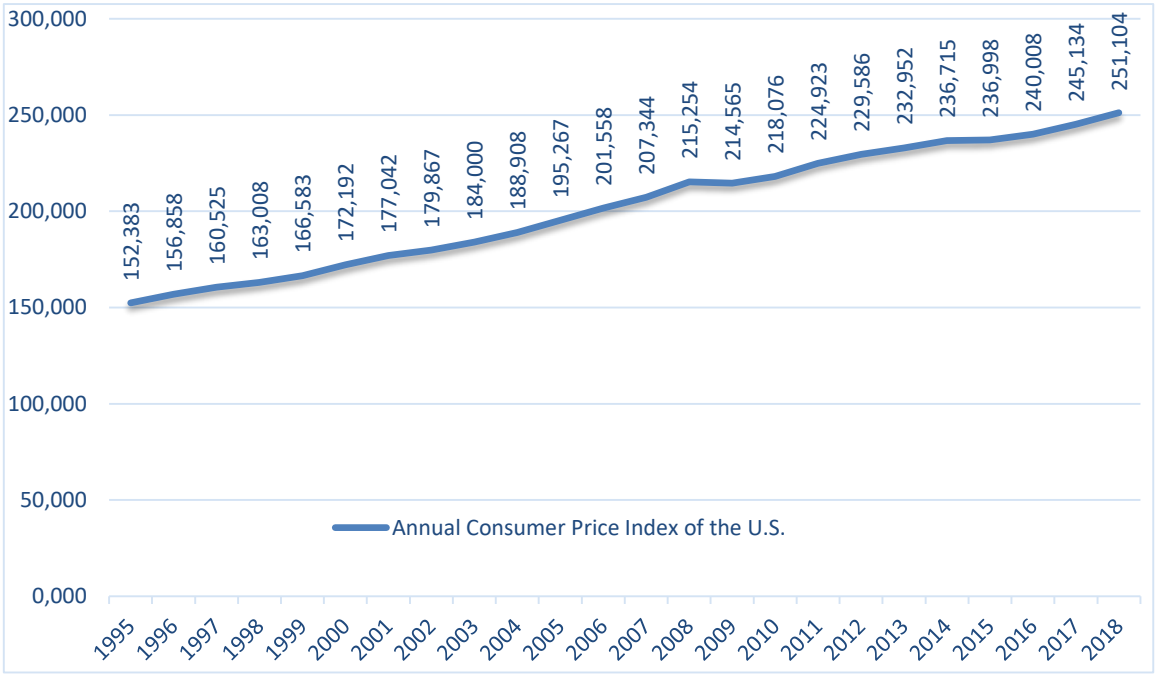


Figure 11. The U.S.' Annual Consumer Price Index (CPI) Between 1995-2018 [38]

The data above indicates that the world is giving, exchanging their products (which are produced as a result of a great efforts, capitals, risks sources etc.) with a paper or a bank note which is produced solely by one country whose history is not going long back while its future is not much bright in terms of economic indicators. So, the world is helping the stabilization of the USD's value while the U.S. only bares with the cost of printing USD (which is called as seigniorage cost) which almost none when it is compared to what it takes in exchange.

[38] U.S. Bureau of Labor Statistics, Consumer Price Index: All Items in U.S. City Average, All Urban Consumers [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CPIAUCSL , October 1, 2019.

2.2.1.2.Usage of Local or Regional Monetary Units

Global use of the USD is creating both positive and negative effects. Under this title, effect of the use of USD on countries' drives towards the usage of local monetary units will be examined. In this sense, worldwide usage of the USD will be measured (as an independent variable) with countries' official USD exchange reserves while countries' drives towards usage of local monetary units will be measured with their actions, agreements towards using their local or regional currencies.

According to Karagöl (2019) as the worldwide need for USD increases and the vulnerabilities that it can cause intensify, problems will arise in the current global economic system. At this point, efforts of the countries to escape from the USD, to trade with local currencies and to create reserves will accelerate. USD is constituting the top position of World Currency Composition of Official Foreign Exchange Reserves with an average of 64,36 percent as it can be seen in table 5 below.

Alessandrini and Fratianni (2009:45) underlines that much less attention has been paid to the instability of the dollar-based international monetary system and the potential that it may have to spark another deep crisis in the future. The instability in question plays quite significant role in the path of countries' quest for local or regional monetary unit usage.

When the table 5 is examined, it can be easily said that USD have a sort of dominant status among other currencies and this dominant status has risen since 1995 as it experienced its peak point as 71,51 percent in 2001 while it constitutes 61,94 percent of official foreign exchange reserves. This popularity provided the US with the facility of manipulating it in favor of its self-interest while it is turning other countries into disadvantaged positions. The manipulation in question comprises economic sanctions, tariffs, tax discounts for the U.S. etc. In this context, countries began to create defense mechanisms against the manipulation of the USD's popularity. The mechanisms in question covers using alternative monetary units to the USD or keeping the usage of USD as possible as low. In this sense, countries which experienced the harsh manipulation of the popularity of USD began to chase the way of using alternative monetary units like local or regional currencies. The countries preferred this way can be described as the followings, China, Russia, Iran, Turkey and India.

Table 5: World Currency Composition of Official Foreign Exchange Reserves [39]

USD/ Millions	1995	1997	1999 Q4	2001 Q4	2003 Q4	2007 Q4	2009 Q4	2011 Q4	2013 Q4	2015 Q4	2017 Q4	2018 Q3
Total Foreign Exchange Reserves	1,389,816	1,616,244	1,781,943	2,049,441	3,024,884	6,705,257	8,165,269	10,204,168	11,684,011	10,918,634	11,440,456	11,396,623
Allocated Reserves	1,035,202.9	1,273,287.3	1,379,704.9	1,569,852.8	2,222,992.7	4,122,290.9	4,583,470.2	5,643,222,228	6,223,602.45	7,413,138.13	10,014,040.6	10,705,449.3
Unallocated Reserves	354,613.69	342,956.	402,238.	479,588.	801,891.	2,582,966	3,581,799	4,560,945	5,460,408	3,505,496	1,426,415	691,174.42
Allocated Reserves (%)	74.48	78.7	77.4	76.6	73.4	61.4	56.1	55.3	53.2	67.8	87.5	93.94
U.S.D. (%)	58.96	65.10	71.01	71.51	65.45	63.87	62.15	62.69	61.27	65.74	62.72	61.94
Euro (%)			17.90	19.18	25.03	26.14	27.70	24.44	24.21	19.15	20.16	20.48
Chinese RMB (%)											1.23	1.80
Japanese Yen (%)	6.77	5.77	6.37	5.04	4.42	3.18	2.90	3.61	3.82	3.75	4.90	4.98
Pounds sterling (%)	2.11	2.58	2.89	2.70	2.86	4.82	4.25	3.84	3.99	4.72	4.53	4.49

There are many examples of the defense mechanism mentioned above. Russia and China (which is the second largest economy of the world in terms of GDP which is $14.172 billion in 2018) signed a deal on June 5, 2019 comprising the bilateral trade using countries' national currencies which are Yuan and Ruble.

[39] The values are retrieved on March 12, 2019 from http://data.imf.org/regular.aspx?key=41175

> President Putin declared at the news conference after the talks that "Russia and China intend to develop the practice of settlements in national currencies," He added that the states have signed intergovernmental agreements on expanding the use of the yuan and the ruble in bilateral financial operations. A draft government decree on the national currencies trade was released earlier during the day. The document stipulates that Moscow and Beijing will cooperate on development of national payment systems, as well as facilitate cross-border payments in national and other currencies."[40] (Demyanchuk, 2019)

There are many other examples of the mechanism in question. Turkey, Iran and Russia would be another one as they agreed to use their local currencies for trade among the three countries. Central Bank of Iran Governor Abdolnaser Hemati declared on 09.09.2018 that Turkey, Russia and Iran had agreed on trade of petroleum, gas and fundamental products, and also agreed on some banking issues. The three countries agreed the U.S. dollar should not be used for trade. Transactions will be made over designated currency exchange rates." (Kursun, 2018)[41]

What is crucial about trade with local currencies is the uncertainty of exchange rates of the currencies in question. According to Hemati, pre-determined exchange rates of local currencies will be used in the trade among countries. It clears some of the shadow about the issue. However, it should be emphasized that if the determination of exchange rates is made periodically such as per three months, it would cause misuse or manipulation by sides, hence determination of exchange rates should be made instantly.

[40] Demyanchuk, A (2019) RT: Question More, Dollar dump? Russia & China Agree to Bilateral Trade in National Currencies During Putin-Xi Meeting, https://www.rt.com/business/461147-russia-china-nuclear-reactors/, Last Access Date: 04.07.2019

[41] Kursun, M (2018) Anadolu Agency, Turkey, Russia, Iran to use local currencies for trade, https://www.aa.com.tr/en/energy/international-relations/turkey-russia-iran-to-use-local-currencies-for-trade/21528, Last Access Date: 05.07.2019

According to Finance Ministry of Russia, Turkey and Russia signed a deal to increase bilateral trade in local currencies on October 4, 2019. The deal also comprises that commercial institutions' demand for two currencies will be raised and a proper finance structure will be established. In addition, bilateral usage of Russia's National Payment Card (MIR) and Financial messaging system of the Bank of Russia (SPFS) (an alternative of the Society for Worldwide Interbank Financial Telecommunication (SWIFT)) are agreed to be increased with the deal. (Abay, 2019) Bilateral trade deals among countries became quite popular in the recent years and the deal between is just an example of them. It is relatively significant to note that the deals in questions are being signed for fun. Rather, they're being signed to minimize the negative effects of the worldwide use of USD. The negative effects in question comprise either arbitrary sanctions, tariffs or other forms of practices deriving from the manipulation of the USD's popularity.

Usage of local or regional currencies in the international trades is increasing. One of the most recent one is the "S-400 Missile Air Defense System Trade". With this regard, Putin declared that "The US would hurt the world with the pressure of sanctions imposed on countries over the use of dollars in international trade, and this situation leads countries to the means other than USD by adding that S-400 trade couldn't have been made with USD, which led them to make it with alternative means."(Habertürk, 2018.)

Quests and attempts of world countries to use local or regional currencies is gaining moment even in the world's largest economies. Russian President Vladimir Putin expressed at a joint news briefing with Chinese Leader Xi Jinping that "Moscow and Beijing plan to use their own national currencies more often in trade deals. The Russian and Chinese sides confirmed their interest in using national currencies more actively in reciprocal payments," (Deutsche Welle, 2018.) Indian president, on the other hand, signed deals with both Iran and United Arab Emirates on using the India's local currency (Rupee) in their trades of petrol and other commodities by underlining and escaping from the negative of the USD usage in international trades. (Amarujala, 2018.)

Another mechanism made by countries to protect themselves against the manipulation and negative effects of the worldwide use of USD is to make swap agreements. China for example, as in many other aspects, initiated swap deal series for its currency (RMB) with other countries in order to facilitate bilateral trade, which decreases its dependence to the USD. Swap agreements are also beneficial for the times of economic

crisis. As in 2008 financial crisis, world experienced a sort of liquidity shortage of the USD, which is another negative effect of the worldwide usage of USD. Like many other countries, China signed more than 30 swap agreements costing 3,137.2 billion RMB after 2008 financial crisis to decrease the negative effect of the USD shortage. As Seyidoğlu (2003:577) stressed that after the industrialized countries switched to the flexible exchange rate system, the use of central bank swaps continued to rise. Today, these agreements are mostly used to eliminate sudden changes in market exchange rates or to soften currency fluctuations.

Countries (including Turkey) made swap agreements with China after 2008 financial crisis as it can be seen in Table 12 below. Considering the countries' location and density, there is an increasing passion to decrease the negative effects of the worldwide usage of USD among countries by using local or regional currencies or making swap agreements.

In practice, many attempts for the alternatives to the USD have been tried and actualized in the world. In this context, Turkey and China made swap agreement in 2019 and first Chinese Yuan was exchanged in bilateral trade by both countries' firms on June 18, 2020. The utilization of swap agreement resources is important in terms of facilitating the use of local currencies in international trade payments and the easy access of Turkish firms to international liquidity. (Central Bank of the Republic of Turkey, 2020)

Table 13. China's Swap Agreements after 2008 Financial Crisis and Its Counterparts[42]

	Countries	Signing Date	Swap Amount (RMB billion)	Trade volume (RMB billion)
1.	**Hong Kong**	Nov 2014	400	2,465.25
2.	**South Korea**	Oct 2014	360	1,687.19
3.	**Australia**	Apr 2015	200	839.84
4.	**Malaysia**	Apr 2015	180	652.66
5.	**Brazil**	Jun 2013	190	554.90
6.	**Russia**	Oct 2014	150	549.15
7.	**Singapore**	Mar 2013	300	466.94
8.	**Thailand**	Dec 2014	70	438.29
9.	**UK**	Jun 2013	200	430.79
10.	**Indonesia**	Mar 2009	100	420.54
11.	**South Africa**	Apr 2015	30	401.25
12.	**Switzerland**	July 2014	150	367.42
13.	**Canada**	Nov 2014	200	335.01
14.	**UAE**	Jan 2012	35	284.45
15.	**Kazakhstan**	Dec 2014	7	175.93
16.	**Turkey**	Feb 2012	10	136.79
17.	**Argentina**	July 2014	70	91.28
18.	**Pakistan**	Dec 2014	10	87.46
19.	**New Zealand**	Apr 2014	25	76.20
20.	**Ukraine**	Jun 2012	15	68.43
21.	**Qatar**	Nov 2014	35	62.60
22.	**Hungary**	Sep 2013	10	51.72
23.	**Mongolia**	Aug 2014	15	36.66
24.	**Uzbekistan**	Apr 2011	0.7	28.00
25.	**Sri Lanka**	Sep 2014	10	22.27
26.	**Belarus**	May 2015	7	8.94
27.	**Albania**	Sep 2013	2	3.44
28.	**Iceland**	Sep 2013	3.5	1.37
29.	**Suriname**	Mar 2015	1	1.24
30.	**Armenia**	Mar 2015	1	1.19
31.	**EU**	Oct 2013	350	N.A.
	Total		3,137.2	10,747.2

[42] Yihong, Z (2015). Center For Strategic &International Studies, Swap Agreements&China's RMB Currency Network. https://www.cogitasia.com/swap-agreements-chinas-rmb-currency-network/.06.07.2019

2.2.1.3. Current Account Balance

Current account is the final economic status of a country appeared after overall evaluation of its imports and exports in addition to its net incomes and transfers. Thus, current account of a country describes its economy's reliability. Worldwide use of the USD has two dimensional effects on the world's current account balance.

The first effect is that the world is producing and selling goods and services to the U.S. to obtain USD and it is decreasing world's current account deficit as their trade balance is rising in favor of exports. China and European Union can be given as examples for this case as China has $164.9 billion current account surplus while European Union had $404.9 billion current account surplus as of 2017. (U.S. Bureau of Economic Analysis, 2019; Amadeo, 2019:a) One of the reasons behind their surpluses is that they're producing and selling goods and services to the U.S. to obtain USD, which is affecting their trade and current account balances in positive way.

The second dimension in question is that the world is risking its capital by turning it into USD because the USD has huge risk of devaluation due to the current account deficit, CPI and public debt of the U.S. So, the risk of value loss in the world's capital is a negative effect on the world storing, investing and using USD as a medium of exchange as no country wants to lose its capital due to a value decrease in another country's money.

Figure 12 below shows the relation between the worldwide USD usage and current account balance of the world. As indicated in figure 12 below, worldwide use of USD and current account balance of the world are getting affected from one another. According to the data obtained from database of the World Bank (2020: b), current account balance of the world decreased while use of USD increased between 1995- 1999. Worldwide USD usage was 51 percent in 1995 and it raised to 71 percent up to 1999 while current account balance of the world was -3.41 in 1995 and it decreased to -3.45 percent up to 1999 with the fluctuations changing in accordance with the use of USD.

Following 1999, up until 2018, the reverse took place and current account balance of the world increased while use of USD decreased. Global use of USD 71 percent in 1999 and it decreased to 61 percent in 2018 while current account of the world was -3.45 percent in 1999 and it increased to -2.28 percent in 2018. As it has been detailed, there is an inverse ratio between the worldwide USD usage and current account balance of the world.

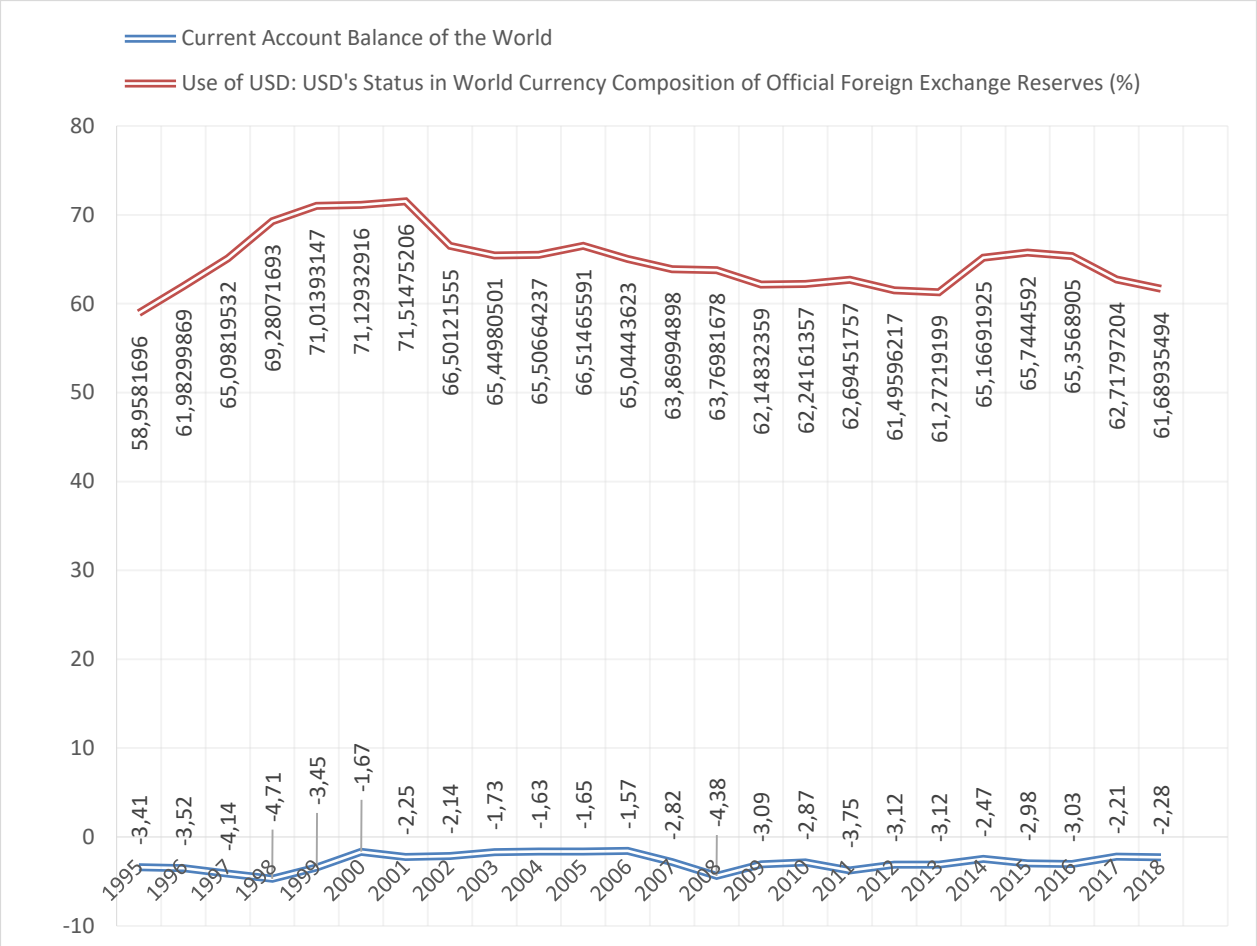


Figure 12. World's Current Account Balance and Use of USD[43]

[43] In this figure, data of the world's current account balance has been obtained from the official website of World Bank. (https://databank.worldbank.org/reports.aspx?source=2&type=metadata&series=BN.CAB.XOKA.GD.ZS#) and it is consisting of the data of 145 countries whose relevant data is available on the database of World Bank. The relevant countries are as following: Albania, Angola, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Azerbaijan, Bahamas, The Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burundi, Cabo Verde, Cambodia, Cameroon, Canada, Chile, China, Colombia, Congo, Rep. Costa Rica, Croatia, Cyprus, Czech, Republic, Denmark, Djibouti, Dominica, Dominican, Republic Ecuador, Egypt, Arab Rep., El Salvador, Estonia, Eswatini, Ethiopia, Fiji, Finland, France, Gabon, Gambia, The Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong SAR, China, Hungary, Iceland, India, Indonesia, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea, Rep. Kuwait, Kyrgyz, Republic Lao ,PDR Latvia, Lesotho, Libya, Lithuania, Luxembourg, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritius, Mexico, Moldova, Mongolia, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, North Macedonia, Norway, Oman, Pakistan, Panama, Papua, New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russian Federation, Samoa, Saudi Arabia, Senegal, Seychelles, Sierra, Leone, Singapore, Slovak

2.2.1.4.Total Public Debt (% of GDP)

Today, public debt is considered as normal to some extend for economies. According to a research conducted by the World Bank researchers (Grennes, Caner and Koehler, 2010:8), 77 percent of public debt to GDP is an important line for the countries and below this line is regarded as normal. However, crossing this line has been found in this research to be slowing the economies down. According to the research in question, each additional percentage point of debt costs 0.017 percentage loss of annual real growth. In developing countries, the result is more critical. Because the line in question is found to be 64 percent in developing countries and each additional percentage point of debt causes to 0.02 percent loss in real annual growth. Public debt to GDP, on the other hand, indicates a country's economic reliability in the medium and long run. If this ratio is high, that country consumes and gets loans more than they produce, which creates risks of financial security and investment in the relevant country. If this ratio is higher than 100 percent, it means that that country has a debt more than its annual income, which also means that country in debt swamp. On the other hand, if this ratio is gets close to zero or even excess zero towards negative side, it means the security, reliability, and health of the relevant country is high. With this regard, public debt to GDP is playing significant role in understanding an economy's dynamics and current status, which forms the reason of this title to research the effects of the use of USD on both the US's and the world's total public debt.

Under this title, the progression of the world's total public debt and its relationship with the worldwide use of USD between 1995-2018 will be evaluated. Figure 13 below shows the relation between the two variables covering the years between 1995 and 2018 and it has been formed thanks to the database of the World Bank (2020:c). the world's total public debt as percent of its gross domestic product has a strong correlation with the use of USD by the world.

Republic, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia St. Vincent and the Grenadines, Sudan, Sweden, Switzerland, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Kingdom, Uruguay, Vanuatu, Venezuela, RB Vietnam, West Bank and Gaza, Zambia.

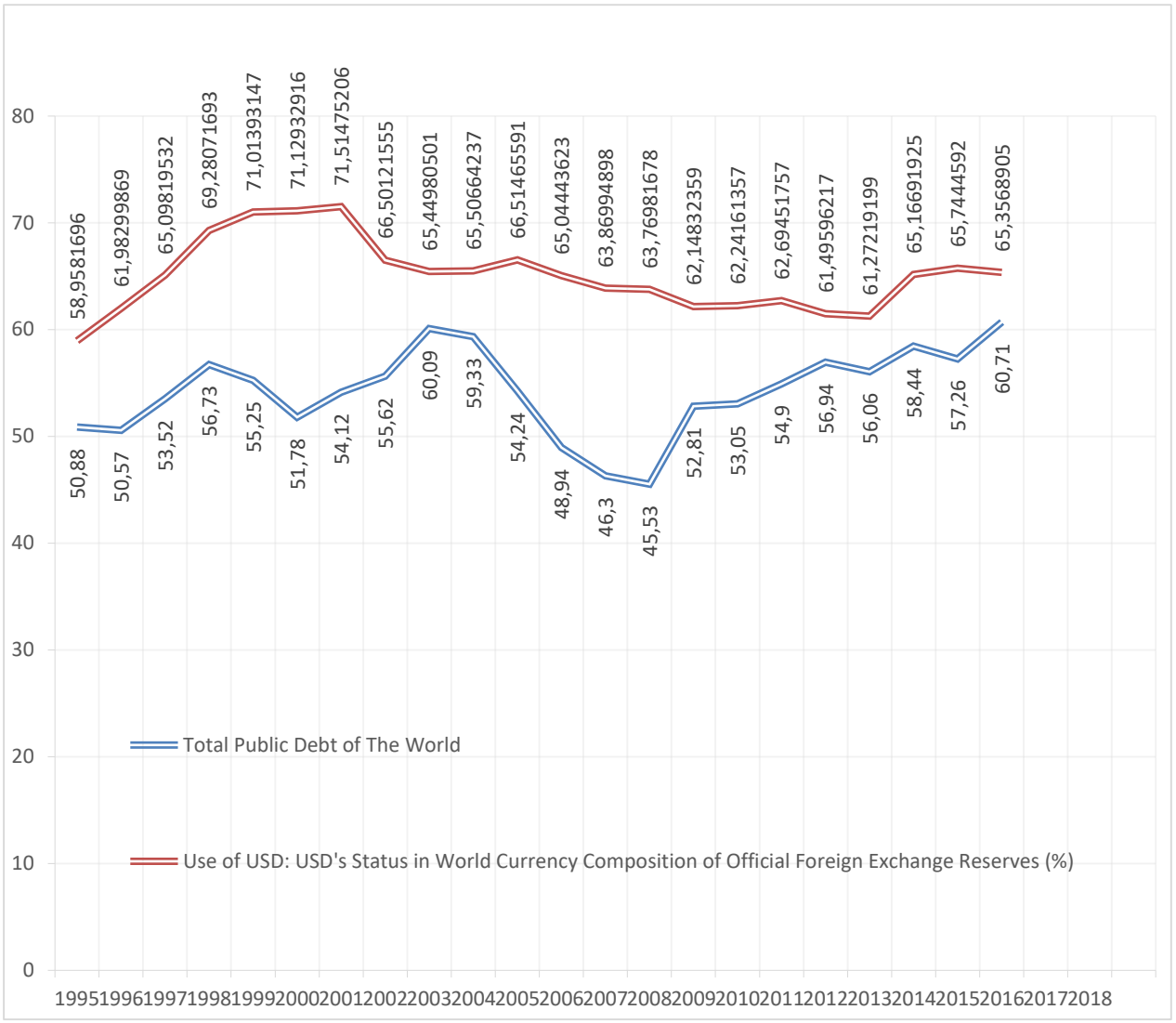


Figure 13. Total Public Debt of the World and Global Use of the USD[44]

[44] In the graph, "World" comprises the 48 countries whose data is available in the database of the World Bank (2020:c). The countries whose relevant data is available are as following: Australia, Bahamas, The Belarus, Belize, Bhutan, Botswana, Colombia, El Salvador, Ethiopia, Georgia, Guatemala, Hungary, Iceland, India, Indonesia, Ireland, Jamaica, Japan, Jordan, Malaysia, Maldives, Mauritius, Micronesia, Fed. Sts., Moldova, Mongolia, Morocco, Nepal, New Zealand, Papua, New Guinea, Peru, Philippines, Russian Federation, San Marino, Singapore, South Africa, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St.

When the figure 13 (The World Bank, 2020:c) above is examined, it can be easily said that the breaking points of the world's total public debt and use of USD are corelated. (1998, 2008, 2013, 2014.) According to it, there is direct proportion between the two variables examined. In this context, as the use of USD rises, total public debt of the world increases as well. (as happened between 1995; 2009 and 2018) Furthermore, as the worldwide use of USD decreases, total public debt of the world decreases as well. (as happened between 2001 and 2008) Although there may be some other external factors affecting the variables in question, it is certain that the level of the worldwide use of USD affects the direction of the total public debt negatively as indicated in the figure 13 above.

When the contribution of the worldwide use of USD on total public debt of the US. together with its negative on the world's total public debt, the following questions raises and gains importance: How long can the world bear this drudgery? Or how long can the world sustain being blind to see this one-sided utility system? As indicated in Modelsky's (1988:135) theory, every century brings new global power. When the new global power takes over the role of the US and USD, the world's total public debt will be affected positively from this change if the recommendations made at the end of this study are applied in the world (The recommendations in question mainly offers a global exchange unit on which every country has the right to participate its steering.).

Vincent and the Grenadines, Switzerland, Thailand, Tunisia, Turkey, Ukraine, United Kingdom, Uruguay, Zambia,

2.2.2. Culture

Culture is one of the key players in understanding and steering a country or a society. Culture is not a bunch of habits that occurs overnight. Rather, it appears after decades, centuries. It reflects a country, its citizens, way of thinking and characteristics. In this context, protection of each country's culture carrys huge significance in the sense of protecting pluralism in culture in the world. Culture can get affected by many things such as interaction with other cultures, being exposed to the cultures, beliefs, traditions of other societies, wars etc. However, the effect and change in question don't always by the consent of the influenced societies. They sometimes have been exposed to change even if they didn't have consent. With this regard, global usage of a currency and its effects on the culture of the world is the subject of this study. In this context, effects on the culture of the rest of the world will be analyzed under the following chapters respectively: "effects on the world's global interaction", "effects on the world's national culture and national consciousness".

2.2.2.1. Global Interaction

As it was mentioned in both previous chapters and by many scholars, USD has been used as a medium of exchange or a standard of value for many decades in the world. The global interaction in question is used to describe any sort of mutual action requiring financial expense among humans, groups, countries, NGOs etc. from different countries. In addition to the other effects, this status creates a positive effect on the international monetary system.

As it can be comprehended that a commercial platform on which more than 160 countries are trading with one another would be relatively complex in the absence of a common medium of exchange. Such trade would resemble to the barter system which would be quite hard in the contemporary world where hundreds of millions of buyers and sellers exists in addition to the goods and services with billions of features. So, the existence of a currency or a standard medium of exchange with which the world can value the goods, services and other currencies would create a tremendous ease in international trade compared to the inexistence of a standard. The currency in question describes an international currency. However, the formation of such a common standard is not easy and cannot be formed overnight. According to Alan (1996:127) an international currency should constitute a preponderant share of the official reserves of central banks and it should be utilized relatively

much as hand to hand currency in foreign countries. Its usage aim should be denomination a disproportionate share of international trade and It should have a dominant role as the currency of choice in international financial markets.

The world has owned many international currencies prior to the USD in history. Drachma, Solidus, Franc were some them. British Pound Sterling was the last reserve currency before the USD. The order set up by the reserve currency for the international monetary area is quite beneficial in terms of the awareness and the predictability it provides to the people who are engaged in the international area. To illustrate, a merchandise from Japan who wants to buy sewing machine from Germany and to sell it in the Mexico can be taken into consideration. The merchandise would've been facing with considerably much difficulty in finding appropriate unit of account to determine the value of the machine in question while both buying and selling, which makes international trade quite difficult, complex and unpredictable. Examples can be enlarged to the all dimensions of the global interaction. Thus, a reserve currency is taking that anonymity away and bringing rather a predictable platform for international interaction. In this sense, USD provides with a huge advantage and positive effect on the global interaction including international monetary and trade system.

The use of USD or its reserve currency position leads to some losses in global trade. Since international trade has been dominated by the reserve currency (USD), it creates some additional costs (transaction costs, devaluation risk in the reserve currency, exchange costs etc.) to the ones who're engaged in the global interaction. As Eichengreen (2012:3) described as a "German company exporting machine tools to the China and receiving payments in dollars incurs the additional costs of converting those dollars into euros, the currency it uses to pay its workers and purchase its materials." On the other hand, the position in question creates another problem in the banking sector. Banks which are giving their foreign loans in USD due to the pressure and trend in the international monetary system has to bear with the risk of the devaluation in the USD. Since they are using their national currency in their domestic business, the devaluation in the USD will decrease their profit from the loans they gave with USD. The instances of additional costs coming with the use of USD in global interaction can be enlarged.

Consequently, the global use of USD creates both positive and negative effects on the global interaction. While the positive effects can be summarized as the ease and the simplicity along which USD brings to the global interaction ground, the negative effects can be described with the additional costs with which it brings to the same ground in question.

2.2.2.2. National Culture, Identity and Consciousness

The global use of USD has many effects on the world's culture and consciousness. Heywood (1997:109) describes nation as "a group of people who regard themselves as a natural political community, classically expressed through the quest for sovereign statehood." Culture on the other hand is described by H. Hofstede, J. Hofstede and Minkov (2010:6) as "the collective programming of the mind that distinguishes the members of one group or category of people from others." National culture, thus can be described as the features carried by the citizens which differentiates a nation from others. National culture comprises customs, flags, faiths, anthems. Currency, on the other hand, would definitely be regarded as one of the national culture's components as it makes a nation unique or different than others in the sense that it bears historical, social and cultural, economic values, symbols etc. Global usage of the USD has therefore been a substantial threat to the nations' culture and consciousness in the sense that it keeps people away from using their national currencies in any sort of their international interaction and even in some domestic trade for many goods and services. The USD's position of being sole valid currency in international area takes people away from their currencies, meanwhile, away from their national culture and consciousness.

As Heywood (1997:187) described "globalization is associated with homogenization process through which a relatively narrow common culture has tended to be adopted the world over. It comprises rising urbanization … and increasing cultural mixing through the 'multiculturalization' of national cultural traditions. Globalization is therefore seen as a threat to national culture, and so to traditionally based forms of identity." When the roots of the globalization and popularity of the USD are examined, it is clear that they are one another's components and they origins goes back to 1960s. In this sense, it can be said that worldwide use of the USD plays a significant role in constituting a narrow common culture and diminishing national cultures.

Benjamin Barber (1995:49) stated in his famous book Jihad vs Mcworld that "McWorld is a product of popular culture driven by expansionist commerce. Its template is American, its form style. Its goods are as much images as matériel, an aesthetic as well as a product line. It is about culture as commodity, apparel as ideology. Its symbols are Harley-Davidson motorcycles and Cadillac motorcars ...".

Globalization is defined by Kudret Bülbül (2005:108) as "increasing influence (influence in the meaning of being affected) processes among individuals, societies, states, nations in areas varying from politics to economy, from sport to art, from business to culture." When the starting point of the globalization (which is 1960s) is taken into consideration, it can be easily put forth that the widespread use of USD is a component of globalization since Bretton Woods system and its inherited effects dates backs approximately 1960s. With this regard, it is visible that worldwide usage of the USD is heritage and the component of economic aspect of globalization. In this sense, widespread usage of the USD has some reflections or effects on the world's national cultures and consciousness.

The global usage of the USD has negative effects on the world's national cultures and consciousness due to many reasons. First of all, citizens from many nations are obliged to leave their national currencies carrying many cultural, historical and political symbols relevant to their nations and are obliged to use a sole country's currency in any interaction in all around the world since it is valid in all transactions on the earth while other currencies are being restricted or invalidated in the global interaction ground.

The citizens from many nations except from the U.S., thus are being kept away from their currencies carrying symbols of their national cultures, histories, social, political values etc. In addition, they are being displeased since their currencies are not demanded and not valid in the world and they're not earning the globally demanded currency in their homeland. They always need the currency in question to be exchanged when they're interacting with the rest of the world and it evokes negative emotions towards their currencies which is their culture, history, etc. While the U.S. citizens feel like home regardless of wherever they're on the earth in terms of currency and prices, other countries' citizens don't. People are in negative effect towards keeping their national cultures alive with the use of USD when they are out of their countries since they must bear a currency that evokes another country's (U.S.) national culture. The world have to exchange their currencies into the USD and to adopt their

minds in terms of the USD prices when they're getting into global interaction and it evokes a negative effect in their minds towards their national cultures and consciousness since they may consider that their national currencies are useless outside of their countries while the U.S. citizens are enjoying the comfort of using their currency (bearing historical and cultural symbols) all around the world without any concern. Certainly, the process of globalization disrupts fragile societies and disrupts traditional identities. (Sotshangane, 2002:223) In this context, the use of USD by world has negative effects on the national culture and consciousness of the world's citizens due to the reasons mentioned above.

2.2.3. Politics

Politics is a changing concept which is influenced by local, regional, national and international events, habits etc. Politicians of a country are key players for the will and citizens of the related country since they're representatives of the citizens and they are to steer the country in the way that their citizens desires. In this context, the power and independency of the politicians and their leaders possess significant role in the sense that they will steer country without depending on anything other than the wishes of their electorates. There shouldn't be any artificial obstacles or factors bounding them to another country's politicians or damaging their political power or discourse. Likewise, countries shouldn't possess any artificial factors that bounds and harms other countries and their decisions to theirs. While the both cases creates injustice, the former creates victimization and harm; the latter creates privilege for the related country. As Bülbül (2019:62) noted that "there are two types of sovereignty: internal and external sovereignty. While internal sovereignty is the right of a country to take bounding decisions in its geographical territory; external territory is a country's right to take decision without bounding any other country." In this context, countries can be easily said not to get bounded to another countries decisions even if it's a matter of an exchange unit that's used globally.

In this part of study, effects of the worldwide USD usage on the politics of the rest of the world will be analyzed through following titles: "political power and discourse of the country leaders", "role of IMF, sanctions, embargoes, tariffs and World Bank" and "monetary policy".

2.2.3.1. Political Power and Discourse of Leaders

In the contemporary world, there are some conditions making countries depended to the U.S. Worldwide popularity of the USD, its position of being sole valid currency in international trade and the pricing of petroleum in USD are some of the reasons converting countries dependent to USD and (the U.S. indirectly). The dependency in question diminish the political power and discourse of the leaders of related countries. Sovereignty can be defined as a decision-making authority in a piece of land. (Bülbül, 2019:33) When countries become dependent to the U.S. in their both internal and external political decision-making process, their sovereignty gets in jeopardy and the political powers and powers in the discourse of the related countries' leaders diminishes.

The dependency of such countries affects political power and discourse of their leaders' in both foreign and internal politics through various ways. Worldwide usage of the USD provides the U.S. politicians with the ability to preserve U.S.' dominant status in global politics and ability to manipulate world politics in favor of what they want. While they are sustaining the dominant status of the U.S. in world politics, they're diminishing the political powers of the countries depended to USD (and to the U.S. indirectly) in foreign politics because those countries become obliged to do what U.S. wants, to behave in the similar way of the U.S. In either way, leaders of such countries lose their political powers. If they comply with the desires of the U.S., they lose their sovereignty since they are not able to decide in accordance with their societies' demands. If they refuse to comply with the U.S. desires, they face with the U.S. punishment in many areas in various ways and it diminishes political powers of such countries' leaders in foreign politics.

As the popularity of the USD and its value of standard status in the world provides the U.S. with a privilege to have superior authority in the steering of the global politics. The U.S. leaders use this privilege as a tool to reward, punish and control the countries in favor of the U.S. interests through sanctions, trade and investment embargoes, tariffs, IMF, World Bank, USAID, soft and hard power etc. However, the report conducted by Barisone (2020:1) shows that it is beneficial to note that Adversarial foreign and trade policies lead to the loss in of confidence to the USD in the world.

2.2.3.2.Role of IMF, Sanctions, Embargoes, Tariffs and World Bank

International Monetary Fund (IMF) with its 189 member countries was established in 1945 to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. (International Monetary Fund, 2016) IMF is the institution which is responsible from the regulation of smooth and proper functioning of the international monetary system. (Seyidoğlu, 2003: 562) However, IMF has been utilized for quite different aims. Eichengreen (2012:39) stresses that it was the same IMF which acknowledged the unique status of the USD by authorizing countries to define their exchange rates in dollars. IMF (International Monetary Fund) is one of the ways used by the U.S. to steer the global politics through the domination of USD. As Cameron stated (2005: 128), the U.S. authority on IMF rests on its initial contribution to IMF's establishment which is 25 percent of $8800 million in capital.

The way that the U.S. follows for obtaining benefit from the domination and popularity of the USD through IMF lies under the lending process of IMF to the borrower countries. IMF requires some criteria for the countries to give loan in USD and it demands various reforms from the borrowing country before lending. Here, The U.S. having a major authority in the IMF steps in and manipulates the issue towards its self-interest. The U.S. leaders take the issue to more dramatic distances. The U.S.'s interest is playing vital role in the direction of IMF's actions.

The shape of conditionalities and the amount of loans identified to the countries change and depend quite mostly on the U.S. interest from the borrower country, as a result of the analysis conducted by As Oatley and Yackee (2004:426) According to the study in question, the U.S. interest from the borrowing country shapes the operational decisions of IMF. The interest in questions depends on the alliance and suitability of the country's policies with the U.S. foreign policy and interests. If they suit, the borrowing countries get easier conditionalities and more credit. If borrower countries' existing internal and foreign policies don't suit with the U.S. interest, the conditionalities demanded by IMF get harder and the amount of loan defined becomes narrower, as a result. It creates disadvantage for both group of countries because the first group leaves their legitimacies due to the fact that they abandon their authority to make political decisions in their homelands by admitting to

do what the U.S. desires or to do what suits the policies of U.S., which diminishes their sovereignties.

The latter group of countries, on the other hand, are not losing their sovereignty but losing votes and political power in their countries as they can't get enough amount of the USD loan with appropriate conditionalities to make their countries better off and to provide with USD liquidity, which will lead to the fall in their votes and political power. Although the root cause of the USD liquidity problem belongs to the governments of the borrower countries, the blockage and non- objective approach of IMF in the path of countries' liquidity problem's solution creates negative effects for both groups of countries.

The samples of the groups of countries can be given as Ecuador which is in the second group of countries while Mexico and Argentine can easily be admitted in the first group of countries. The cases for the related countries are given place in detail under the effect on the U.S. title.45

Negative effects arising from the worldwide USD usage are not only on the theoretical ground but also practical ground.. It is so wide problem that majority of the country leaders declare its disadvantages and domination, and the need for a change. For example, Russian leader Vladimir Putin declared that "Use of the dollar as a political weapon is a mistake because such actions undermine confidence in the US currency." (Russian News Agency, 2019.)

Consequently, the worldwide popularity of USD affects the U.S. foreign politics positively and provides with a huge advantage to be used through IMF as the world use USD more, countries become more depended to the U.S. because of the reasons mentioned above. IMF is only one of the ways the U.S. gets benefit from the worldwide usage of the USD from which the rest of the world gets affected negatively.

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[45] For more information, please see *"Effects on the Political Power and Discourse of The U.S. Leaders"* title which is in the p. 49 under *Chapter 3: (Positive and Negative) Effects of The Use of USD on Global Politics*

Global usage of the USD became a disadvantageous matter for the politicians of the world countries in both foreign and internal politics. USD's current domination leads the world countries to be steered and/ manipulated by the U.S. politicians in favor of the way they desire due to the superior and dominant status of the USD.

The global usage of the USD as medium of exchange in international trade&transactions and as value of standard for petroleum and precious metals like gold, silver, diamond etc. place the world countries to a subordinate position under the U.S by which it possesses a privilege of having superior authority in the steering of the global politics. Sanctions, trade and investment embargoes and tariffs form another way (in addition to IMF, soft and hard power) through which the U.S. leaders use it as privilege to steer global politics in favor of the U.S. interests.

Sanctions, tariffs and trade, investment embargoes in question are administrated by The Office of Foreign Assets Control (OFAC) in U.S. "OFAC executes economic sanctions programs against countries and groups of individuals. The sanctions can be either comprehensive or selective, using the blocking of assets and trade restrictions to accomplish foreign policy and national security goals." (The U.S. Department of Treasury: 2019:c)

U.S. employs sanctions, trade-investment embargoes and tariffs to direct the global politics. The countries targeted by U.S. are willingly harmed and put out of global trade with those ways. Sanctions and tariffs etc. cause huge devaluations in the target economies not only after their entry into force but even after their verbal expression by the U.S. politicians in charge. There have been many examples of those countries took place in history. Turkey, China, Iran, Russia, can be illustrated as the most concrete ones.

To examine the aspect of the issue facing the aforementioned countries, it would be better to continue with the concrete examples. In 2018, Turkey and its economy got shocked and shaken by the consecutive press briefings and tweets of the U.S. president and other top-level politicians in charge. Turkey policy of the U.S. got changed and began to exhibit a sort of threatening attitude. Starting from August 2018, Turkey has witnessed a huge wave of sanction threats by the top authorities of the U.S. On August 1, 2018, The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) began to exhibit the wave in question by declaring sanctions against two of the most significant ministers (minister of Justice and Minister of Interior) of Turkey. As it was published in the official website of The U.S. Department of the Treasury's OFAC (2018), the U.S. targeted related two ministers

pursuant to Executive Order (E.O.) 13818, "Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption," by accusing them of playing significant role in in the organizations responsible for the arrest and detention of Pastor Andrew Brunson. The main purpose of the U.S. sanction in question was to obtain what was expected (which is the immediate release of related person as specified in the OFAC (2018)) 46 The effects and results of related sanction is quite supportive for this study's main arguments as stressed above.

It is significant to notify that the U.S.' ability to obtain what demands from the target country via threats, sanctions is deriving mainly from the global usage of the USD since economies of the relevant countries are deprived relatively much due to sanctions, threats, tariffs of the U.S. The depreciation in question is also deriving from the absorption of them from the global trade since global usage of the USD as medium of exchange in international trade&transactions and as value of standard for petroleum and precious metals like gold, silver, diamond etc. place the world countries to a subordinate position under the U.S., it can easily put them out of game. So, it is important to note that world countries are facing with a major negative effect of the global use of the USD in terms of the U.S.' threats, sanctions, tariffs.

The effects of the U.S. sanctions on Turkish economy can be seen more clearly from table 13 below. The exact date of the sanction to Turkish ministers is August 1, 2018. To see the precise effect of related sanction, it is better to compare one day before and one day after the sanction decision which are July 31, 2018 and August 2, 2018 in order. According to table 18, USD/TL was 4,9250 on July 31, 2018 which is one day before the sanction statement while the same USD/TL became 5,09 on August 2, 2018 which is one day after the sanction decision. Decrease in the value of TL reached 3,45 percent in just one day by

[46] "As a result of these actions, any property, or interest in property, of both Turkey's Minister of Justice Abdulhamit Gul and Turkey's Minister of Interior Suleyman Soylu within U.S. jurisdiction is blocked, and U.S. persons are generally prohibited from engaging in transactions with them." For more information, please see https://home.treasury.gov/news/press-releases/sm453. December 27, 2019.

the hand of U.S. The constant decrease in TL continued and ten days after the sanction, USD/TL reached 6.50, which means 32,11 percent loss in the value of TL.

The value loss made by the hands of the U.S. thanks to the usage of the USD tool with its popularity brought the U.S. more political power in the global politics while it led to a great loss in Turkish economy and it can't be explained with justice because Turkish citizens spent a great deal of resource, time and effort to reach where they are economically. However, their currency lost its 32 percent of value in just ten days because of the demand of the U.S.

Table 14. Effects of the U.S. Sanctions on USD/TL

<table>
<tr><td></td><td colspan="4">USD/TL47</td></tr>
<tr><td rowspan="3">Sanction to Ministers on 01.08.2018</td><td>31.07.2018</td><td>02.08.2018</td><td>10.08.2018</td><td>13.08.2018</td></tr>
<tr><td>4.9250</td><td>5.0900</td><td>6,50</td><td>6.95</td></tr>
<tr><td colspan="2">Decrease in TL Value: %3,45</td><td>Decrease in TL Value: %32,11</td><td>Decrease in TL Value: %41.26</td></tr>
<tr><td rowspan="3">Expressions of U.S. President 7.10.2019</td><td>04.10.2019 48</td><td>11.10.2019</td><td>17.10.2019</td><td></td></tr>
<tr><td>5.7250</td><td>5.9050</td><td>5.90</td><td></td></tr>
<tr><td colspan="2">Decrease in TL Value: %3,23</td><td>Decrease in TL Value: %3,14</td><td></td></tr>
</table>

As it was stressed above, USD is not a usual currency bounding its sole producer country and its counterparts. Rather, it is a global currency according to which petrol and gold is priced; with which goods and services in international trade are being made. In other words, USD is a value of standard for the world. However, any sort of sanction, tariff etc. exerted by the U.S. to its opponent affects not only the two countries, but also the rest of the

[47] http://www.altinkaynak.com/Doviz/Kur. December 29, 2019.

[48] Three days before expression is chosen because there were weekend days between the two days and global markets are closed in weekends.

world with which the country is making interaction. As in Turkey example, it affected Turkish economy and trade more than relations with the U.S. and Turkey. Since, Turkey is importing petrol and natural gas priced in USD, purchasing power of Turkey decreased 32 percent. In other words, it started to buy 32 percent less petrol and natural gas with the same amount of money (TL) in just ten days from the countries irrelevant with the U.S.

Any country without a legitimate reason can face with huge economic losses due to the desire of the U.S. by using the worldwide popularity of the USD. President Trump also declared it through his official twitter account on October 7, 2019 as following. "*As I have stated strongly before, and just to reiterate, if Turkey does anything that I, in my great and unmatched wisdom, consider to be off limits, I will totally destroy and obliterate the Economy of Turkey (I've done before!). They must, with Europe and others, watch over..."*[49] It indicates that the U.S. benefits from the USD's worldwide popularity and gives huge economic damages to the countries to obtain political, economic, military interest or to reach other objectives. Sanctions and tariffs are just some of the ways used by the U.S. to reach its objectives.

As President Trump stated through his official twitter account, the U.S is not using hard power to reach its political objectives in the global area. Rather, it benefits from its currency's worldwide popularity to obtain what it desires by threatening countries with sanctions, tariffs etc. and sometimes executing these ways as well. The following tweet by President Trump is a brief of what was mentioned above. *"....Kurds may be releasing some to get us involved. Easily recaptured by Turkey or European Nations from where many came, but they should move quickly. Big sanctions on Turkey coming! Do people really think we should go to war with NATO Member Turkey? Never ending wars will end!*"[50] Political interest of the U.S. wins this battle thanks not to hard power but to sanctions, tariffs exerted to the related countries for achievement of U.S. political objectives.

[49] https://twitter.com/realdonaldtrump/status/1181232249821388801. December 27, 2019.
[50] https://twitter.com/realdonaldtrump/status/1183702529403695104. January 27, 2020.

The following expression is another example of the way U.S. uses to design global politics by manipulating the worldwide use of USD through threats of sanctions and tariffs. President Trump stated from his official twitter account on 10 October 2019 that

> "*Turkey has been planning to attack the Kurds for a long time. They have been fighting forever. We have no soldiers or Military anywhere near the attack area. I am trying to end the ENDLESS WARS. Talking to both sides. Some want us to send tens of thousands of soldiers to the area and start a new war all over again. Turkey is a member of NATO. Others say STAY OUT, let the Kurds fight their own battles (even with our financial help). I say hit Turkey very hard financially & with sanctions if they don't play by the rules! I am watching closely."*[51]

The relevant expression is crucial in the sense that it proves that previous theory which is "U.S is not using hard power as much as it used thirty years ago to reach its political objectives in the global area. Rather, it benefits from its currency's worldwide popularity to obtain what it desires by threatening countries with sanctions, tariffs, executive orders etc. and sometimes executing these ways as well."

The consecutive briefings of President Trump didn't just pass away. Those expressions, sanction threats were made for the political objectives of U.S., which touched their points as it was denoted in table 18 above. Sanction threats of the U.S. president began on October 7, 2019. 52 According to table 18, USD/TL was 5.7250 one business day before the president's expression. U.S. President's final consecutive expression was made on October 10, 2019 one day after which USD/TL became 5.9050. The threats caused 3.23 percent loss in the value of TL in just one week.

[51] https://twitter.com/realdonaldtrump/status/1182286414353981440. January 27, 2020.
[52] https://twitter.com/realdonaldtrump/status/1181232249821388801. December 27, 2019.

It is quite obvious that the losses in TL reached much more than what is denoted in table 13 during the days. It hit Turkish economy in terms of international trade balance more than what is seen in table 13. However, in order to provide much more accurate and scientific knowledge, the markets' closing data is taken into account.

Table 15. Effects of the U.S. Sanctions on BIST100 Index

BIST 100			
Sanction to Ministers on 01.08.2018	**31.07.2018**	**02.08.2018**	**10.08.2018**
	96.952[53]	94.543[54]	94.939[55]
	Decrease in TL Value: **%2,48**		Decrease in TL Value: **%2.07**
Expressions of U.S. President 7.10.2019	**04.10.2019[56]**	**11.10.2019**	**17.10.2019**
	103.463[57]	99.027[58]	94.896[59]
	Decrease in TL Value: **%4,28**		Decrease in TL Value: **%8.28**

When the deeper effects of relevant sanctions and threats are considered, it can be easily detected that the damage is quite a lot more than the loss in the TL value. One other aspect is the change in Turkish Stock Market. BIST100 has witnessed one of the biggest decreases in its history after the sanction threat of the U.S. president especially on October 7, 2019.

[53] https://www.paraborsa.net/i/bist100-kapanis-verileri-31-07-2018/. February 2, 2020
[54] https://www.paraborsa.net/i/bist100-kapanis-verileri-02-08-2018/. February 2, 2020.
[55] https://www.paraborsa.net/i/bist100-kapanis-verileri-10-08-2018/. February 2, 2020.
[56] Three days before the briefing is chosen because of the weekend days in which global markets are closed.
[57] https://www.paraborsa.net/i/bist100-kapanis-verileri-04-10-2019/ . February 2, 2020.
[58] https://www.paraborsa.net/i/bist100-kapanis-verileri-11-10-2019/. February 2, 2020.
[59] https://www.paraborsa.net/i/bist100-kapanis-verileri-17-10-2019/. February 2, 2020.

As it was pointed out above, consecutive briefings, expressions, threats of sanctions of President Trump were not the shots in the dark or a vain attempt. They were made for the political objectives of U.S., which touched their points as it was denoted in table 14 above. Sanction threats of the U.S. president began on October 7, 2019. According to table 15, BIST100 was 103.463 points only one business day before the president's expression. U.S. President's final consecutive expression was made on October 10, 2019. One day after that expression, BIST100 decreased to 99.027 points. The threats caused 4.28 percent loss in the value of TL in just one week. The loss in question reached its top point one week later than U.S. president's latest relevant briefing through twitter on October 10, 2019 and BIST 100 witnessed 8.28 percent loss due to the manipulative threats.

The U.S. threats included the following sentence of U.S. president. "I say hit Turkey very hard financially & with sanctions if they don't play by the rules! I am watching closely."[60] When the total trading volumes of shares included in BIST 100 index are compared between 4 and 17 October 2019, it corresponds to 489.399$. It is not an easy amount to earn over 1 day. It is the product of a nation that was destroyed owing to the arbitrary threats of the holder of a global currency and this privilege is again provided to it by most of the world countries' hand in hand effort for years consciously or unconsciously.

There is another effect of the sanction threats in question on the target country's economy, which is volatility. In economics, volatility is defined as the fluctuations in prices in a specific period of time. As it was mentioned above, volatility in USD/TL during the day is becomes quite high at the time periods of sanction threats of the U.S. As an instance, USD/TL was 6.95 on 13.08.2018 and it was an end of day data. However, the same USD/TL reached 7.20[61] during the same day, which indicates the degree of volatility in exchange rates in the time periods of U.S. sanctions and threats. The fluctuation in exchange rates during the day gets quite high when the U.S. shows a country as a target. The difference between the end of day data and during day data of exchange rates reaches more than 3.5 percent as it happened in the sample given above. (6.95-7.20)

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[60] https://twitter.com/realdonaldtrump/status/1182286414353981440. January 27, 2020.
[61] https://tr.euronews.com/2018/08/12/dolar-turk-liras-kars-s-nda-7-20-seviyesini-gordu. February 6, 2020.

The volatility in question affects the target country not only on the paper but also on the practice as lot. Countries don't face with so high volatility in general in the absence of a threat or danger either in the perception or in the reality. Markets work properly as long as they are enabled to see the bright future. The U.S. threat of sanction constitutes a huge shadow for the countries it targets. In those countries investors and capital owners look for the precautionary ways to secure their resources. Depending on the severity of threats, those precautions can be for short term or long term. In either way, economic and commercial movements can slow down and would even stop in such time, which hurts the target economy pretty hard. That country face with two options in front of this pressure. One of them is to admit the desires of the U.S. by waiving sovereignty which can cause many chain effects on the electorates and their voting behavior.

The second way is to proceed with the ongoing policy and struggle with the continuous U.S. pressures. Those pressures isolate the target country from the global economy and trade, which cause huge damages to its economy and politics indirectly as well. The isolation in question takes places since countries don't want to face with the same pressure coming from the U.S. and to avoid that they cut the trade with the target country and position itself against it willingly or unwillingly. It basically composes the negative effect of the worldwide usage of the USD. It is the magic that puts the U.S. in such a superior and router position.

Volatility and its effects can be described with an example. Granted that a merchandise in Turkey orders production machines costing one million USD for his factory on 31.07.2018 from China and USD/TL was 4.9250 on the order date. It was agreed that the machines were going to be delivered in August 2018 and the payment were going to be completed when the machines were delivered. The machines were delivered on 13.08.2018 in which USD/TL was equal to 6.95. In this case the debt of the merchandise increased %41.26 percent and he had to pay 2.025 million USD more than what was agreed at first. The amount is question is enough for company or factory to go bankrupt. The factory in question began trading with 2 million USD loss without making trade thanks to the worldwide usage of the USD and arbitrary, rough actions, sanctions, tariffs of the U.S.

In terms of showing the depth of the damage, a Chinese master student studying abroad can be given as second example. The student in question has to pay its college fee in USD and gets negatively affected due to the volatility in his or her country's currency. The negative effect in question is not limited with what is mentioned above. Citizens who're buying vehicles from abroad or businessmen making agreement with government in tender procedure are just some other examples who're getting negatively affected from the volatility deriving from the arbitrary actions of the U.S.

The volatility affects every aspect of life due to the petrol variable. Since everything is transported after production, petrol prices are effective on the cost of any production transported. Since many developing countries are importing petrol, and the petrol is priced in USD. Currencies of the countries in question are depreciated when the U.S. exert sanctions, tariffs etc. when its interest contradicts with its contact country. Hence, the contact country faces with another loss because of the rises in the petrol prices and the prices of everything (in other words consumer price index) indirectly, which becomes a tool for the U.S. to punish the relative country.

Arbitrary movements of the U.S. in global politics resulting substantially from the worldwide usage of the USD are not limited with Turkey. There are various examples of such arbitrary movements, sanctions, tariffs that put the target country in such a bad, unfair and imbalanced battle in history. China would definitely be counted among the victims. The U.S. president declared via his twitter account that The USA owes its great economic results to the China's tariff payments for ten months. The result which is the dominant economy stayed constant while the country pays tariffs or becomes subjected to the sanctions has changed for years. The U.S. president's statements on August 1, 2019 about sanctions on China indicate the stage of the arbitrary manipulation of the worldwide usage of USD by U.S. as showed below.

> *For 10 months, China has been paying Tariffs to the USA of 25% on 50 Billion Dollars of High Tech, and 10% on 200 Billion Dollars of other goods. These payments are partially responsible for our great economic results. The 10% will go up to 25% on Friday. 325 Billions Dollars of additional goods sent to us by China remain untaxed, but will be shortly, at a rate of 25%. The Tariffs paid to the USA have had little impact on product cost, mostly borne by China. The Trade Deal with China continues, but too slowly, as they attempt to renegotiate. No!*

As the statement above puts forth the one of the sources of the U.S.' economic hegemony, the U.S. president narrates the reason behind his %10 additional adjustment on the tariffs applied on China in the following statement. It clearly reveals the arbitrary actions of the U.S. on the wills of the world countries. According to it, U.S. wants China to buy agricultural products from the U.S. When it didn't buy what was demanded to buy the U.S., it faces with additional tariffs and it is being announced by the president of the country in question. The U.S. is able to take such an arbitrary action by taking advantage of this dominant position in the world politics and as it is explained above, the hegemony in question comes hardly from the popularity, hegemony and worldwide usage of the USD.

> *"Our representatives have just returned from China where they had constructive talks having to do with a future Trade Deal. We thought we had a deal with China three months ago, but sadly, China decided to re-negotiate the deal prior to signing. More recently, China agreed to buy agricultural product from the U.S. in large quantities, but did not do so. Additionally, my friend President Xi said that he would stop the sale of Fentanyl to the United States – this never happened, and many Americans continue to die! Trade talks are continuing, and during the talks the U.S. will start, on September 1st, putting a small additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China into our Country. This does not include the 250 Billion Dollars already Tariffed at 25% We look forward to continuing our positive dialogue with China on a comprehensive Trade Deal, and feel that the future between our two countries will be a very bright one!"*[62]

According to Yorulmaz (2018: 9-11) "This process reduced the reliability of the U.S. Dollar due to Trump administration's obvious use of the USD as an economic war weapon. In this context, debates unite on the idea of a new, common currency among the countries like Russia, Turkey, Iran for the financial processes." When the current account deficit of the U.S. is taken into consideration together with this idea, U.S. will be the country which

[62] https://twitter.com/realdonaldtrump/status/1156979443900067841
https://twitter.com/realdonaldtrump/status/1125069835044573186
https://twitter.com/realdonaldtrump/status/1165005927864512512
https://twitter.com/realdonaldtrump/status/1165005927864512512

gets the highest damage while the rest will get the greatest benefit in such a global market in which there is no dependency on the USD in international processes.

The most coward thing in the world is capital. If investors perceive any sort of danger or risk in their trades, they tend to leave that investment area easily. In this context, threats of the U.S. do not only mean that it takes what it desires from its opponent, but also mean the outflow of capital from the country in question and it gives huge losses to that country both in the short and long term especially if the country in question is among developing countries. As it was explained above, this privilege is deriving from the worldwide usage and popularity of the USD. This sort of authority is too big to be left to a single country since it can be manipulated, and the potential target countries are quite vulnerable against the relevant privilege and manipulation. It is obvious that the privilege of the U.S. deriving from the USD is constituting a big imbalance of power between the U.S. and the rest of the world.

The volatility of sanctions affects not only the country targeted by the U.S. but also affects all the countries trading with that country. As Yorulmaz (2018: 11) stated that "Exchange rate crisis faced in Turkey affects not only the countries being subjected to the U.S. sanctions or tariffs but also affects directly the countries making commercial contacts with those countries being sanctioned." The situation given increases the obscurity and diminishes the trust and reliability of relevant country, which leads to huge deficits in its economy in both short and medium run. To make it more obvious and clearer, following developing countries which are Argentina and South Africa can be given as examples. "Some western economists advocate that currency crisis in Turkey would create a domino effect on other developing countries. For example, the central bank of Argentina had to raise the interest rate between 5% and 65% after peso's depreciation. Similarly, the South African Rand was also affected by the turbulence in Turkish Lira."

It is obvious that country leaders are also the ones getting affected negatively from the sanctions and threats of the U.S. The leaders fall into dichotomy between what they promised to their electorate and what the U.S. demands from them. They get into big trouble regardless of which path they follow. Because, if they follow the first path and do what they desire even if it is against the U.S. demands, they will face with U.S. sanctions, tariffs and threats. It will affect their economy badly, which will end up with loss of vote in the next elections. If they follow the second path by acting in accordance with the U.S. demands even if its against the sovereignty and the demands of the voters, citizens, they will again face

with loss of votes in the next elections since they are unable to fulfill what they promised to the electorate in the previous elections. Consequently, leaders of especially developing countries face with loss of either political or economic power if as a result of the global usage of the USD since it provides the U.S. with an exorbitant privilege and it utilizes from this privilege to adjust the global politics and economy to serve for it. Sanctions, tariffs and other economic threat instruments becomes a stick of the U.S. to shape the global politics while the rest of the world are constitution the side taking positions in accordance with the U.S. and being punished if they oppose.

2.2.3.3.Monetary Policy

Worldwide usage of the USD provides both positive and negative effects on the world's monetary policy. In the world USD is demanded much more than that of the U.S. demands, which creates the privilege for the U.S. to steer the global politics in the way that it desires. U.S. is achieving this privilege by managing the world's need for USD. The U.S. monetary policy is shaped by the Federal Open Market Committee (FOMC), the institution which can easily and directly steer the course of dollar which is currently considered as global exchange unit. FOMC actualizes it by changing its target for the federal funds rate which is the interest rate valid for overnight borrowings between banks. Barisone (2020:2) states in a report that "widespread use of a currency beyond its national borders increases spill over risks; changes in domestic monetary policy and exchange rates can significantly threaten financial stability in other countries. Similarly, the one-sided dominance of a single currency can lead to global liquidity shortages, as shown during the financial crisis when many banks reported severe US dollar funding shortages." The monetary policy of the U.S. plays relatively significant role in the value of the U.S. Dollar as a global currency. For instance, a reduction in the interest rates leads to the fall in the value of The U.S. Dollar since the interest obtained from the USD assets will decrease as well, which will redirect the investors to look for some other investment grounds and will create the abundance of USD. The tool to adjust or change the value of USD causes the global economy and politics of being steered by the U.S. The world became obliged to obey the monetary policy of the U.S. in order not to face with a value loss in their currencies caused by the contradiction of their monetary policies with the U.S.'. This obligation leads to the loss in the sovereignty of the world which was suppressed by the sole producer of the USD. Sovereignty requires countries

to decide without being bounded to any country's decision. It can easily be considered as a negative effect of the worldwide USD use on the world's monetary policy. On the other hand, this obedience is compensating thee deficiencies of the US. trade by protecting the "status quo", which is another negative advantage on the world and positive effect on the US.

Figure 14 below indicates the correlation between the interest rates of the world and US. between 2013 and 2019.According to data obtained from IMF (2020:b), the direction of the interest rates of the world are getting affected from the U.S interest rates. The world is adjusting its monetary policy to the U.S. for protection of its currency's existing value against USD to sustain future international trades. It prevents countries from deciding on the direction they desire, which is against world countries' sovereignty. In short, world trade and politics is functioning with the USD for decades and it makes countries obey and adjust their monetary policies with the U.S. monetary policy, which leads the global monetary policy to be steered by the US.

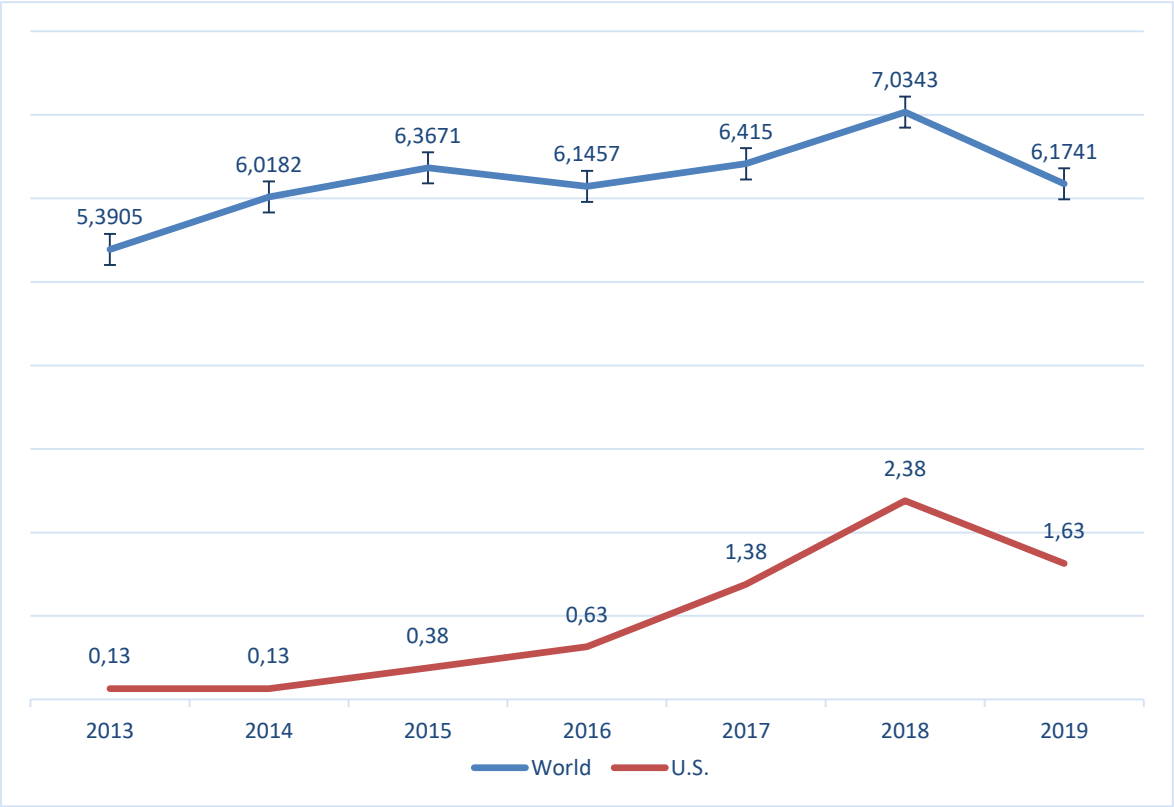


Figure 14. Interest Rates of both the US. and the World (2013-2019) [63]

World countries fall into a disadvantageous position by being bounded to the monetary policy of the US. since the value of USD affects almost the price, functioning and level of everything from needle to the thread in the world. It is so strong that it has the power to spread people to the streets. For example, the sudden rise in the value of USD put the citizens on the streets in Lebanon in June 12, 2020[64].

[63]Data in the Figure 19 has been obtained from the official website of IMF and calculated to obtain the mean off the interest rates (in m-12 of every year) of the 66 countries whose data is available in the IMF's data base.
International Monetary Fund. (2020:b). Interest Rates: Selected Indicators. https://data.imf.org/regular.aspx?key=61545867. June 17, 2020.
[64] https://www.aa.com.tr/tr/dunya/lubnanda-dolardaki-ani-yukselis-halki-sokaga-doktu/1874157. June 16, 2020.

The change in the monetary policy mentioned above will also lead to many other chains of changes in the social and economic life of both the U.S. and other countries' citizens who are in connection with the U.S. bilaterally. For instance, a fall in the value of the USD will lead to a rise in the exports of the U.S. goods and services since other countries will regard and obtain the U.S. goods and services in a cheaper way with their own currency than the price they bought before. It will also lead to a fall in the U.S. imports since the value of USD diminished, the equivalent goods and services of a unit of USD also diminished. Therefore, the citizens of the U.S. will need to pay more than they were paying before for a unit of goods and services imported, which will lead to a fall in the import rates relevant to the downward change in the federal funds rate.

Another instance is the position into which other countries fall when the US. changes interests. When the US. raises taxes even if its for a local reason, world countries will have to raise their interests as well in order not to face with loss in their currencies, not to face with a deterioration of existing trade balances since substantially high portion of international trade and agreements are invoiced in USD. It doesn't not only mean that the increase of interests but also mean the indexation of the monetary policy of the world to the US' monetary policy, which is against national sovereignty.

The study conducted for the IMF indicates the effects of the changes in the monetary policy on the world's monetary policy. According to it, *USD has substantial predictive effect on the overall trade among countries in the rest of the world. USD is decisive on predicting global trade, even when excluding countries' direct trade with the U.S. Specifically, a 1% rise in USD's value against all other world currencies predicts a 0.6–0.8% decline within a year in the volume of total trade between countries in the rest of the world, holding constant various proxies for the global business cycle. (Boz; Gopinath; Plagborg, 2017:36)*

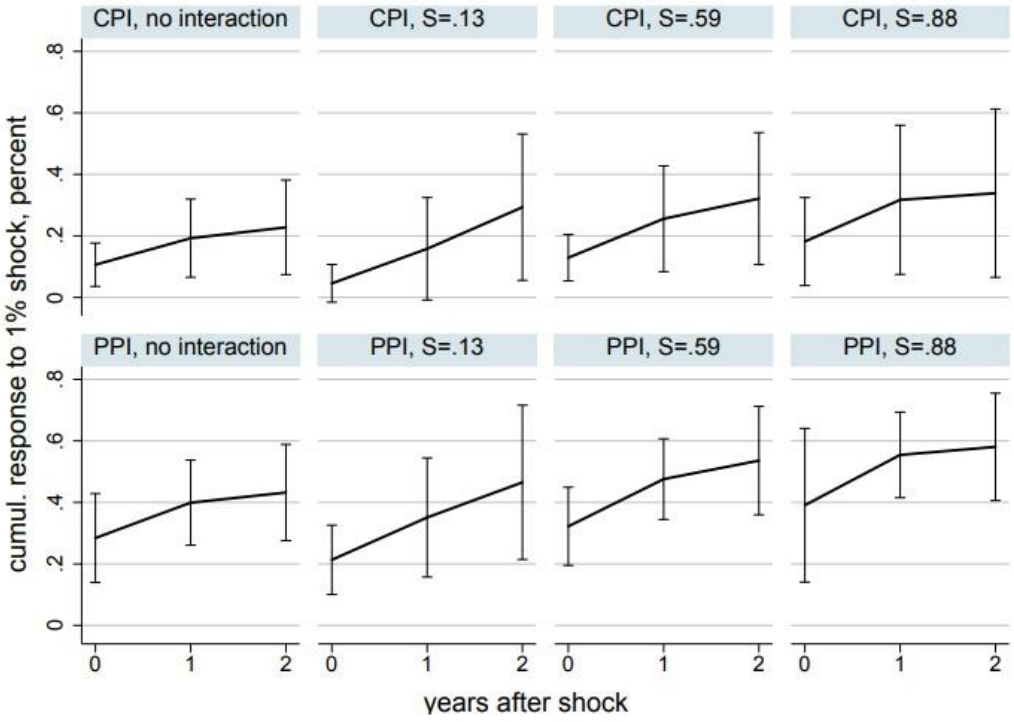


Figure 15. Effects of %1 Rise in USD's Value on the Rest of the World's CPI and PPI[65]

According to the study conducted by Boz, Gopinath and Plagborg (2017:39), a %1 rise in the value of USD has negative effect on the PPI and CPI of the world, which is illustrated in the figure 8 above. In this context, it can be easily stated the world will need to re-adjust their monetary policies in front the value loss in their local currencies against USD, which is caused by both the monetary policies of US. and the level of global USD usage. It underpins by forming a concrete example of the effect of worldwide usage of USD on the countries' economies and monetary policies.

[65] For more information, please see Boz E; Gopinath G; Plagborg M. (2017) IMF Working Paper:Global Trade and the Dollar. p:39-42 https://www.imf.org/en/Publications/WP/Issues/2017/11/13/Global-Trade-and-the-Dollar-45336.

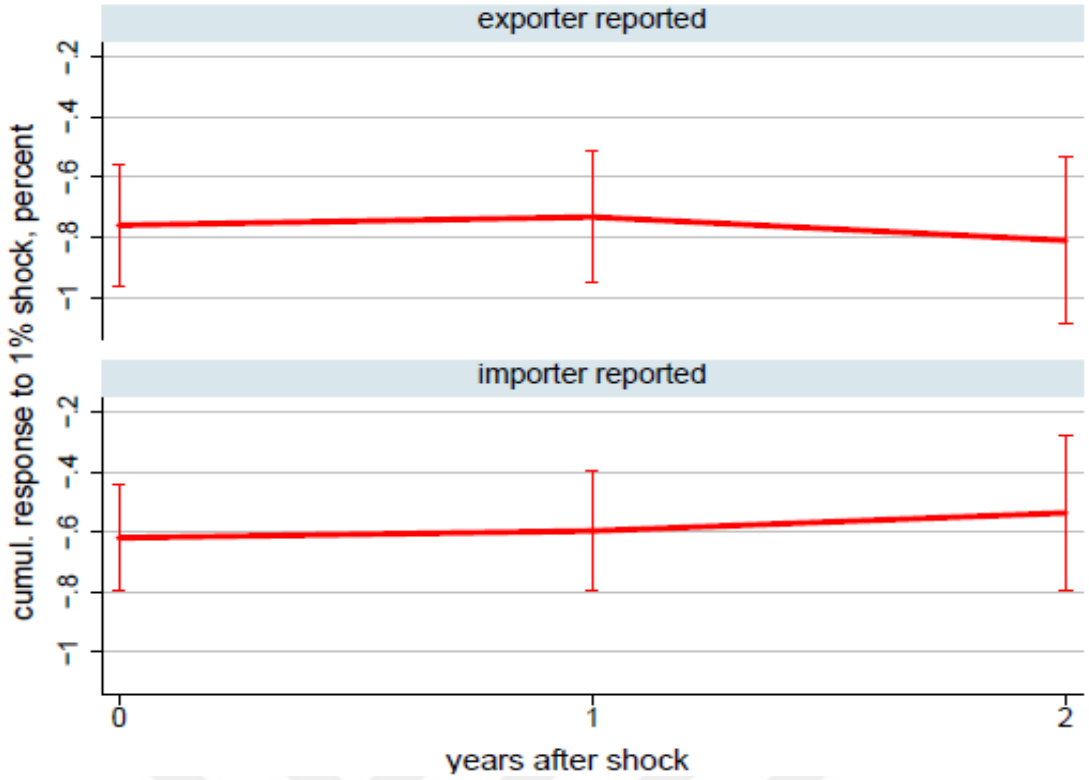


Figure 16. Effects of %1 USD Appreciation on the World Total Trade (2002-2015)

Figure 16 (Boz; Gopinath; Plagborg, 2017:38) illustrates the effects of the U.S. monetary policy on the rest of the world trade in the context of 1% USD appreciation against the rest of currencies in the world. As U.S. monetary policy and global usage of the USD are decisive on the value of USD, its effect on the global trade is carrying significance. In this context, it is seen that % 1 rise in the value USD affects overall global trade negatively as its shown in figure 9 above. Countries will have to re-adjust their monetary policies in front of the negative effects they faced due to the value loss in their local currencies against USD.

When countries re-adjust their monetary policies in accordance with the perceptions and changes in the value of USD which is affected directly by the worldwide demand (usage) of USD and US. monetary policy, all the chains in the economies of the countries will get affected depending on the direction of the former variable as well. Monetary policies of the countries will get affected through changing their interest rates to protect their economic status quo as illustrated in the figures above.

3. ALTERNATIVE INTERNATIONAL CURRENCIES AND NEW BALANCE IN GLOBAL POLITICS AFTER COVID-19

In the third chapter of this study, alternative of global politics dominated by the USD will be examined. However, the existing physical currencies doesn't have global validity or popularity comparable or challengeable with the USD as Alessandrini and Fratianni (2009:46) underlines that the dollar remains at the top of the money pyramid because none of the competing international monies is yet ready to fully replace the dollar. All of which have some deficiencies or obstacles in front of the way of being an alternative of the USD as a global medium of exchange. Barisone (2020:1) states that in order to have change in the role of international currencies, desire and motivation of the following three components are needed: i) policymakers shaping the international monetary system; ii) private actors reacting to those changes; and, crucially, iii) central banks, which play a dual role as both the shapers and users of the system.

3.1. Alternatives of the USD Dominated Global Politics

In this part of the study, alternative models, currencies and theories to the global politics dominated by USD will be examined. There have been many attempts, theories, assumptions related to the alternative models. With this regard, Special Drawing Rights (SDRs), electronic monies, gold and lastly two models that I put forth will be analyzed in order.

3.1.1. Special Drawing Rights (SDRs)

SDR is an international reserve asset formed by International Monetary Fund (IMF) in 1969 to supplement its member countries' official reserves and it serves as the unit of account of IMF and some other international organizations. SDR is abbreviation of 'Special Drawing Rights' term. It is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. IMF is the institution which is responsible from the regulation of smooth and proper functioning of the international monetary system. (Seyidoğlu, 2003: 562)

So far, 204.2 billion SDRs (equivalent to about US$ 291 billion) have been allocated to members. (IMF, 2019:b) The value of SDR is calculated in accordance with the mixture of five currencies which are USD, Euro, Chinese Renminbi, Japanese Yen and British Pound Sterling (Chinese Renminbi was decided to be included into the mixture in November 2015). The value of SDR was designed to be calculated as equivalent to 0.888671 grams of gold and it was also equal to one USD at the time in question. With the end of the Bretton Woods system in early 1970s, the value of SDR began to be calculated in accordance with the currencies stressed above.

Quota is the most significant factor determining countries membership contributions, right to vote, amount of source it can draw, distribution of SDRs. The amount of the quote of every country is determined when they entrance as a member to the IMF. Quotas are also decisive in the relevant members' participation to the fund's management. New SDRs issued are distributed to the member countries in proportion with their quotas.

Table 16. Weights in SDR Basket and Fixed Number of Currency Units[66]

Currency	Weights	Fixed Number of Currency Units for five Years Period starting from Oct. 1, 2016
USD	41.73	0.58252
Euro	30.93	0.38671
Chinese Yuan	10.92	1.0174
Japanese Yen	8.33	11.900
British Pound Sterling	8.09	0.085946

[66] Values in Table 10 are retrieved from the official website of International Monetary Fund (IMF) on August 29, 2019 from https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/14/51/Special-Drawing-Right-SDR.
The data in table 15 has been valid since October 1, 2016

The mixture of the currencies used in the calculation of the SDR value are called as SDR basket and the weight and existence of each currency in the basket is being determined in every five years. As it is visualized in table 15 below, USD has the highest weight in SDR basket with 41.73 percent while Euro 30 %, Yuan 10 %, Yen and Sterling each were weighted 8 percent in 2015 for five years period.

IMF can allocate SDRs to members participating in the SDR Department in proportion to their quotas (known as a general allocation). The SDR mechanism is self-financing and levies charges on allocations which are then used to pay interest on SDR holdings. (IMF, 2019: b) Member countries are enabled to trade SDRs as well.

Another usage of SDRs is the utilization of it as a basis for calculation of interest rate applied on the member countries' borrowings from IMF. It is also used as a basis for the calculation of the interest to be paid to the member countries for the SDRs they hold.

There is no doubt that SDR is an ideal reserve currency when its costless and easy issuance is taken into consideration. However, SDR couldn't play an important role in the international liquidity even if its founding aim was to raise international liquidity of the world economy. What is significant here is the preference of the US. SDR was nor preferred and supported enough by the U.S. and other developed countries due to the quest for seigniorage. (Seyidoğlu, 2003:574) Seigniorage can be either advantage or disadvantage for the countries. If all the countries using a global currency obtain the benefits of its seigniorage, it becomes advantageous. However, if it serves for only a country or a small percent of countries, it turns out to be disadvantageous instrument. In this context, it can be expressed that SDR and its rise are bound to its seigniorage provision, which is one of the most significant reasons for the preference of world countries.

3.1.2. SWOT Analysis of SDRs

Making a SWOT analysis to evaluate SDRs' competitive position in the way of developing an alternative to USD dominated global politics and global economy would be more meaningful in the sense of a better assessment. In this context, SDR will be examined in the SWOT analysis below.

Strengths

There are many aspects for which SDR is stronger in the path of being an alternative global currency. First of all, SDR has already been recognized, admitted and utilized by all 189 member countries of IMF. When it is compared with other potentially candidate currencies, it would be easily put forth that SDR is stronger than them in terms of support and recognition by the world. Because, it has already had an institution with an enormous support from world's member countries, and history behind. Other currencies have no such big scaled admission and usage. IMF's long history and institutionalization form a path for SDR that was opened prior to its journey of becoming a global currency. SDR is used for pricing some international transactions. It has been used by some multinational corporations. Usage areas of SDR also cover commercial banks which are accepting deposits and making loans in SDRs. Hence, SDR is strong in terms of historical background, global support, usage and legitimacy aspects.

Secondly, stability is the second aspect in which SDR is stronger than all other alternative currencies. In economics, volatility is defined as the fluctuations in prices (exchange rates) in a specific period of time. Fluctuations in the value of single currencies get quite high when there is an anonymity or risk perceived. Those fluctuations in question affects countries not only on the paper but also on the practice in economy a lot. Everything on sale (either imported, traded or produced, exported) is subjected to the pricing. The fluctuations in a currency affects the pricing process. If volatility is high in a currency, that is not a stable and/ or reliable currency. In this context, SDR is more stable than any other currencies since it contains the mixture of five currencies. The reason behind the stability of it lies under the mean of five currencies' values. Extreme value losses or gains are compensated by other currencies in the SDR basket, which provides stability and strength to be alternative of the USD.

Weaknesses

Inclusion of all stakeholders into the decision-making mechanism or phase is relatively crucial for democracy. Freeman (1984: 25) defines stakeholder as any group or individual who can affect, or is affected by, the achievement of a corporation's purpose. However, the authority to decide on the supply of SDRs is in the hands of executive board of IMF. If SDR is being considered as alternative to the USD, its supply administration should comprise stakeholders, which is also a weakness of the USD meanwhile would be a big weakness of the SDRs in its way of being reserve currency alternative to USD. The solution of the weakness in question is to include the all countries using SDRs into the decision-making mechanism of SDRs' supply and management.

Another weakness is SDRs' form. As it is a form of artificial currency unit, but for official use only, to be traded among governments or between governments and the IMF. (Cohen, 2011: 39) Classical features of money are being store of value, medium of exchange and unit of account. In addition, an international currency should constitute a preponderant share of the official reserves of central banks and be utilized relatively much as hand to hand currency in foreign countries. (Alan, 1996:127) The form of SDRs thus, is composing crucial weakness for its way of being reserve currency since it is not possible for people to use SDRs as hand to hand currency. The solution of the feasibility problem in question is to evolve SDRs to a sort of physically achievable and exchangeable by people in addition to governments.

The third weakness of SDRs is the seigniorage. As in the USD, the issuer of the SDRs are in a tremendous gain since the difference between face value and issuing cost is owned by the issuer and it is a free win situation. To be just and fair in the international area, earning SDRs without any cost doesn't seem to be suitable and it composes a weakness for the SDRs. The solution for the issue in question is to establish a system in which any country using SDRs gain profit from issuing it.

The fourth weakness of SDR lies under the perception of IMF in countries' and citizens minds. As it is known and stressed by Karagöl (2019) that the perception of IMF is not very good in the minds of member countries and their citizens. Because, IMF is generally recalled with economic crises, austerity and poverty. The perception of IMF would be regarded as an obstacle against SDR's potential to be an alternative reserve currency. Since a reserve currency firstly requires trust and positive image in the minds of people and policy

makers. However, existing perception of IMF is not bright enough for SDR to be a strong global value of standard.

Another issue regarding the weak aspects of SDR is it's unjust or unfair management. When it is evaluated in the context of the power hold by the U.S. in IMF and IMF is under the control of the U.S. (Seyidoğlu, 2003: 565), it forms a serious weakness for SDR to be global currency. Since it causes deficiencies in fair and equal management understanding of SDR, it increases question marks in minds of people. The IMF quotas stands for the economic size of each member state, as well as the number of votes of each member state, it also determines the voting power of the countries in the IMF. However, when the U.S. quota in IMF (which is 17, 46 percent) is compared together with the number of member countries which is 189, the unfair power distribution would be easily detected. USD's weight in SDR basket which is 41.73 percent would also be evaluated in this unfair context. A global currency should include all stakeholders into its management fairly. The weight in distribution may vary in accordance to the criteria determined priorly. The weight can be in accordance with the mixture of GDP and population of the relevant country. The location of fund's headquarters should be in a fair place. However, its current location is meaningful as well which is Washington D.C.

Trends and acquis of IMF constitute another weak aspect of SDR. IMF is an institution with 75 years of background, and it has formed a sort of customary acquis in time, some of which would cause negative effects for SDR to be accepted and adopted globally. Because countries would hesitate in the sense that SDR is issued by an institution having own acquis some of which is too far away from theirs. For example, the acquis of IMF to elect its president from the European countries can be regarded as repulsive by non-European member countries.

The last but not the least weakness is the variety and weights of currencies in the calculation of SDRs. As it was visualized in table 20 above, USD has the highest weight in SDR basket with 41.73 percent while Euro 30 %, Yuan 10 %, Yen and Sterling each were weighted 8 percent in 2015 for five years period. If SDRs are considered in way of being global currency, the weights of the currencies in the calculation of SDRs should comprise any country using it. The weights may change in accordance with the GDP size of the countries. Leach (2006: 101) underlined that "Restricting participation to a select group of stakeholders invariably raises doubts about legitimacy." As Karagöl (2019) stressed that

"although SDR has a lot of currency of the world economy, it does not represent the world economy, nor does it have the feature of being a reserve currency like USD with its current form." The legitimacy of the global currency in the sample of SDRs depends one way or another on the inclusiveness of the countries using it. In order to enhance the inclusiveness and legitimacy of SDRs and to remove the existing weakness of SDRs, variety of the currencies in calculation of the SDR basket should be increased while weights of them are adjusted in accordance with the GDP sizes of the related countries.

Opportunities

In the contemporary world, there are plenty of opportunities for SDRs to become a global currency. If it uses those effectively, there seems to be no big obstacle against its opportunity of being global medium of exchange alternative to the USD. The first opportunity can be described with world's quest for a just, new and inclusive global currency. The countries which seek a new, just and inclusive global currency comprise big economies like China (which is the second biggest economy of the world), Russia, India and Turkey (Amadeo, 2019: b; Yeung, 2019) Therefore, the gap and demand for an inclusive and just global currency would be a marvelous opportunity for SDRs to be filled and to become a reserve currency alternative of the USD.

The second opportunity for SDRs is to become a more legit currency in the world. As the variety and weights of currencies in the calculation of SDRs are enhanced in accordance with the countries using it, the legitimacy and representation capacity of SDRs will also enhance. In addition, however, the authority to decide on the supply of SDRs is in the hands of executive board of IMF. If SDR is being considered as alternative to the USD, its supply administration should comprise all stakeholders, and all countries using SDRs should obtain just weight in the decision-making mechanism of SDRs' supply and management. If this inclusion is ensured, SDRs' legitimacy will enhance, and it will be more powerful and decisive while its future will become brighter since people using SDRs won't hesitate in its just share of administration.

Another opportunity lies under SDRs' form. As it is a form of artificial currency unit, but for official use only, to be traded among governments or between IMF and governments. (Cohen, 2011: 39) Alan (1996:127) describes classical features of money as being store of value, medium of exchange and unit of account. In addition, an international currency should constitute a preponderant share of the official reserves of central banks and be utilized relatively much as hand to hand currency in foreign countries. The form of SDRs thus, is composing crucial weakness for its way of being reserve currency since it is not possible for people to use SDRs as hand to hand currency. The solution to convert it into opportunity is to make SDRs physically achievable and exchangeable. If this physical problem is overcome, SDR will be utilized by people and become an alternative of the USD in a short time.

Threats

There are some issues that would threaten SDRs' existence in the medium and long term against its potential of being global currency.The first threat lies behind the share of SDRs' administration. The current administration form of SDRs or IMF leads to many injustice in representation since the authority to decide on the supply of SDRs is in the hands of executive board of IMF which consists of 24 Directors, who are elected by member countries or by groups of countries, and the Managing Director. However, there are 189 member countries to the IMF and those have to obtain authority in the administration of SDRs if it is wanted to be a global currency.

If justice in representation and administration in SDRs' administration is not ensured, it would lead many other problems. Seigniorage is one of them. As in the USD, the issuer of the SDRs are in a tremendous gain since the difference between face value and issuing cost is owned by the issuer and it is a free win situation. To be just and fair in the international area, earning SDRs without any cost doesn't seem to be suitable and just while it composes a threat for the SDRs in the medium and long term. Since countries will not bare this free riding issue of seigniorage in the long term, they will again seek another currency on which they have just rights to administrate and gain interest and it will compose a huge threat for the global usage and existence of SDR. The solution for the issue in question is to establish an administration system in which any country using SDRs is ensured to be distributed interest from issuing it.

One of the most important threat of the SDR against its potential of being global reserve currency is risk of US. hegemony in SDR's steering. Since SDR is an international reserve asset formed by International Monetary Fund (IMF), it creates question marks. Because, (as it was explained under IMF title) IMF is one of the ways used by U.S. to steer the global politics through USD. As Cameron stated (2005: 128), the U.S. authority on IMF rests on its initial contribution to IMF's establishment which is 25 percent of $8800 million in capital. The way that the U.S. follows for gaining benefit from the popularity of the USD through IMF lies under the lending process of IMF to the borrower countries. IMF requires some criteria for the countries to give loan in USD and it demands various reforms from the borrowing country before lending. Here, The U.S. having a major authority in the IMF steps in and manipulates the issue towards its self-interest. The U.S. leaders take the issue to more dramatic distances. The U.S.'s interest is playing vital role in the direction of IMF's actions. In this context, there is an unpredictable future ahead of SDR in existence of its boundaries with IMF and The U.S., which would create huge risk in the provision of a just and fair global politics and monetary system.

The variety and weights of currencies in the calculation of SDRs would threaten its journey to become a global currency. There are five currencies in the calculation of SDRs basket. As it is shown in table 20 above, USD has the highest weight in SDR basket with 41.73 percent while Euro 30 %, Yuan 10 %, Yen and Sterling each were weighted 8 percent in 2015 for five years period. If SDRs are considered in way of being global currency, the weights of the currencies in the calculation of SDRs should comprise any country using it. The weights may change in accordance with the GDP size of the countries. Leach (2006: 101) underlined that "Restricting participation to a select group of stakeholders invariably raises doubts about legitimacy." The legitimacy of the global currency in the sample of SDRs depends one way or another on the inclusiveness of the countries using it. In order to enhance the inclusiveness and legitimacy of SDRs and to remove this potential threat against SDRs, variety of the currencies in calculation of the SDR basket should be increased while weights of them are adjusted in accordance with the GDP sizes of the related countries.

3.1.3. Evaluation of SWOT Analysis

Consequently, the overall view of the SDR SWOT analysis results indicate that SDR is not a suitable unit for being an alternative global currency when the threats and weaknesses it bare are taken into consideration. One of the most significant factors that prevents SDR from its nomination of being alternative to the USD is its boundaries with the IMF and US. Another significant factor lies under the variety and weights of currencies in the calculation of SDRs, would threaten its journey to become a global currency. Other factors comprise SDRs' artificial form and founding aim (to be traded among governments or between governments and the IMF) in addition to the negative perception of IMF (occurred in time) in the minds of people. Lastly, trends and acquis of IMF in addition to the current administration form of SDRs or IMF (leading injustice in representation) constitute obstacle for its nomination to the alternative global currency.

In spite of many attempts and debates on the SDR to be positioned instead of the USD in global politics, the analysis above put forth rather different results. The reasons and factors explained in detail above prevents SDR from being alternative of the USD. When the weakness of SDRs and its strengths are compared, it would be easily detected that it has a long way and many cons in the way of being an alternative international medium of exchange. Hence, other forms, models and alternatives were analyzed in the next lines.

3.1.4. Electronic Monies

Electronic monies are enlarging their places in our lives more day by day. Countries would produce their local or common electronic monies and would make trade with them. Furthermore, countries would also make trades with other existing electronic monies that are not depended on any central authority or central bank, which would enhance their courage. However, it would be beneficial to mention that the amount of electronic monies is indefinite while the amount of physical currencies is definite. The first one would create security and reliability problems in the long run for the countries in terms of value of the currency.

In the virtual financial world, there are two types of currency which are confused with one another: virtual currency and electronic money. They in essence, refer to quite different concepts. Namely, virtual currency is a sub-category of electronic money.

Electronic money is defined as monetary value as represented by a claim on the issuer which is: stored electronically; issued on receipt of funds of an amount not less in value than the monetary value issued; and accepted as a means of payment by undertakings other than the issuer. (Official Journal of the European Union, 2009:11; European Central Bank, 2012:16) On the other hand, virtual currency is generally used in the online transactions for specific grounds like Facebook Credits (FB) which is virtual currency of Facebook. In this context, virtual currency is defined by ECB (2012:13) as "a type of unregulated digital money, which is issued and controlled by its developers, and used and accepted among the members of a specific virtual community".

As it is visualized in the table 16 below, electronic monies and virtual currencies differ from many aspects. Firstly, the unit of account in electronic currencies is traditional currencies like Euro, USD having the legal tender status while the unit of account in virtual currencies is created currencies without having legal tender status.

Secondly, the use area and acceptance differ in both units. While electronic monies are accepted and used by all areas and persons, virtual currencies are utilized by only a specific group of people in a limited usage area. Furthermore, electronic monies are regulated while virtual currencies are not. One of the most significant difference lies under the supply of money which is fixed in the electronic currencies while it's not fixed in virtual ones. It poses a real threat on the value of the virtual currency in question and forms a real obstacle in front of its global usage. Since its supply amount is in the hands of its suppliers, its value is also in the hands of them as well and no one wants to use this sort of money as a store value because of its inability. In addition, the inexistence of the guarantee to redeem funds, inexistence of the supervision in virtual currencies destroy its allure in the world while both exist in electronic monies. Unlike electronic monies, virtual currencies can be obtained by fulfillment of certain activities like filling survey, sharing advertisement etc. that are predetermined by the issuer. However, the only way to obtain electronic money is to exchange it with a real money on a predetermined exchange rate. It poses a crucial risk for virtual currencies to have a property of being store value while the existence of single way to obtain electronic monies increases its allure of being store value.

Table 17. Differences Between Electronic and Virtual Currencies[67]

	Electronic Money Schemes	**Virtual Currency Schemes**
Money Format	Digital	Digital
Unit of Account	Traditional Currency (Euro, USD Pounds etc.)	Invented Currency (Linden Dollars, Bitcoins, etc. Without legal tender status)
Acceptance	By undertakings other than the issuer	Usually within a specific Virtual Community
Legal Status	Regulated	Unregulated
Issuer	Legally Established Electronic Money Institution	Non-Financial Private Company
Supply of Money	Fixed	Not Fixed (Depends on Issuer's Decisions)
Possibility of Redeeming Funds	Guaranteed (and at par value)	Not Guaranteed
Supervision	Yes	No
Type(s) of Risk	Mainly Operational	Legal, Credit, Liquidity and Operational

As Kaplanhan (2020:104-105) underlined that exchange system in the world continues its evolution beginning from barter system to commodity money, then gold/ silver, then valuable papers which are regarded as value of gold and then fiat monies that don't have correspondence, based on trust. With the globalization, international interaction has risen enormously, which also increases the level of international exchanges. Difficulties of the physical currencies (holding, exchanging etc.) pushes countries to use electronic monies more. Today, electronic monies began to take over the role of fiat money gradually. In the near future, global exchange system is more likely to take another shape with the increasing usage of electronic monies, which will probably affect and decrease the domination of the USD as well. However, the risks that electronic monies bear shouldn't be ignored. Especially

[67] Data in the Figure 21 has been obtained from the following source: European Central Bank. (2012). Virtual Currency Schemes: October 2012. https://www.ecb.europa.eu/pub/pdf/other/virtualcurrencyschemes201210en.pdf. July 1, 2020. p:16

operational attack risks to the system that electronic money is kept form crucial hesitation for the countries to use electronic monies as store value.

In the World, the first electronic payment was made in 1950 with a universal payment car which is named as "Diners Club Card" belonging to the Diners Club International. As of July 3, 2020, Diners Club Card is accepted by more than 35 million merchants in 200 countries and territories[68]. Since then development of electronic money has come a long way. In the EU, electronic money finds its roots in 1993 with an investigation and a report in 1994. Turkey on the other hand, met with electronic currency in on 2013 with a law to regulate the existing and future electronic moneys, firms and issuers. (Gürkaynak; Yılmaz, 2015: 401-407)

As of July 2, 2020, there are 18 active electronic money institutions in Turkey[69]. When Turkey is compared with the world, it would be said that Turkey is developing its e-money systems. As Öztürk and Koç (2006: 238) stated that the potential of e-money to replace cash money is very high in the world when all country applications related to e-money are examined and evaluated. Because almost all e-money projects implemented so far are successful.

When the advantages and disadvantages of electronic money are taken into consideration, electronic money seems to be the most powerful second alternative to the USD dominated global politics. Although the most powerful alternative is regarded as gold, electronic money indexed to the gold would greater alternative than sole gold. With this regard, both ease and comfort of electronic money will be obtained while the reliability, stability, security and sustainability of gold is obtained at the same time.

[68] For more information, please see https://www.dinersclub.com/
[69] The list of electronic monies can be seen in the following source: https://www.tcmb.gov.tr/wps/wcm/connect/TR/TCMB+TR/Main+Menu/Temel+Faaliyetler/Odeme+Hizmetleri/Elektronik+Para+Kuruluslari

3.1.5. Gold

It is obvious that gold reserves on the earth is given and certain. There is no risk of oversupply of gold in the long run while this risk has always existed for fiat currencies. This risk affects not only the country which supplies that currency excessively but also all the world If that currency is used as a reserve currency like USD. Furthermore, current fiat currencies and global reserve currencies like USD are also open to manipulations, misuses like steering the global politics mostly in favor of itself by using the currency's worldwide popularity and by using the status of being monopole producer of the reserve currency in question.

Compared to the fiat currencies, gold is more reliable and stable. It would easily ensure the fairness in the global monetary system by not having the sole producer and director while its being used by the world. However, there are some obstacles against its usage in the world trade as value of standard, medium of exchange and reserve unit. Firstly, value of gold is bounded to the USD. Namely, gold is calculated with ounce which is a unit of weight and 1 ounce is equal to 31,1 grams of gold. One ounce of gold is equal to $ 173070 as of June 13, 2020. So, one gr of gold is calculated by dividing $1730 to 31,1, which is equal to the $ 55,6. As it is visible, the current calculation of gold is bounded to the USD. There is a direct correlation of gold and USD. In this context, creating a world in which gold is used as a trade currency is senseless unless its boundary with USD is removed. For this reason, gold should be bounded to another variable. That variable should comprise and reflect the existence of the world without any absence. However, its too hard to establish and sustain such system. For this reason, gold should be traded as a currency, should be traded in exchange of the goods and services which are subjected to trade. Another option for separating the boundary of gold and USD is to create a basket that includes and represents the whole world counties and indexing the price of gold to that basket. It would create better representation of world countries in the calculation of a unit which is used as a global unit of exchange and store value. The shares of countries in the basket would be based on the mixture of GDP, population, geographical area. If gold is separated from its boundary with

[70] Value of ounce is obtained from the official website of the following source. http://www.altinkaynak.com/. June 13, 2020.

USD and such trade is set, global trade, politics and economy will become more just and fairer. If gold is separated from its boundary with USD and such trade is set, global trade, politics and economy will become more just and fairer.

Second obstacle is related with the security which is the possibility of producing fake gold. If gold is to be used in the world trade, the amount in circulation will increase extremely and it will bring security problems with it. Gold which is to be used in international transactions would be manipulated by producing fake gold that doesn't involve the standards in it. It would be hard for individuals to detect real gold from its fake and it would create security problems for gold to be used in the world trade as value of standard, medium of exchange and reserve unit. However, it is certain that this risk exists for all other currencies as well. Hence, making gold resistant against fake productions would take it quite further.

The third obstacle for gold is the geographical areas in which gold is extracted. If something to be used by the world as a medium of exchange, value of standard and reserve unit, its production and distribution should be based on merit. However, gold just like petrol exists in the specific geographical areas of the world, which belongs to some certain countries and they can extract and use it. It would create injustice in the distribution of sources. Because, some countries work and produce a lot to obtain a unit of gold while the ones having gold mines will just extract that gold to reach the same amount of gold. It is unjust. However, the amount of gold on the earth is given and those advantageous countries will not sustain that privilege in the long run. Merit will be the only way to obtain gold in the world in the long term. In addition, same privilege has been valid for the U.S. for almost a century. In the gold case, the number of advantageous countries will get higher instead of a single like in the current USD dominated global politics.

Nearly 190.000 metric tons of gold has been extracted until 2020 in the world. Almost 130.000 tons of it has been extracted since 1950. (World Gold Council, 2020: b) USGS (2020) estimates that nearly 60.000 metric tons of gold has left underground to be extracted. It demonstrates that the seigniorage advantage of the gold for the countries with abundant gold sources will not last long if gold is used by the world as a medium of exchange, value of standard and reserve unit in international transactions. The limited amount of gold can be comprehended as a sort of warranty of value protection of it for countries to trust, invest, trade with gold.

3.1.6. Model 1- International Trade with Local Currencies

In addition to the three solutions above, I have developed two models to propose a solution as an alternative US dominated global politics. The first one is the Model 1: International Trade with local currencies. The positive and negative of the worldwide USD usage has been mentioned above. This model tries to provide an alternative way to abolish the negative effects that the world has been subjected owing to the worldwide USD usage. In addition, this model tries to the abolish the advantages provided with the US thanks to the trades which are invoiced in USD while none of the sides of the trade in question is the US. However, the U.S. will benefit from this trade even without involving any part of it by gaining the ability to issue more USD due to the increasing store and exchange value of its currency. (Many other positive and negative effects of the usage in question exist and mentioned in the chapter 3 above.)

The model 1 foresees the hesitation against the usage of local currencies in international trade. The hesitation derives from the devaluation that might occur in the currency in which trade was invoiced. In essence, this hesitation comes forward because of the inability of local currencies to become "store value" of the third persons. Model 1 proposes a security for this hesitation and puts forth the idea of "pay back system". Pay back system comprises determining a time and valuation limits for the countries to compensate their devaluation losses as a first step in the international trades with local currencies. Model 1 proposes that when the pre-determined timeline is over, sides of trade are to check the value status of the local currency that they invoiced their trade.

If the currency in question has exceeded the pre-determined valuation limits, the side who became disadvantageous is to be compensated in accordance with the proportion that the currency exceeded the pre-determined limits. The limits of model 1 would be 6 or 12 month and +, - %5 or 10 valuation difference for the currency in which the trade was invoiced.

There are many advantages of the model 1 for the countries, citizens and sides of trade. The first advantage is that it protects the right of international traders with its pay-back system. It prevents unjust earnings owing to the valuation of the local currency.

The second advantage is that it motivates the traders and citizens to follow their currencies status and to supervise their governments' actions. In essence, it would definitely increase the political participation because of citizens and especially traders increasing self-interests.

There would be some obstacles of the model 1. Firstly, some countries would apply for the ways to show its currency's valuation rates different than what is in reality in order to escape from the pay-back system. However, there is an easy solution for this danger. Reformed International institutions would supervise the calculation of the currencies' valuation and the danger in question would disappear easily only if the international institutions like IMF goes under a fundamental change towards including the just participation of countries to its steering.

3.1.7. Model 2- A New and Just International Currency

Model 1 proposes a way that uses the existing currencies in the world. Model 2 however, proposes a new currency for the world. The new currency in question was essentially designed to be the only medium of exchange in the international trade. The form and steering of this new currency has been designed to be totally different than what has existed in world for ages. As it was mentioned above, global politics has been dominated by a different hegemonic country and its single currency in each century and that dominant currencies have been issued and steered by their single hegemonic country in the world.

What model 2 proposes is just the opposite of the custom above. Model 2 proposes a global currency on which just steering mechanism is established. The justice in its steering will be ensured by the just participation of each countries in the steering of the new global currency in question. The existence of a fair intra-institution is must for new global currency. For this reason, model 2 proposes two way for this intra-institution: the first way is to reform the existing International Monetary Fund by ensuring the just participation of world countries in its steering. (The closeness of the IMF to the US and the effect of the US on the IMF has been mentioned in the third chapter of this study.)

The second way is to form a new intra-institution that will serve in the steering of the new global currency and it should be ensured that either new one or the reformed existed one should be steered in accordance with the just participation of the world countries which are included into global financial system. The justice in question would be ensured by giving countries the right to participate the steering of the institution in accordance with the harmony of their GDP and population.

With the model 2, just and new global currency is to be established and it is to bring justice to the world since not an only country owns gets its advantages and disadvantages. Instead, every country shares its pros and cons in accordance with their GDP, which prevents the hegemony of a single country and distributes both the losses and profits to the world in a just way.

3.2. New Balance in Global Politics After COVID-19 Pandemic

Pandemics affect the whole system of the world depending on the degree and severity of the epidemic. The most recent pandemic that the world faced with is Coronavirus (COVID-19) which appeared in Wuhan, China in December 2019. According to the World Health Organization (2020), 3,855,812 people are confirmed to be COVID-19 patients, 265,862 of which have died in the world until May 9, 2020. In the U.S., there has been approximately 1.2 million confirmed COVİD-19 cases, while China has 84.000 confirmed cases and 1.6 million confirmed cases in Europe as of May 9, 2020. When the share of the cases is examined, it would be easily detected that one in three of the total cases in the world are in the U.S. while only two percent of the overall cases are in China. Overall statistics related with the COVID-19 cases in the world, China, U.S., and Turkey are as in the figure 17 below.

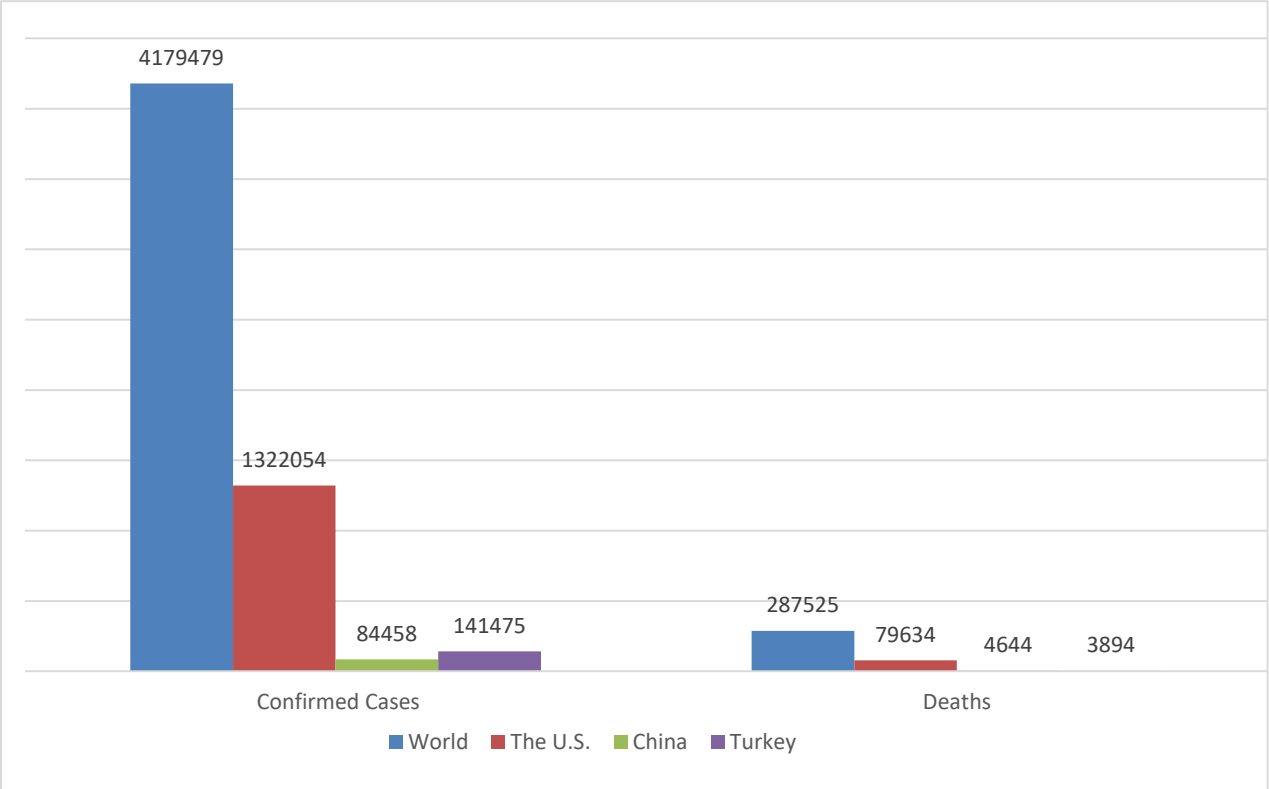


Figure 17. Confirmed COVID-19 Cases and Deaths in Turkey, China, U.S., and the World[71]

The U.S. facing with more than ten times more than the cases that China has faced is more likely to face with economic and political troubles. Because, the world is facing with severe economy and political difficulties resulting from COVİD-19, the demand and supply chain has broken. In addition, unemployment rates lead, precautions of countries make the economic effects of the pandemic deeper. As global power of the world, the U.S. competing with China in the recent years is more likely to have difficulty in this competition when the economic effects and cases are compared. When this competition or battle is regarded with the Modelski's theory, China is more likely to appear more on the global politics after Coronavirus. As Modelski (1988:135) stated in his theory that there has always been a challenger against the global power, which created conflict between the two and a new global power appeared and dominated the world as a result of the conflict in question. The global power of the contemporary era which is the U.S. obtained its dominant power position by

[71] The data in this figure has been obtained from the following source.
World Health Organization. (2020). WHO Coronavirus Disease (COVID-19) Dashboard. https://covid19.who.int/. May 14, 2020.

benefiting from the conflict and competition between Germany and Britain which was the global power of the nineteenth century. Spain in 16. century, Netherlands in 17. c., France in 18. c., Britain in 19. c. and U.S. in the twentieth century became the global power in order (Ercan; Ayata, 2018:114)

Devastating effects of the COVID-19 pandemic on the US is visible also in the chains of supply. For example, Brooks Brothers which is famous for its dressing presidents and famous bankers in the US and had a turnover of nearly 1 billion last year, went bankrupt. Brooks Brothers, the country's first confection brand, founded in 1818. Many other firms of the huge companies in the US also affected negatively. Car rental company Hertz and Comcar in the truck business went bankrupt. Nissan says it may close in the US. While 15 thousand stores are expected to close during the pandemic in the US, Zara announced that it has permanently closed 1200, La Chapelle 4391 and Starbucks 400 stores. Nike announced that it would continue layoffs. Victoria's Secret went bankrupt and changed hands. Chanel, Hermes, Patek Philippe, Rolex stopped production. Airbnb announced that its 12-year labor was ruined in 6 months. (Öcal, 2020)[72]

As Georgieva (2020), director of IMF, stated that the global economic activity is expected to decline on a scale we have not seen since the Great Depression. There is much uncertainty about the shape of our future. This is a crisis like no other. It is more complex, more uncertain, and truly global. There is a future in which balances in global politics is more likely to change. In the new balance of global politics, the position of the U.S. will probably be like its position against Britain in the nineteenth century, which will be in harmony with the global power theory of Modelski. In the new balances of global politics, China with its giant economy, population and potential is will probably have more weight while big developing countries like Turkey will probably get bigger share from the global politics and economy with their potential to fill the vacancies of production appearing in the new era.

[72] For more information, please see, https://www.haberturk.com/200-yillik-abd-li-dev-iflas-etti-2738142-ekonomi; https://www.haberturk.com/satislarda-tarihi-dusus-2738596-ekonomi. July 12, 2020.

Caşın (2020) indicated that in the new balances of global politics, the leadership of the U.S. is going to be questioned. In that, economic effects of the COVID-19 on the US. became so serious that The Dow Jones Industrial Average (one of the most significant stock indices of the US) faced with its biggest quarterly drop plunging 23% since 1987. (BBC, 2020) China with its ease in the regulatory rules and taxes in addition to the cheap labor prices and exchange rates has become as a factory of the earth.

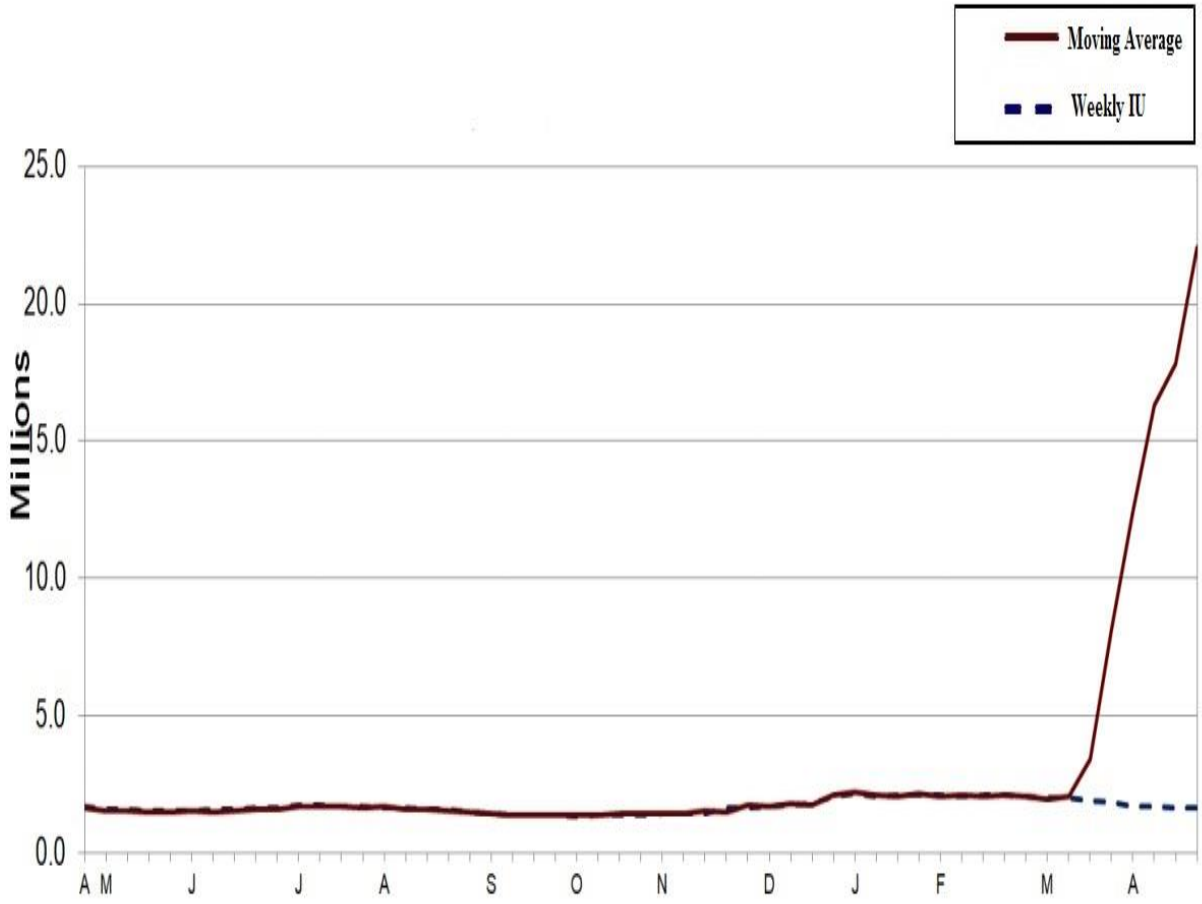
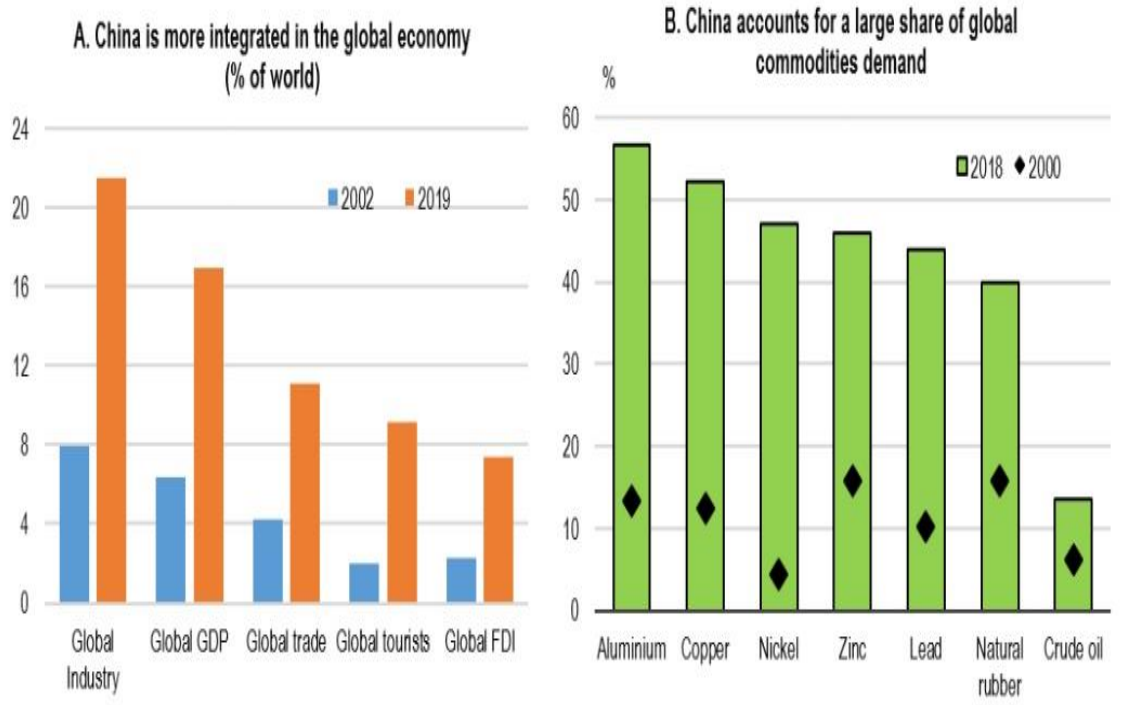


Figure 18. U.S.' Seasonally Adjusted Insured Unemployment (April 27, 2019- April 25, 2020) [73]

[73] U.S. Bureau of Labor Statistics. (2020). News Release: Unemployment Insurance Weekly Claims. P:1. https://www.dol.gov/ui/data.pdf. May 11, 2020.

According to the U.S. Bureau of Labor Statistics (2020:1), Insured Unemployment number became 22.647.000 (18.6 percent) in April 25, 2020 with a for 4.5 million increase (3.1 percent) in only a week as it is indicated in the figure 18 above. Before COVID-19, the same unemployment number was approximately 2.5 million at the beginning of 2020. When the date of first COVID-19 case (reported on January 20, 2020) in the U.S. is taken into consideration together with the economic indicators shared in this study, the fragility of the U.S. economy becomes more visible.



Note: Share of industry, GDP and trade in constant US dollars. Share of global FDI in current US dollars. Data for the tourist share refer to 2002 and 2017, and data for FDI refer to 2005 and 2018. Industry data are on a value-added basis and include the construction sector.
Source: OECD Economic Outlook database; OECD FDI in Figures, October 2019; and World Bank.

Figure 19. China's Integration in Global Economy and Share of Global Commodities Demand[74]

[74] OECD. (2020). Interim Economic Assessment Coronavirus: The world economy at risk. https://www.oecd.org/berlin/publikationen/Interim-Economic-Assessment-2-March-2020.pdf. May 10, 2020.
The figure is retrieved from the official report of OECD which has been published in its website.

According to the figure 19 above, China's Integration in Global Economy and Share of Global Commodities Demand has risen enormously since the beginning of 2000s. In this context, its share of GDP in the world was 6 percent in 2002 while it became 17 percent in 2019. Furthermore, it has more than tripled its aluminum, copper, nickel, zinc and lead demands in 2018 compared to 2000. Hence, when the rising share of China in global area and its competition with the U.S. is taken into consideration together with the COVID-19 effects on both countries, it wouldn't be so hard to foresee that China's role in the global politics and economy increase while the U.S.' is more likely to diminish. In addition, developing countries like Turkey is more likely to appear on the global politics scene through the vacancies forming.

As it was indicated in the beginning of this study, pandemics lead to global crisis which affect and change the balances in the global politics as a whole. In the new balance of global politics, the U.S. with its losing power is more likely to have less weight while its competitors like China, India and developing countries like Turkey with their young and productive populations will probably fill the gaps opened and have more weights in the new balance of global politics.

Gür (2020) underlined that Chinese economy compensated for domestic demand, which contracted in the second quarter of 2003, by exporting more goods and services abroad. China's export figures increased by 35 percent after the SARS virus in 2003. Likewise, it is more likely for China to compensated its losses by producing and exporting more, which will make it more powerful in the face of Superpower and it is more likely to alter balance in the global politics in favor of China after COVID-19 epidemic.

On the other hand, developing countries would benefit more in the new global balances due to many reasons. Firstly, petrol prices fell approximately 25$, which will diminish the costs of production and transportation in developing countries and it would lead to more exports with low prices owing to the lower costs. Secondly, foreign trade deficit will decrease due to the increase in the exports. Thirdly, current account balance will be affected positively due to the rise in production, fall in costs and increase in the exports. Fourthly, it would diminish inflation in the developing economies because of the decrease in the costs will be reflected on the prices in domestic trade. All reasons mentioned above are more likely to lead developing countries have more weight in the global politics balance.

In terms of the Turkey side of the subject, it can be easily said that Turkey will get more weight in the balances of global politics after the COVID-19 pandemic. In this context, comparison of the economic indicators of Turkey and U.S. would be beneficial to assess the case that the world is in. As it is indicated by Turkish Statistical Institute (2020) in the figure 20 below, the unemployed people in Turkey became 4 million 228 thousand in February 2020 with a decrease of 502 thousand people compared to the February 2019. When the figure 20 below examined, unemployment rate in Turkey in February 2020 became 13.6 percent while it was 14.7 percent in February 2019. Furthermore, as it is visible in the economic indicators, developing countries especially like Turkey have not been affected from the epidemic economically and it will be on the their interest in terms of balances in global politics when the epidemic is over.

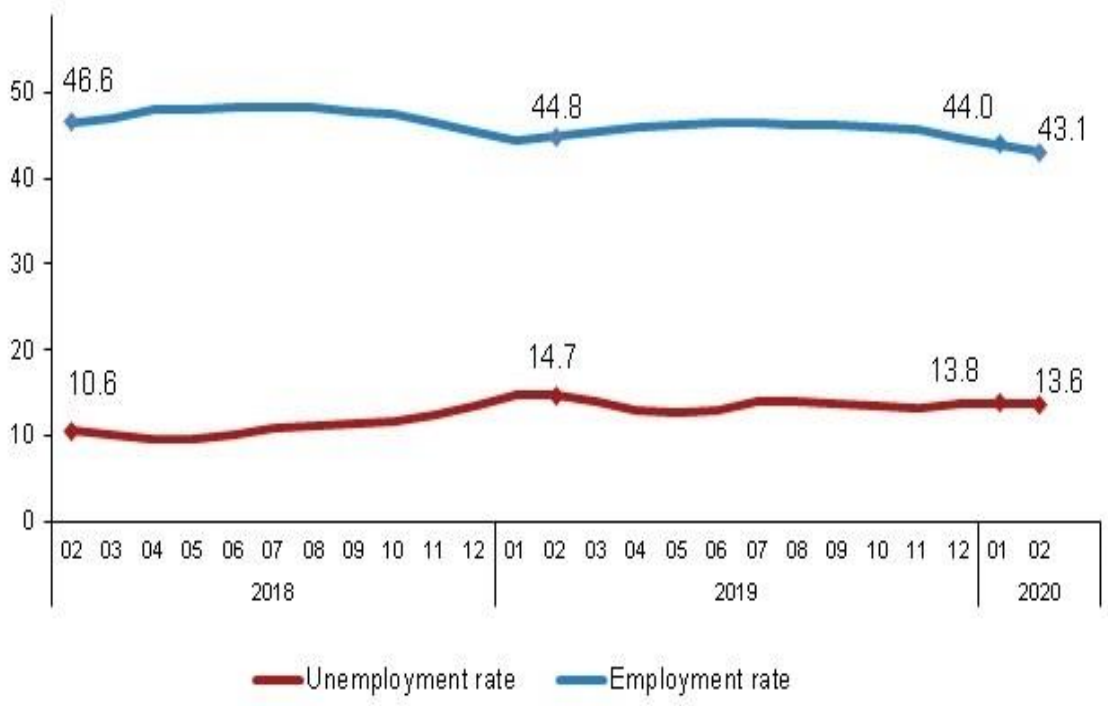


Figure 20. Employment and Unemployment Rates in Turkey (Feb. 2018- Feb. 2020) [75]

[75] The data in this figure has been obtained from the following source.
Turkish Statistical Institute. (2020). Press Release: Labour Force Statistics, February 2020. http://www.turkstat.gov.tr/HbGetirHTML.do?id=33786#. May 14, 2020.

Figure 21 below indicates unemployment rates in China, U.S., and Turkey between March 2019- April 2020. According to it, developing economies like Turkey and China has not been affected much from the epidemic as it is visualized in their lines. There is not much volatility in the two countries' unemployment rates. However, the U.S. has reacted to the epidemic so much in terms of unemployment rates. In that, its unemployment rate in April 2020 became 14.7 percent which is three times more than its rate of February 2020 which was 3.5 percent.

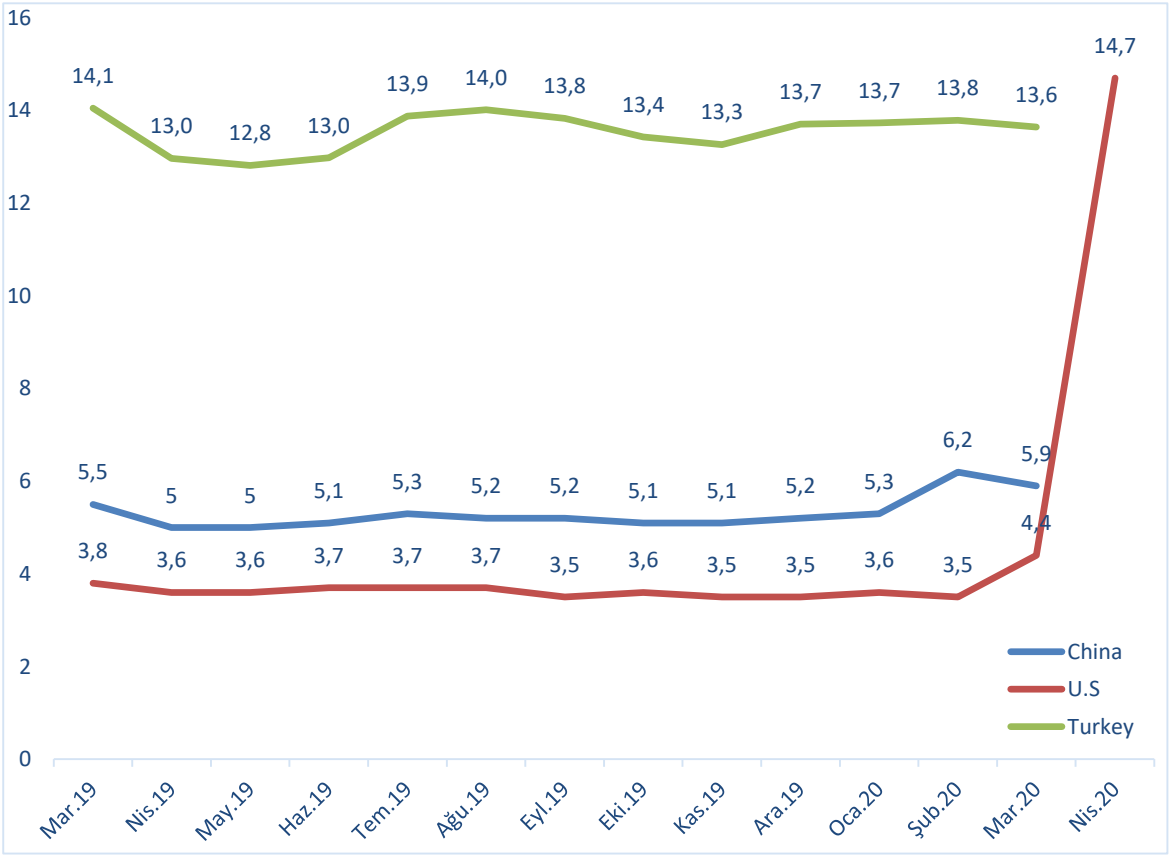


Figure 21. Unemployment Rates in China, U.S. and Turkey (%): March 2019- April 2020[76]

[76] The data in this figure has been obtained from the following sources.
National Bureau of Statistics of China. (2020). Indicator: Urban Surveyed Unemployment Rate(%).
http://data.stats.gov.cn/english/easyquery.htm?cn=A01. May 14, 2020. ;
U.S. Bureau of Labor Statistics. (2020). Databases, Tables & Calculators by Subject: Labor Force Statistics from The Current Population Survey.
https://data.bls.gov/pdq/SurveyOutputServlet. May 14,2020. ;

When the three countries (Turkey, U.S. and China) are compared in terms of change in GDP in the last two quarter to analyze their reactions to the COVID-19, it would be better for more precise foresight in the balance of global politics that will appear after COVID-19 pandemic.

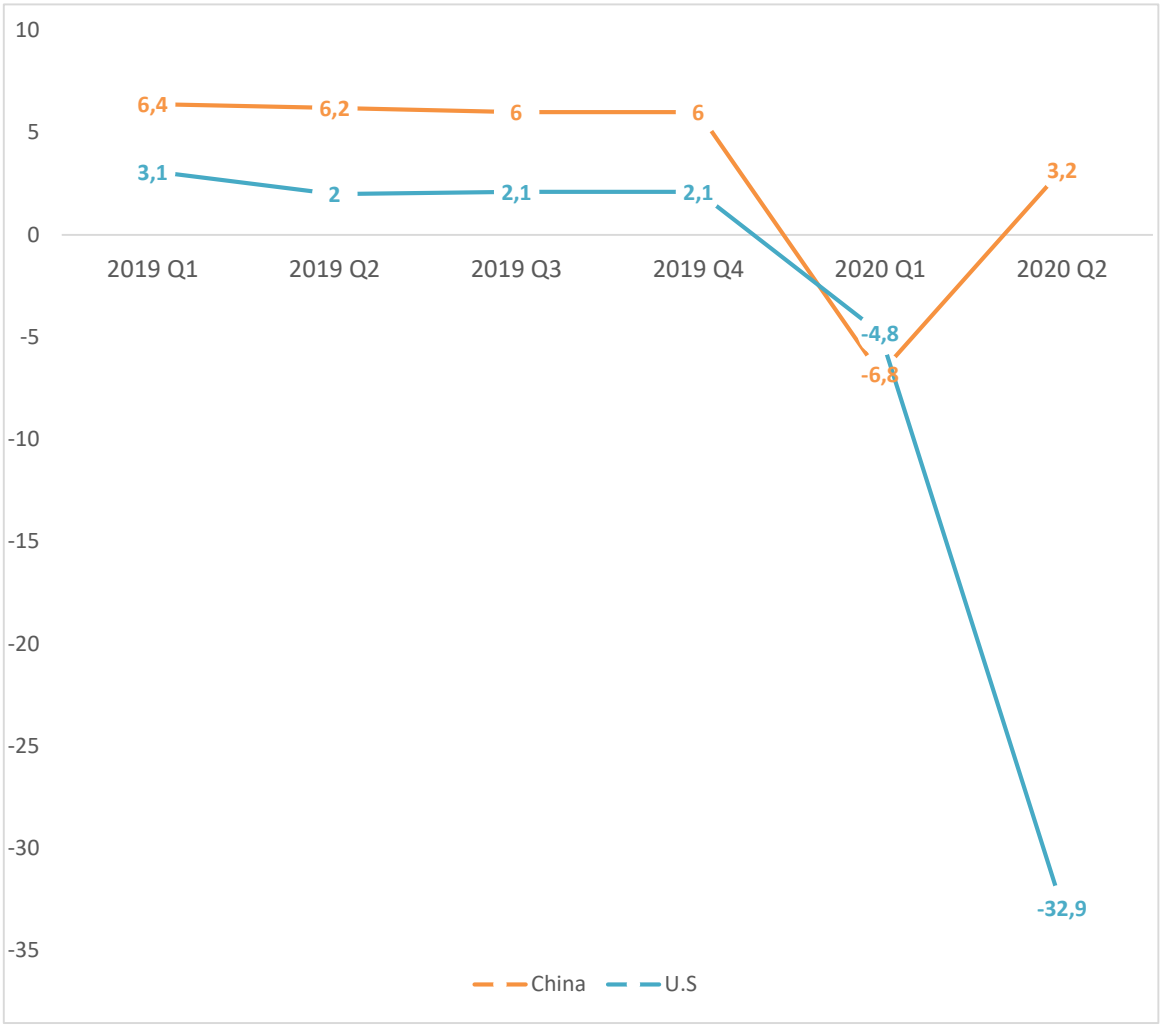


Figure 22. Changes in the GDPs of China[77] and the US. [78]. (2019 Q1- 2020 Q2))

Turkish Statistical Institute. (2020). Press Release: Labour Force Statistics, February 2020. http://www.turkstat.gov.tr/HbGetirHTML.do?id=33786#. May 14, 2020

[77] Trading Economics. (2020). China GDP Annual Growth Rate. https://tradingeconomics.com/china/gdp-growth-annual. May 16, 2020.

[78] The U.S. Bureau of Economic Analysis. (2020). News Release: Gross Domestic Product, First Quarter 2020. P:17. https://www.bea.gov/system/files/2020-05/gdp1q20_adv.pdf. May 16, 2020

When the changes in the GDP of the US. and China are compared, it is quite obvious to detect that the US is getting deeper effects from the pandemic while China seems to make the view positive. In this context, the fragility of the US economy as indicated in the related chapters of this study (see Public Debt, Current Account Balance, CPI of both the US and world titles in related pages.) has become to be visible in practice with on a new ground in addition to its Public Debt, Current Account Balance, CPI. The difference in the US GDP between 2020 Q2 and 2019 Q4 is more than 34 percent, which is relatively hard to compensate for an economy like the US with the highest public debt mountain in its history.

When the overall status of both countries' GDP together with the other indicators such as total public debt, current account balance, cpi is compared as indicated in the figure 22, figure 23, and other relevant figures above, The US is more likely to fall behind the China economically in the balances of global politics after COVID-19 pandemic.

The figure 23 below, on the other hand, indicates the annual percent in GDP growth of the U.S., China, Advanced Economies, Emerging Markets and Developing Economies and World between 2017 and 2021. As a result, the U.S has become the country that has got the most negative effects from the COVID-19 epidemic in terms of its GDP growth rate among the country groups examined in figure 23 above. In this context, U.S. has witnessed -5.9 percent annual GDP growth in 2020 in which COVID-19 epidemic appeared while its GDP growth 2.3 in 2019 and 2.9 in 2018. The U.S. is foreseen to increase its GDP to 4.7 percent in 2021 by IMF (2020).

China, on the other hand, with 1.2 percent growth in its GDP in 2020 as a competitor of the U.S. has become the country that got the least damage from the COVID-19 epidemic among the U.S., advanced economies, emerging markets and developing economies and the world. In addition, China is foreseen to increase its GDP to 9.2 percent in 2021.

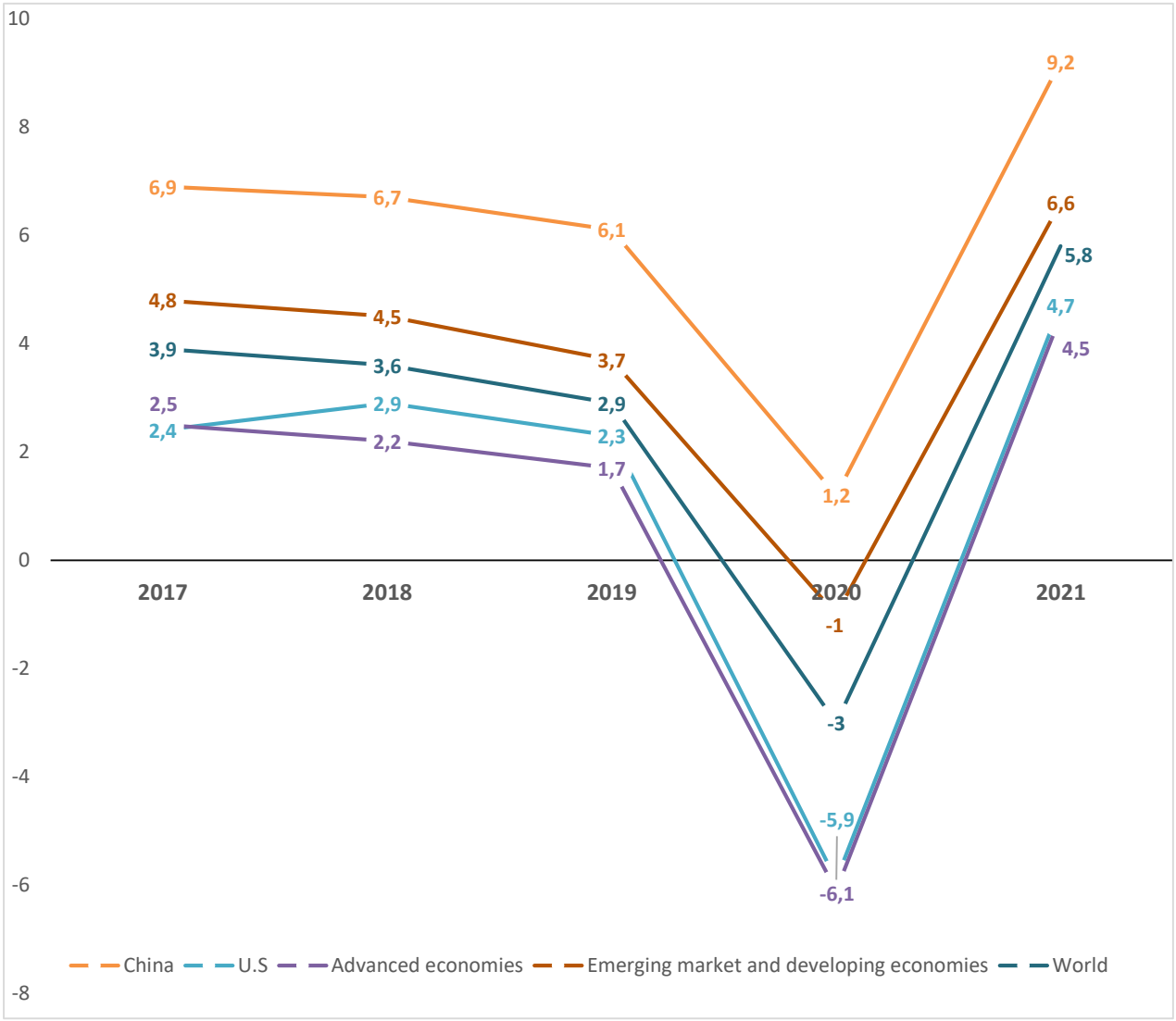


Figure 23. Annual GDP growth (in percent) of the U.S., China, Advanced Economies, Emerging Markets and Developing Economies and World between 2017 and 2021[79]

[79] International Monetary Fund. (2020). Real GDP Growth: Annual Percent Change. https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/CHN/USA/OEMDC/WEOWORLD/ADVEC. May 16, 2020

According to Figure 16, advanced economies with -6.1 percent growth in GDP witnessed the biggest damages from the COVID-19 epidemic while emerging markets and developing countries faced with -1 percent annual GDP growth in 2020. This data illustrates that global balances will be affected negatively from the COVID-19 epidemic since the most developed countries , the most effective powers of the world get the highest damages in their economy and politics while developing economies and competitors of the U.S. gets the least damage from the same process, which reminds us the model of Modelski (1988:135).

When the U.S and China are compared in terms of their performance in struggles with COVID-19, China has been found to be far better since it has the best GDP growth of 2020 in the scale while U.S. is the second worst in the chart. GDP of developing markets is foreseen by IMF (2020) to grow in 2021 50 percent more than that of the U.S.' GDP. According to IMF (2020), GDP of China is foreseen to grow twice as much as the United States' in 2021, which points out the sign of change in the balances of global politics after COVID-19 in favor of the China and developing economies.

4. CONCLUSION AND RECOMMENDATIONS

Global politics has witnessed many exchange units including reserve currencies for ages. Hence, USD is not the only dominant currency in global politics. Before USD, there were many other reserve currencies in the world, the last one was pound sterling. However, there are some factors lying under the dominance of USD which appeared after world war II and the Bretton Woods System. Salvatore (2002:125) narrates those factors as (1) high inflation rate in U.K. and sharp fluctuation in pound compared to the low inflation in the U.S. and stability of the USD during late 1940s and early 1950s, (2) exchange controls in England in contrast to the relative openness of U.S. financial market, and (3) decline in the sterling area's share of world exports in comparison to the rise in the U.S. share.

The three dynamics prepared the rise of USD in global politics after world war II. In the following years, however, pricing of petroleum in USD contributed to the rise of USD in global politics. (Salvatore, 2002:125) In essence, it can be comprehended as changing of roles between Pound and USD.

Global politics has been functioning with USD for about fifty years. When the overall status of worldwide USD usage and the existing hegemony of the US in global politics are analyzed and evaluated together, it is found that there is an interdependency between the two variables, which has many positive and negative on the global politics. Both variables are nurturing and preserving one another's status. As the global use of USD increases, the status or the hegemony of the US in global politics is transforming into a superior one or privilege. As this popularity stays high, it also preserves the superiority of the U.S. in global politics. Meanwhile, the latter also tries to protect its self-superior position through many ways like sanctions, tariffs etc., which are also used so as to obtain varying self-interests on the country level even if these methods are unjust or harm the target country as a whole. Hence, this study aims to discover the effects of the widespread USD usage on global politics. With this regard

The direction of USD is affected directly by the monetary toolbox of Fed which consists of open-market operations, reserve requirements, and the discount rate. It controls the money supply primarily through open-market operations." (Mankiw. 2004:331-335) It can also adjust the money supply by changing reserve requirements or the discount rate.

Monetary policy, on the other hand, is a bilateral instrument which can be used for the benefit of a country while it can also be manipulated on behoof of a governing elite while self or target economy is damaged. For Waller (2011: 291) "a central bank's independence, however, is the key tool to ensure a government will not misuse monetary policy for short-term political reasons. The form of FED doesn't necessarily mean that it is totally sovereign or separated institution from the government. Instead, FED and U.S. government are in quite close cooperation. In this context, FED can be described as "an independent institution in the government." (Akyazı. 2001: 13)

The current reserve currency status of the USD in essence dates back to Bretton Woods Agreement in 1944 as Vecchio (2009:2) mentioned "Under the terms of the Bretton Woods Agreement, the U.S. agreed to exchange USD for gold at a fixed rate of $35 per ounce. Currencies of signatory nations were pegged to USD within a 1% deviation limit. Central banks would buy or sell U.S. dollars to keep their currencies within the permitted fluctuation band. Thus, USD became the world's official reserve currency." As Tatlıyer (2019:11) mentioned, this indexation made the USD world currency and it is still preserving its position, which can be regarded as heritage as a tradition. Although Bretton Woods System cached a remarkable rise in the G7 countries in the following twenty-five years of its establishment, it ended up with abolishment by its major founder country in 1971. Bretton Woods System collapsed because of problems in equalization, distrust, its openness to speculations. (Seyidoğlu, 2003:561). However, dominant or reserve currency status of the USD stayed alive and well.

From that point on, global politics, trade, economy are affected and shaped by the US through and thanks to the USD due to its worldwide usage, validity and reserve currency status, which made countries dependent on the US. In this context, research problem of this study is to understand how global usage of United States Dollar affects global politics.

In the contemporary world, USD is considered as reserve or global currency. Gold, petroleum, and other precious commodities are priced in USD in the world. International trade of goods and services are made in USD as well. In many developing countries, nominal trade is also made in USD. When the worldwide usage of USD is taken into consideration, The US. has been steering a global unit of exchange which is used to measure the values of goods and services produced in the world.

Global trade developed enormously in twenty first century. The means which are being used as an exchange unit in global trade is as significant as the trade being made. According to Board of Governors of the Federal Reserve System (February 1, 2019) "there was approximately $1.70 trillion in circulation as of January 23, 2019, of which $1.66 trillion was in Federal Reserve notes."

According to IMF (2019), total official foreign exchange reserve was $ 1,389,816 million while the weight of USD was 58,96 % in 1995 and it has increased its weight to 61,94% in 2018 gradually in foreign exchange reserves so far. It realized its peak point as 71,51 % in 2001 in the last quarter of 2001. The weight of USD in foreign exchange reserves has been the highest since 1995 according to the official records. It illustrates the view of the dominion of USD over the world exchange reserves. As Best (2019) underlined, it is important to note that 40% of the world's debt is denominated in USD.

As a result of the study conducted by Gopinath (2015:9), U.S. share in imports is 10 percent while the share of imports invoiced in USD is 40 percent of Euro and other currencies between 1999 and 2014. The imbalance between invoicing and import share of the U.S. is so high that the former is three times more than the latter. The ratios are similar in the share of exports of the U.S. and the share of exports invoiced in USD in the world as well.

Gopinath (2015:10) points out that there is also a huge imbalance between the USD invoicing share in imports and the share of imports from the U.S. According to it, the invoicing share of USD in imports is doubled the share of imports from the U.S. in almost any of 35 countries studied between 1999 and 2014.

4.1. Research Problem, Responses and Essence of the Study

United States Dollar has dominated global politics and begun to be used as reserve currency especially after WWII and the Bretton Woods System in the sense that USD was indexed to gold whereas other currencies were indexed to the USD with this System. From that point on, global politics, trade, economy are affected and shaped by the United States through dollar due to its worldwide usage and reserve currency status. In this context, research problem of this study is to understand how worldwide usage of United States Dollar affects global politics. In order to find the scientific answers to this research question, the effects which are researched are examined under relative categories.

This research has been conducted by using the data available between 1995-2020 by applying descriptive statistical analysis and comparative analysis methods. The data in question has been obtained from national and international data centers (CBRT, Federal Reserve Bank of Philadelphia; OECD, IMF and World Bank) as secondary sources. Although there is not much research on the subject in the literature, existing available sources have been utilized.

Geographical unit of analysis is benefited and there are two geographical units in this study. In the first section (effects on the U.S.), geographical unit of analysis is the United States while the rest of the world forms the geographical unit of analysis of the second section of this research.

This study aims to reveal the effects of the universal use of the US dollar on global politics. To achieve this aim, the main research question of the study is determined as "What are the effects of the worldwide use of the US dollar on global politics?". The independent variable of this study is constituted by worldwide usage of the USD while its effects on global politics forms fundamental dependent variable of this study.

In order to answer the research question and to analyze the relevant effects correctly, the effects researched in this study are divided into 2 parts. The first part explores the effects of the worldwide use of USD on the US., while the second explores the effects on the rest of the world. To analyze and compare better., effects on each side were analyzed on three grounds which are economy, culture and politics. The following table is a summary of the answers given to the research question in this thesis, and it summarizes the effects of the widespread use of USD on both the US. and the rest of the world in the researched areas.

As a result of this study, the number of positive effects obtained by the US from the worldwide USD usage is quite higher than negative effects. Namely, worldwide USD usage affects the US positively in the 6 of 8 subjects researched in this study. On the other hand, worldwide USD usage affects the rest of the world positively in only 2 of 8 subjects researched in this study. Eventually, the answer of the research question of this study is that global interaction is functioning via a medium of exchange (USD) and the world is getting quite small piece of its advantages and majority of its disadvantages while The US is getting majority of its advantages and minority of its disadvantages. Furthermore, the popularity of the USD and the case in question has emerged as a result of common usage movement of the world while it gives the highest damage and disadvantage to the world at the same time. In addition, this status provides the US with a huge privilege and US uses this privilege as a tool for pressure and threat in global politics. It is seen in this study that US applies for this

tool through IMF, FED, Sanction Discourses of its leaders by chasing its self-interests regardless of the damage through which other countries get.

Table 18. Direction of the Effects of The USD Use on the US and on the World.

Subject on which Effects of the Worldwide USD Usage Was Researched (Depended Variable)	**Direction of the Effect:**	
	On the US.	**On The Rest of the World**
Economy		
Seigniorage	Positive	Negative
Use of Local or Regional Currencies	Negative (Indirect Effect)	Positive
Current Account Balance	Negative	Negative
Total Public Debt	Positive	Negative
Culture		
Global Interaction	Positive	Positive
National Culture and National Consciousness	Positive	Negative
Politics		
Political Power and Discourse of Political Leaders	Positive	Negative
Monetary Policy	Positive	Negative
Total	**7 Positive 1 Negative**	**2 Positive 6 Negative**

Consequently, it should be noted that worldwide USD usage is a case that brings both advantages and disadvantages with it. Advantages for the world would be summarized as

follows: It offers the world a great ease and convenience in the global interaction. In addition, global USD usage also pushes the world towards using local or regional currencies after a certain level so as to avoid the harms of the popularity in question.

Furthermore, it should be noted that the widespread use of USD brings many disadvantages with it. As a result of the findings obtained in the study, when the effects of the dominant position of the dollar on the world are compared; Seigniorage Income, Current Account Balance, Total Public Debt, Contribution to National Culture and National Consciousness, Leaders' Political Power and Discourses and Monetary Policy have been affected positively in the US, while it has been observed that they are all affected negatively in the rest of the world, which were analyzed separately in the related titles of this study.

When the advantages and disadvantages of the widespread USD usage for the US and the rest of the world are compared and analyzed, the most disadvantageous side is seen as the world while the most advantageous side is the US. In this context, the need for an alternative is gaining importance. Therefore, "alternative models of the USD dominated global politics" became the last chapter of this study. With this regard, Special Drawing Rights (SDRs), electronic monies, local currencies and gold are analyzed as an alternative of the USD dominated global politics. As a result of analysis in question, gold is more likely to be the best alternative of USD to live in a more just world.

Finally, new balance in global politics after Coronavirus Pandemic (COVID-19) was analyzed in this study. In this analysis, it was concluded that that global balances will get affected negatively from the COVID-19 epidemic since the most developed countries , the most effective powers of the world get the highest damages to their economy and politics while developing economies and competitors of the U.S. gets the least damage from the same process, which evokes the model of Modelski (1988:135). China has been found to be far better since it has the best GDP growth of 2020 in the scale while U.S. is the second worst in the chart. GDP of developing markets is foreseen by IMF (2020) to grow in 2021 50 percent more than that of the U.S.' GDP. According to IMF (2020), GDP of China is foreseen to grow twice as much as the United States' in 2021, which points out the sign of change in the balances of global politics after COVID-19 in favor of the China and developing economies.

When the U.S and China are compared in terms of their performance in struggles with COVID-19, China has been found to be far better since it has the best GDP growth of 2020 in figure 19 while U.S. is the second worst in the chart. GDP of developing markets is foreseen by IMF (2020) to grow in 2021 50 percent more than that of the U.S.' GDP.

According to IMF (2020), GDP of China is foreseen to grow twice as much as the United States' in 2021, which points out the sign of change in the balances of global politics after COVID-19 in favor of the China and developing economies.

To conclude, proposals which have been produced under the light of this study for the solution of the USD domination on global politics are carrying significance. With this regard the related proposals for both future researches and policy makers.

4.2. Importance of the Thesis

This thesis is valuable in the sense that it forms one of the first lights in this field. Since there are not abundant studies in this field, this study will contribute to the movement of questioning the existing unjust global politics in terms of widespread USD usage and its effects. Absence of the studies which are researching the unfair distribution of the losses and benefits arising from the worldwide USD usage leads the continuation of ongoing global politics. If this sort of studies which are searching for revealing more detailed effects, benefits and losses of the existing USD dominated global politics arise more, it will launch the quest for an alternative global system which just and fair. Furthermore, the alternative models to the USD dominated global politics which are given place in this study will be debated comprehensively as well. With this regard, another contribution of this study to the world will be the proposals comprising the alternatives models to the existing unjust system.

4.3. Solution Proposals for the USD Dominated Global Politics

The advantages and disadvantages of the worldwide use of USD on both the U.S. and the world have been given point in the previous chapters of this study. As a part of this

study, creating solution proposals would be beneficial for the US Dollar dominated global politics. There are many solution proposals for the domination in question.

The first solution would be the Model 1: International Trade with local currencies. which was mentioned above. The agreements on the trade with local currencies between two or more countries. U.S. Dollar has been used as a medium of exchange and standard of value for the goods and services which are traded between the countries none of which is U.S. Hence, the absence of the U.S. and the existence of the USD in these trades becomes very disadvantageous for the two of trade while it becomes quite advantageous for the U.S. Because, there will occur an unmatched demand and supply quantity between the sides because of the value of standard of the commodity (invoiced in USD). However, the U.S. will benefit from this trade even without involving any part of it by gaining the ability to issue more USD due to the increasing store and exchange value of its currency. [80]

In the model 1, there is a way to abolish the hesitates of countries in making trade agreement with local currencies would be determining a time limit for the countries to compensate their devaluation losses. Countries would hesitate on the trade with local currencies due to the value loss in the currencies they get. However, the pay-back system would be solution for it to end hesitates. Pay-back system ensures countries to determine a timeline at the end of which they are to compensate their local currencies value loss to one another. The value loss would be determined according to the inflation rate of the countries and the ones with more 5 percent of inflation are obligated to compensate other country's loss at that rate. It will definitely remove the hesitates on the trade with local currencies and diminish the domination of USD on global politics by encouraging countries to trade in local currencies.

The second solution would be trade with electronic monies. Electronic monies are taking their places in our lives more day by day. Countries would produce their local or common electronic monies and would make trade with them. Furthermore, countries would

[80] There are many other positive and negative effects of the usage in question. Please, see chapter:5 above.

also make trades with other existing electronic monies that are not depended on any central authority or central bank, which would enhance their courage. However, it would be beneficial to mention that the amount of electronic monies is indefinite while the amount of physical currencies is definite. The first one would create security and reliability problems in the long run for the countries in terms of value of the currency.

As Kaplanhan (2020:104-105) underlined that exchange system in the world continues its evolution beginning from barter system to commodity money, then gold/ silver, then valuable papers which are regarded as value of gold and then fiat monies that don't have correspondence, based on trust. With the globalization, international interaction has risen enormously, which also increases the level of international exchanges. Difficulties of the physical currencies (holding, exchanging etc.) pushes countries to use electronic monies more. Today, electronic monies began to take over the role of fiat money gradually. In the near future, global exchange system is more likely to take another shape with the increasing usage of electronic monies, which will probably affect and decrease the domination of the USD as well.

The third solution would be the production and usage of "regional common currencies". Countries sharing some common grounds may commonly produce and use regional currencies and thus they can share both the profit and the loss of the currency and the trade. Europe would be given as a successful example of regional solution. Europe executed first and third steps respectively and created Euro followingly. Following the trade agreements, European Currency Unit (ECU) was formed in 1979 in Europe to support regional trade with regional currency, to diminish exchange rate volatility and to obtain monetary stability in Europe and applied until 1999 in which Euro was introduced to the world. ECU was consisting of 12 member countries' currencies and it was diminishing volatility and increasing stability. Shares of each currency in ECU was being adjusted in accordance with the contribution of each country's output of EU. (Kenton, 2019.) ECU was a step for Europe in the way of Euro. When the ECU reached enough capacity, Europe introduced Euro in 1999 to enhance the level from region to the world. It thus, is a successful example of solution for countries to diminish or abolish the negative effects of the USD dominated global politics

The fourth and last solution is to make trade with gold. It is true that gold reserves on the earth is given and certain. There is no risk of oversupply of gold in the long run while

this risk has always been for fiat currencies. This risk affects all the world using since the currency is to become globally exchanged and utilized as reserve currency. Furthermore, current global fiat currencies like USD are open to manipulations, misuses like steering global politics mostly in favor of its producer country's interest by utilization from the worldwide popularity and by using the status of being the monopole producer of the currency in question.

Compared to the fiat currencies, gold is more reliable and stable. It would easily provide fairness in the global monetary system by not having the sole producer and director while its being used by the world. However, there are some obstacles against its usage in the world trade as value of standard, medium of exchange and reserve unit. Firstly, the calculation of gold price is bounded to the USD. There is a direct dependency of gold to the USD. In this context, creating a world in which gold is used as a trade currency is senseless unless its boundary with USD is removed. For this reason, gold should be bounded to another variable. That variable should comprise and reflect the existence of the world without any absence. However, its too hard to establish and sustain such system. For this reason, gold should be traded as a currency, should be traded in exchange of the goods and services which are subjected to trade. Another option for separating the boundary of gold and USD is to create a basket that includes and represents the whole world counties and indexing the price of gold to that basket. It would create better representation of world countries in the calculation of a unit which is used as a global unit of exchange and store value. The shares of countries in the basket would be based on the mixture of GDP, population, geographical area.

Second obstacle is related with the security which is the possibility of producing fake gold. However, it is certain that this risk exists for all other currencies as well. Hence, making gold resistant against fake productions would take it quite further.

The third obstacle for gold is the geographical areas in which gold is extracted. If something to be used by the world as a medium of exchange, value of standard and reserve unit, its production and distribution should be based on merit. However, gold just like petrol exists in the specific geographical areas of the world, which belongs to some certain countries and they can extract and use it. It would create injustice in the distribution of sources. The researches related with the amount of the gold sources on the earth

demonstrates that the seigniorage advantage of the gold for the countries with abundant gold sources will not last long because of the amount of gold left to be extracted if gold is used by the world as a medium of exchange, value of standard and reserve unit in international transactions. The limited amount of gold can be comprehended as a sort of warranty of value protection of it for countries to trust, invest, trade with gold, which ensures more just global politics (without unfair earnings from the worldwide usage and popularity of a currency, without manipulation with no privilege.)

4.4. Limitations and Recommendations

Under the light of the experiences of this study, there are some limitations of this research and suggestions for future researches to be noted. This study has been conducted under quite limited literature, which made this study hard proceed. Having related studies which were made before sets light the future studies to be conducted and proceeded well. However, the scarcity of sources in this area limits this study in terms of content. Therefore, more studies should be conducted on the subject of "widespread USD usage" to leave a progressive literature, to enlighten the issue and to contribute the provision of just global politics.

Another limitation of this study is related with the coverage of this study. All effects caused by the worldwide USD usage couldn't be detected and covered in this study. Future researches are recommended to a conduct more comprehensive studies about the effects of widespread USD usage.

Policy makers and authorities are recommended to encourage more studies on this subject since it is related with every country, their lives, citizens and future. By encouraging more studies, countries should conduct co-operated and shared studies in order to analyze the issue and effects internationally. In addition, the results achieved with those studies in addition to the results and recommendation in this study should be taken analyzed and evaluated in the international assemblies. With the consensus achieved in those assemblies, common results and recommendations are recommended to be executed in the world to ensure more just global politics.

Another limitation of this study is related with the available data. The widespread USD usage and domination of the USD in global politics dates back to the Bretton Woods

System and World War II. However, the data available for most of the subjects researched in this study is achievable until 1995. For this reason, further studies are proposed to conduct more comprehensive researches covering the numerical data belonging the years before 1995.

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6. APPENDİCES

Appendix-1. Curriculum Vitae

Curriculum Vitae	
Name Surname	: İlyas Balcı
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