ECONOMIC COERCION AND FINANCIAL WAR

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In March 2022, as Russian troops bombarded Ukraine, McDonald's announced it was closing its 847 branches throughout Russia. 'Our values mean we cannot ignore the needless human suffering unfolding in Ukraine,' McDonald's CEO Chris Kempczinski explained (cited in Groskop 2022). The hamburger giant may have been only one of a multitude of Western brands that announced their withdrawals in the aftermath of the invasion, but its exit was particularly symbolic. When it opened its Moscow store in the heart of Pushkin Square in January of 1990, huge crowds of people queued for a taste of the freedom they had long been told existed in the West. If this was taken by some to suggest that Francis Fukuyama had been right to declare that history had ended, it also made clear the real content of that end of history: not democracy, liberalism, and freedom, as Fukuyama had predicted, but Western-style market capitalism, and consumerism for those who could afford it. In 1990, a Big Mac with fries and a drink cost Russians half an average day's pay (Clarkson 2014: 111). In the years that followed, the country's economy crashed and by 1996 real wages were fifty percent of what they had been in 1987 (Milanović 1998). International Monetary Fund loan conditions dictated the abandonment of much welfare spending, and the 'freeing' of prices led to dramatic inflation. The freedom to consume was now accompanied by the freedom to starve.

For many advocates of the emerging world order, though, the real significance of the opening of Moscow's McDonald's was not limited to the consumption of hamburgers. While dreams of prosperity may not have materialized, at least the Cold War was over, at least there was now world

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peace. A tense nuclear standoff between rival blocs had been replaced by peaceful global trade. It was Thomas Friedman (2000) who formalized this insight into what he called the 'Golden Arches' theory of conflict prevention: 'No two countries that both had McDonald's had fought a war against each other since each got its McDonald's.' Friedman presented this as an original theory that had struck him as he jetted around the world eating burgers in Tiananmen Square in Beijing, Tahrir Square in Cairo and Zion Square in Jerusalem. But, while his specific focus on burger chains may have been novel, Friedman's theory was a re-packaged version of an argument for the pacifying virtues of trade that had a much longer lineage. As early as the eighteenth-century, Baron de Montesquieu (1989 [1748]: 338) had already predicted that, as those who pursue their interests through commerce stand in a relation of mutual need, so the 'natural effect of commerce is to lead to peace.' Following the fall of the Berlin Wall, liberal commentators were convinced that Montesquieu's belief that commerce would put an end to violent conflicts would finally be vindicated.

Today's world looks less like a utopia of peaceful commerce than it does like a giant battlefield. Global military spending is at an all-time high, suicide drones attack Kyiv as we speak, and US President Joe Biden has suggested we are on a path to 'nuclear armageddon' (cited in PBS 2022). The war in Ukraine is being fought with conventional weapons, but it has also seen extensive use of the 'economic weapon' – that is, of diverse mechanisms of economic and financial coercion (Mulder 2022). Russia has cut off gas to 'unfriendly countries' and blocked Ukrainian grain from exiting the Black Sea, with dire consequences for global hunger. Meanwhile, the US, the European Union, and their allies have introduced an unprecedented package of trade and financial sanctions against the Russian state and private individuals. Today, the arsenal of coercive techniques includes trade sanctions, export controls on critical technologies and rare earths, threats to disrupt energy security and supply chains, travel bans, restrictions on foreign direct investment, expulsion from the global financial system, and the voluntary withdrawal of private companies, McDonald's amongst them. It is these economic weapons, and particularly economic sanctions, that are the focus of my lecture.

Between 2001-2021, the United States, increased its sanctions designations by a stunning 933% (US Treasury 2021). As of August 2022, the US had thirty-eight active sanctions programs – targeting everything from weapons proliferation to narcotics trafficking to human rights – and maintained sanctions against twenty-six countries (US Treasury 2022).

While the US has long been the biggest user of sanctions, other states have recently turned to economic weaponry to fight their wars or defend their geopolitical interests. China has suspended imports from countries that have criticized its human rights record or developed what it considers to be excessively close ties with Taiwan. Saudi Arabia has used warships to blockade Yemen, contributing to a disastrous famine. And, Russia has added 752 individuals and entities to its own sanctions list this year, while actively weaponizing its control of energy, grain and fertilizer (Nikoladze 2022).

At first sight, economic sanctions, which weaponize economic networks for geopolitical ends, would seem to conflict with the supposed commitment to economic freedom that has defined the post-Cold War hegemony of neoliberal capitalism. Neoliberal market reforms were supposed to insulate the world economy from politics, foster frictionless trade across borders, and pacify social and international relations. Instead, the period of neoliberal ascendancy has seen a turn to economic statecraft that has weaponized those international trade networks that were believed to produce peace and goodwill among nations.

A dominant interpretation of this shift is that we are seeing a novel move from a global economy dominated by the concern for *efficiency* to one centred on *security*. Christine Lagarde (2022), President of the European Central Bank, argues that we are witnessing a paradigm shift away from what she calls the 'golden era for globalisation' that followed the fall of the Berlin Wall, as 'geopolitical biases are being introduced into strategic supply chains at the expense of efficiency considerations.' The head of the US Treasury, Janet Yellen (2022), argues that: 'Going forward it will be increasingly difficult to separate economic issues from broader considerations of national interest, including national security.' A paper recently released by the Atlantic Council puts the position most starkly: 'States are moving away from the demands of the market and embracing the demands of geopolitics' (Norrlöf 2022). According to Yellen (2022), this shift marks the end of what she calls the era of 'peace and prosperity' that stretches back to the end of the Cold War.

I want to contest this bundle of claims. Questions of national security and national interest were never absent in the 'golden era' of neoliberal globalisation. Far from an era of peace and prosperity, it was marked by near-constant military interventions. Viewed from Iraq, the former Yugoslavia, Afghanistan, Syria, Libya, Palestine or Yemen, this period does not look so peaceful. The argument that we are seeing a shift from commerce and peace to geopolitics and war rests on the premise that was symbolized most crudely by Friedman in his Golden Arches theory of peace: trade fosters peace and peace fosters trade. Such arguments owe much to the neoliberal ideologues of the twentieth century, who argued, in the words of the Austrian neoliberal economist Ludwig von Mises (1962: 295), that the market 'makes friends out of enemies, peace out of war, society out of individuals'.

Yet rather than being an economic ideology centred on efficiency and freedom of trade, neoliberalism was always a moral project in which installing competitive markets was inseparable from strengthening what they called 'Western civilization'. As I showed in my recent book *The Morals of the Market: Human Rights and the Rise of Neoliberalism* (Whyte 2019), early neoliberal thinkers portrayed the market as pacifying, but they were also particularly clear about the role of the state in imposing market relations. Von Mises (1996: 257) wrote that, while the market itself is free of coercion, the state 'employs its power to beat people into submission solely for the prevention of actions destructive to the preservation and the smooth operation of the market economy.' Of course, the centrality of state violence to capitalism did not begin with neoliberalism. In the eighteenth-century, when Montesquieu wrote his paens to the pacifying virtues of trade, world trade was violent and dangerous, inseparable from colonial conquest and the slave trade. Karl Marx mocked such accounts of the pacifying role of commerce in his writings on the 'primitive accumulation' of capital. After describing in garish detail the history of Dutch colonialism, with its secret prisons, assassinations, bribery and enslavement, he remarked sarcastically, 'That is peaceful [doux] commerce!'

Where do economic sanctions fit into this picture? And what do they do?

According to their chief architect, Former US Deputy National Security Advisor for International Economics, Daleep Singh (2022), US sanctions against Russia aim 'to change Putin's calculus by imposing the most severe costs at our disposal and by providing a demonstration effect for any other dictator or autocrat who wants to draw his own sphere of influence by the barrel of a gun or by coercive measures.' Others in the sanctioning coalition have argued that sanctions uphold the rules-based order, punish aggression, defend democracy against autocracy, and protect Ukrainian territory and lives. These are all worthy aims. But does the state that pursued regime changes in Iraq, Libya and Afghanistan, reducing these countries to ongoing humanitarian catastrophes, have the moral authority to lead such an endeavour? In an extraordinary Freudian slip, Former US President George W. Bush (Derysh 2022) recently confused Iraq with Ukraine, condemning what he called ‘the unjustified and brutal invasion of Iraq … I mean Ukraine.’ In a grotesque show of indifference to the plight of Iraqis, his Texan audience laughed jovially.

Official accounts of the rationale for sanctions raise questions. Why, if the sanctioning coalition is so concerned with protecting civilians and punishing autocrats, has it turned to Saudi Arabia to increase its oil production, despite the autocratic regime’s prosecution of a war in Yemen that the UN estimated could lead to 377,000 deaths, 70% of them of children under five years old (Al Jazeera 2022)? Why have Israel’s regular bombardments of the Gaza strip and widespread killing of civilians not prevented the EU from seeking new deals with Israel for gas? And why were there no sanctions on Russia as its Airforce reduced large areas of *Syria* to rubble to destroy all resistance to the brutal dictatorial regime of Russian ally Bashar Al Assad?

In contemporary parlance, there is a derogatory phrase for the kinds of questions I am asking here: ‘whataboutism’. Bringing up Iraq may be funny when Bush does it, but for anyone else it is considered a sure sign of ‘Putin apologism.’ Yet there is a crucial difference between those who seek to excuse Russia’s brutal invasion of Ukraine by arguing that, just as the US has its regime changes, humanitarian interventions and wars on terror, Russia should be allowed its own so-called ‘special military operation’, and those (like myself) who believe that, just as Ukrainians should be free from invasion, aggression and bombardment, so too should Iraqis, Palestinians, Syrians, and Yemenis.[1]

Here, I argue that, in the so-called golden era of globalisation, sanctions existed not to keep the peace or to punish autocrats but to police global capitalism. It was the unchallenged status of the United States as the world’s sole superpower that allowed the sanctions to be construed neither as geopolitics nor as war but as tools to uphold the ‘rules-based order’. Today, in the context of a new Cold War, sanctions have lost this apolitical veneer. *Sanctions are weapons of war whose worst effects are on those who lack economic and political power*.

1 For a similar argument concerning ‘whataboutism’, see: Wilde (2022).

Economic sanctions

So, what are economic sanctions? Minimally, the term refers to the cessation of customary trade or economic exchange for political ends. This could involve trade embargos, export controls, restrictions on foreign direct investment, travel bans, and financial sanctions, including the freezing of public and private assets. Beyond this, sanctions are characterized by a marked ambiguity: those who adopt them describe them as peaceful alternatives to armed conflict while those subjected to them have called them ‘crimes against humanity’ (Venezuela), ‘acts of force or aggression’ (Cuba) and ‘collective punishment’ (Iran) (Douhan 2021). This ambiguity reflects their paradoxical history; sanctions emerged when a devastating form of war—the *blockade*—was reconfigured as a means to keep the peace.

During World War One, the Allied blockades of the German, Austro-Hungarian, and Ottoman Empires led to the deaths of hundreds of thousands of people. Yet, when the victorious powers established the League of Nations in the war’s wake, they incorporated the ‘economic weapon’ into its covenant as a peace-keeping mechanism. If any member of the League resorted to war, the covenant promised that League members would sever all trade and financial relations with the covenant-breaking state. Then US President Woodrow Wilson’s (cited in Mulder 2022: 2) description of the economic weapon reflected all the ambiguities about its character that persist to this day: ‘apply this economic, peaceful, silent, deadly remedy,’ he argued, ‘and there will be no need for force.’ Wilson (cited in Mulder 2022: 1) was convinced sanctions were so terrible that the mere threat of them would (in his words) bring ‘a nation to its senses just as suffocation removes from the individual all inclinations to fight.’ It didn’t work out that way. The new League sanctions were used almost immediately against the new Bolshevik government in Russia and then against the communist regime in Hungary. Sanctions failed their greatest test in 1936, when they were unable to prevent Fascist Italy from annexing Ethiopia. Many see this failure as the death knell of the League of Nations.

Like its predecessor, the United Nations was equipped with the power to sanction but, for decades, both the existence of the veto and the structure of the Cold War economy militated against their use.[2] As long as a sanctioned state still had half the world to trade with, sanctions could be neither comprehensive nor devastating. Cuba, for instance, was subjected to a unilateral US blockade that began in 1959, but it was the fall of the Soviet Union, which stripped it of 75-80% of its trade, which was the real disaster for Cuba (Gordon 2016). The end of the Cold War paved the way for an extraordinary proliferation of sanctions. The 1990s, which have been dubbed the 'sanctions decade' began with the 1990 imposition of comprehensive sanctions on Iraq following its invasion of Kuwait. In a sign of the new times, neither China nor the Soviet Union used its veto to block the sanctions. In the remainder of the decade, an average of seven new sanctions regimes were introduced each year (two thirds of them unilaterally by the United States). By the time of Bill Clinton's Presidency, an estimated 40% of the world's population were subject to US sanctions in some form (World Economic Forum 2022).

The birth of the uni-polar world also saw a shift in the stated rationale of sanctions, which were increasingly framed as measures to promote democracy and secure human rights. Iraq's experience nonetheless made clear that sanctions could be devastating, especially for the most vulnerable. Depriving Iraq of the ability to sell its oil led to a collapse of government revenues and of imports and to severe shortages of basic commodities. The unemployment rate hit 40-70%, and the collapse of Iraq's ability to purify water and treat sewerage led to a dramatic increase in typhoid, cholera and dysentery (Jones 2015: 140). Asked to respond to estimates that the sanctions had caused the deaths of half a million children, the then US Secretary of State, Madeleine Albright, infamously declared the price to be 'worth it' (cited in Jones 2015: 18).

Not everyone agreed. Iraq's experience led to a backlash that spurred the search for 'smarter' sanctions. The post-Iraq war period saw the development of a host of techniques including arms embargoes, travel bans, targeted trade sanctions and then financial sanctions, which promised to surgically target those in power without causing excessive humanitarian damage. According to a key architect of 'smart sanctions', Iraq did not invalidate sanctions but only created an ethical obligation to apply them more carefully: 'it is the implementation of sanctions that is

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[2] From its foundation until the end of the Cold War, the United Nations security council imposed sanctions only twice, against Rhodesia and South Africa.

the culprit,' he argues, 'not the tool itself' (Lopez 1999: 146). Yet, sanctions are not neutral tools. They presuppose hierarchical relations of power, while also shaping the ways in which power and resources are exercised and distributed. The claim that sanctions are tools whose humanitarian consequences are the result of misuse obfuscates the fact that causing harm to a civilian population is central to the purported capacity of sanctions to fulfil their assigned functions.

Sanctions instrumentalise civilian suffering

At a recent conference, US sanctions practitioner Daleep Singh (2022) bristled when asked how he could ethically justify the fact that sanctions target civilians. The sanctions on Russia are not *targeting* civilians, Singh responded, 'they are targeting the commanding heights of the Russian economy, and that has consequences.' Here, Singh mobilized a familiar distinction between the deliberate targeting of civilians (which the laws of armed conflict prohibit) and the 'collateral damage' that is seen as an unfortunate side-effect of lawful attacks on military targets. Whether or not we accept the legitimacy of this distinction in the military context, there are good reasons to doubt that harm to civilians is merely the collateral damage of economic sanctions. Sanctions are the contemporary form of siege warfare, and, in a siege, civilian suffering is not collateral damage; it is the *object* (Gordon 2016: 124).

Richard Nephew, who designed the Obama administration's sanctions against Iran is unusually frank about the centrality of civilian suffering to sanctions regimes. While avoiding ownership of the humanitarian consequences of sanctions may be good PR, he writes, it will 'interfere with their effectiveness on a practical level if a sanctioner adjusts the regime to address a humanitarian problem and, in doing so, reduces the very pain the sanctions are intended to create' (Nephew 2018: 12). Nephew takes pride in having learnt from Iraq. Yet, the goal of targeting, as he frames it, is not to spare civilians but to make the imposition of pain as efficient and effective as possible. He compares targeted sanctions to the violence wielded by someone skilled in martial arts 'who can identify pressure points and render their opponents defenceless' (Newphew 2018: 142). In Iran, he boasts of targeting the manufacturing sector to create widespread unemployment and of the success of the sanctions in depreciating the currency and boosting inflation, leading to spiralling food prices, including a three-fold increase in the price of chickens. Moreover, he notes that, while the sanctions regime exempted medicines and medical supplies, these were simply not available because ‘they cost too much for the average Iranian’ (Newphew 2018: 130). Targeted or otherwise, sanctions have their most brutal effects on civilians and particularly on the poor, the sick, and the powerless.

The specific harm of economic sanctions has proved difficult to identify through a liberal lens. We have become so used to the naturalization of economic suffering that even when it is deliberately produced for geopolitical ends, it is not viewed with the seriousness of other forms of violence against civilians. But it is not self-evident that the violence of military force is more harmful than depriving a population of adequate food and medicine. Rather, that view rests on a distinctive philosophy of violence – one Judith Shklar (1989: 26) called the ‘liberalism of fear’ – which draws its deepest grounding from a horror of cruelty. By the time Shklar theorised an anti-utopian liberalism based on averting physical suffering, human rights NGOs had been practicing it for almost two decades. The rise of NGOs like Amnesty International led to a new concern with the body in pain. Yet, this sensitivity to deliberately inflicted, interpersonal violence also deflected attention from *structural* violence and forms of economic suffering that were less easily attributed to specific violators.

From this perspective, it is noteworthy that Nephew (2018: 3) describes the two key elements of a sanctions strategy as ‘a sanctioning state applying pain against a target and the target state’s resolve to persist in whatever it did to prompt sanctions.’ While this visceral language aligns sanctions with embodied forms of pain, notably torture, I prefer a less sensational language. Sanctions, I suggest, are best understood as the use of *economic coercion* to secure *submission* to the demands of those who impose them. Such coercion may have effects that are at least as devastating as the direct imposition of physical violence, but its unspectacular nature has been key to occluding the violence of economic sanctions and bolstering their popularity as a supposedly peaceful tool of foreign policy. The language of economic coercion and submission highlights the connection between sanctions and other forms of economic pressure that are central to the operation of the world economy, from debt conditionality to what Marx (1981 (1867]: 899) called the ‘silent compulsion of economic relations’ – that is, the dependence on the market that forces people to work to survive. Sanctions are a distinctly capitalist form of power. They presuppose dependence on the world market, and increasingly, on the financial market; and they also, I suggest, police that market in the interests of global capital.

Sanctions on Russia

The recent sanctions against Russia are unprecedented in that they aim to exclude a highly-integrated, US$1.5 trillion economy from global networks of trade, investment and finance. The most influential book on sanctions includes among its 'rules' for policy-makers who design sanctions programs: 'Do pick on the weak and helpless' (Hufbauer *et al.* 1991: 114). Successful sanctions presuppose asymmetrical dependence—the sanctioned state must depend on the sanctioner more than they depend on it. Sanctions against the world's eleventh-largest economy are an aberration with potentially dramatic impacts on the world economy. Russia is no longer a super-power but nor is it 'weak and helpless.' As we have seen all too clearly, Russia's control of, and Europe's dependence on, oil and gas have given the Russian state considerable power to wage its own economic war. Moreover, having been sanctioned in 2014 for annexing Crimea, Russia had gone to significant lengths to 'sanction-proof' its economy, notably by building up a US$630 billion stockpile of foreign reserves (Norrlöf 2022: 40).

The sanctions packages against Russia are extensive and ever-expanding. They include blocking sanctions which freeze the assets of Putin and the Russian elite, energy sanctions which restrict the purchase of Russian oil and gas, trade sanctions, including export controls on numerous critical materials and minerals, and transport sanctions which prohibit Russian planes from the airspace of the sanctioning powers (Chachko and Heath 2022: 135-9). Most significantly, they include a raft of financial measures that aim to expel Russia from the global financial system. Daleep Singh explains that, while designing the sanctions, he focused on finding an 'asymmetry' – an area of US strength and Russian weakness. While the world economy was becoming increasingly multi-polar, he concluded, 'the dollar is still the operating system' (cited in Wallace-Wells 2022).

Although the sanctions against Russia have been construed as a means to defend democracies against autocracy, the power of the sanctioning coalition is not primarily democratic; it is financial. The ability to expel Russia from the global financial system is premised on the 'exorbitant privilege' of the United States – that is, the dominant role of the US dollar in global trade and finance. This privilege is manifest in multiple areas of the world economy. Most importantly, while the share of US dollars in the foreign reserves of states has been falling for decades, 59% of global reserves are still held in US dollars (IMF 2022). Despite its active efforts to diversify its reserves, at the time of its invasion of Ukraine, much of Russia's reserves were still in Euros and dollars; and they were therefore vulnerable to sanctions (Vermeiren 2022).

The dollar is also used for 40-45% of cross-border payments; and the overwhelming majority of these payments must be cleared by correspondent banks with branches inside the United States.[3] US sanctions prohibit US financial institutions from maintaining correspondent banking accounts and from processing financial transactions for prohibited Russian entities. Finally, continuing a policing role that it took on in the wake of 9-11, the Belgium-based SWIFT expelled Russia from its system, which allows payment instructions to be sent between financial institutions. 'When Russia made the decision to invade Ukraine, it predestined an exit from the global financial system,' Janet Yellen (2022) of the US Treasury said.

Of these financial measures, it is the freezing of the Russian Central Bank's foreign reserves that has been described as the 'nuclear option' (Tooze in Klein 2022). In directly targeting Russia's ability to use its reserves to prop up its currency, this move aimed to send the rouble into free-fall and force Russia to default of its debts. Although continued energy payments, along with interest rate hikes and capital controls, introduced by the Russian central bank prevented this, it seems that the freezing of Russia's reserves came as a shock to the Russian state, which had assumed that sovereign reserves were immune from such treatment. In March, Russia's Foreign Minister, Sergei Lavrov (cited in Wallace-Wells 2022), told students that no one had expected that the US would freeze Russia's reserves, a move he described as 'just thievery'. Many commentators have argued that the decision to freeze the reserves marks a significant geopolitical shift that is likely to generate a move away from the US dollar as the world's reserve currency. The Chinese economist Yu Yongding (2022) recently declared that, in freezing Russia's reserves, the United States 'has proved its willingness to stop playing by the [monetary]

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[3] Members of Chips (the Clearing House Interbank Payments System) must hold a branch office in the United States.

rules' and argued that China must therefore take immediate steps to reduce its own US$3.2 trillion reserves. Zoltan Pozsar (2022) of Credit Suisse argues that the seizure of Russia's reserves marks the end of the informal, US-dominated monetary system that has been dubbed Bretton Woods II and the rise of what he calls 'Bretton-Woods III', in which the dollar would lose its place as the world's reserve currency to commodity-backed Asian currencies.

But Russia is far from the first country to have its foreign reserves frozen by the United States. In very recent times, the US has frozen Venezuelan state reserves, some of which it provided to the exiled opposition leader Juan Guaido, who the US recognizes as the country's President. And, while approximately twenty-million Afghans are facing acute hunger, 7 billion USD in Afghan national reserves remain frozen by the United States, half of them pending law-suits by the families of 9/11 victims (USIP 2022). In an open letter in August 2022, a group of economists, including Nobel Laureate Joseph Stiglitz and former Greek Finance Minister Yanis Varoufakis, argued that the seizure of these reserves had led to the collapse of the Afghan economy, an effect that they described as imposing 'collective punishment on an entire people for the actions of a government they did not choose' (Common Dreams 2022). Recently, it has been estimated that the US sanctions on Afghanistan will kill more people than did twenty years of war (Sedlar 2022).

These recent examples are far from historically anomalous. The US President's ability to seize the assets of foreign governments goes back to the 1917 'Trading with the Enemy Act', which was supplanted in 1977 by the 'International Emergency Economic Powers Act.' These acts gave the President powers to seize assets and impose sanctions when faced with 'an unusual and extraordinary threat' to the 'national security, foreign policy or economy of the United States' (US Code 1977). Among those countries whose assets were frozen by the United States between WWII and 2000 are the following: Germany, Japan, Italy (WWII), Hungary, Romania, Latvia, Lithuania, Estonia, Bulgaria, Czechoslovakia (after their incorporation into the USSR), North Korea and China (1950), Cuba (1963), North Vietnam (1964), Rhodesia (1965), Kampuchea (1975), Iran (1979), Libya (1986), Panama (1988), Iraq and Kuwait (1990), the Federal Republic of Yugoslavia (Serbia and Montenegro) (1992), and Afghanistan (1999) (Dooley *et al.* 2022).

How do we explain why this long history of freezing central bank reserves has not undermined the role of the US dollar as the world's reserve currency? After all, we are regularly told that this reserve status depends on trust in the US economy with its sound financial management and strong protections for private property. One intriguing answer comes from a group of mainstream economists who have spent decades analysing, and defending, US monetary power, and who argue that the US dollar is (still) the reserve currency not despite but *because* the US has a long history of freezing the assets of other states. The dollar retains this status, they argue, 'because the US is the only country with sufficient power to impose exactly such sanctions when a country like Russia misbehaves' (Dooley *et al.* 2022). The seizure of reserves, from this perspective, is not a threat to dollar hegemony; rather it is a central plank of the US's role as guardian of global capital. For these authors, foreign reserves are best understood as 'hostages', which so-called 'risky' states accumulate to reassure foreign investors that their assets will be safe from expropriation (Dooley *et al.* 2022). Global corporations are prepared to invest in risky states with large accumulations of US dollar reserves, they argue, because corporate executives know that, if such states were to nationalize their property, the US would step in to freeze their reserves and make them available to the owners of the nationalized property.

It is noteworthy that this distinction between risky states and centre states largely maps onto the old, racialized, division between civilized and uncivilized states. According to the 'standard of civilization' of the nineteenth century, a civilized state was one that guaranteed the basic rights of foreigners, including their rights to property and commerce, and adhered to the law of nations and the norms of 'international society'. Those who were deemed 'uncivilized' were deprived of legal personality and faced colonization and forcible transformation in the interests of global capital (Tzouvala 2020). In the period of decolonization during the 1960s and 1970s, former colonial powers and their corporations, as well as neoliberal intellectuals, developed a raft of techniques to restrict post-colonial sovereignty and preserve the rights of capital in the absence of formal colonization. Economic sanctions were among those techniques, lying somewhere between direct military intervention and structural adjustment along a continuum of coercion.

Of course, Putin's willingness to invade and subjugate neighbouring countries invalidates his claim to lead an 'anti-colonial movement' against US hegemony. And, unlike most 'risky' countries today, Russia was part of the European system of ‘civilized states’ in the nineteenth century and engaged in a process of settler colonial expansion that had many parallels with the one simultaneously occurring in the United States (Sabol 2017). Moreover, contemporary Russia is anti-capitalist only in the fervent imaginations of those Cold Warriors who are still fighting the Soviet Union. In practice, Putin is an enemy of the Russian revolution and of the principle of national self-determination that it consolidated. His blend of reactionary Christianity, traditional values, and imperial revivalism offers little threat to global capitalism, or inspiration to anyone who seeks a more just world. Russia is a highly unequal country, and, for decades, its elites have benefited from the neoliberal order underpinned by US power to build up fortunes by raiding public assets.

Yet, Putin *has* challenged American hegemony, including financial hegemony, and established a ‘no-limits’ friendship with its greatest competitor, China. In the post-Cold War uni-polar world, defending global capitalism and defending US interests appeared indistinguishable. This is the real basis for the contention that this period was free of geopolitics and concern for national interest. Today, in the context of a new Cold War, the US is struggling not only to uphold global capitalism but also to defend its hegemonic position within it. To do so, it is increasingly weaponizing the control it still exercises over the global economy, and particular the US dollar.

A new social contract?

According to Dooley and his co-writers (2022), the seizure of foreign reserves ‘underpins the global social contract behind gross and net international capital flows.’ The idea that sanctions preserve a global social contract by restricting access to finance is increasingly prominent today. In March 2022, Larry Fink (2022), the CEO of BlackRock, which oversees US$10 trillion of assets, argued that Russia’s invasion of Ukraine had revealed that ‘access to capital is not a right. It is a privilege.’ Central figures in the US administration and affiliated think tanks are similarly arguing that participation in global trade and dollar-dominated financial networks now requires adherence to the tenets of what they construe as the rules-based international order. As a senior figure at the Atlantic Council put it recently, ‘if you want to use the dollar you have to comply by the rules of the US dollar’ (Friedlander 2022). But, if the dollar is a social contract, what kind of sovereignty does it constitute? And who does it benefit?

For early modern political philosophers, the myth of the social contract provided an explanation of how sovereignty could be founded on consent. In the pioneering version offered by the English philosopher Thomas Hobbes, people gave up their right to wield violence to a sovereign in exchange for protection. This, in turn, allowed them to escape from a life that was 'nasty, brutish and short' and provided the conditions for the flourishing of commerce. The powers of this Hobbesian sovereign were not limited by law and nor was the scope of its legitimate action spelled out in advance. Subsequent philosophers contested this model, insisting that the people retained rights *vis-a-vis* the sovereign and that sovereign prerogatives should be constrained by the rule of law. There are no equivalent limits to the monetary sovereignty of the United States. The triggers that have led the US to seize reserve assets are varied and not stated in advance.[4] This power, premised on the President's declaration of a state of emergency, is arbitrary and unconstrained, and those subjected to it are largely without rights. The sovereign contract at stake here exists to protect capital, not people.

Who benefits from this social contract? For Dooley and his co-authors (2022), the contract benefits those countries that build up foreign reserves, as they receive foreign investment in turn. China's build-up of foreign reserves, they argue, reassured investors that 'there was a safe way to access disciplined labor at a fraction of the cost of industrial country labour'. While global corporations have benefited from this order, the compulsion to accumulate huge stockpiles of US dollars detracts from social spending and investment. As Mathew Klein and Michael Pettis (2020) note in relation to China's US$3.2 trillion in reserves, 'money spent buying safe assets is money that could have been spent on roads or hospitals' (or, we may add, on investment in renewable energy). While US Treasury Secretary Janet Yellen insists this conflict threatens 'an order that benefits us all', the US has used its power to sanction to uphold an unjust neoliberal economic order that has redistributed wealth upwards to the

[4] In contrast to private contracts, in which the triggers that would lead a party to forfeit their collateral are well-defined, Dooley *et al* (2022) contend that, when it comes to the seizure of reserves (here conceived as collateral against bad behaviour) 'the trigger for forfeiting collateral is not known ex-ante.'

benefit of the ruling classes of the United States, China and Russia. It has left 70 million of the world's people facing acute food insecurity, or in less technical terms, at risk of starving to death (Shalal 2022).

This leaves the crucial question of whether sanctions benefit Ukrainians as they struggle to defend their territory and lives. The impact of the sanctions on the course of the war remains unpredictable. Sanctions have rarely ended wars, and, if they have not succeeded in dislodging the Cuban government after sixty years, they are unlikely to force Putin from power in the near-term. Those who argue today that sanctions are working often confuse the undoubted economic effects of the sanctions with their effectiveness in achieving the stated ends. Paulo Gentiloni (2022), European Commissioner for Economy, recently evidenced his claim that the sanctions are working by noting that Russian cars are now being produced without airbags. Yet, the relationship between Russian cars without airbags and ending the war remains obscure. As Iran's recent delivery of suicide drones suggests, it is unclear whether sanctions will hamper Russia's military effort or simply force it to turn to new sources of weapons. And, of course, as Putin has been all too eager to remind everyone, Russia still has one of the world's largest arsenals of nuclear weapons.

The political effects of sanctions are also unpredictable. The theory of power underpinning them assumes that harming civilians will cause them to revolt against their leaders. But the opposite is equally possible—being subjected to economic warfare may harden popular resolve to fight a brutal war. What *is* clear is that sanctions will, as they've always done, have their worse impacts on the most vulnerable: on 17 October 2022, UNICEF (2022) announced that 'the economic crisis caused by the war in Ukraine' has thrown four million children into poverty across Eastern Europe and Central Asia, including 2.8 million in Russia and half a million in Ukraine.

The biggest costs of the economic war, however, are likely to occur far outside the conflict zone, in Bangladesh, Egypt, Yemen, Sub-Saharan Africa, and Pakistan, among others. As European countries buy up all the gas available on the market to fill their storage capacity, countries with fewer economic resources are priced out of the market. In Bangladesh, the inaccessibility of power has led to rolling daily blackouts; in a country in which power was already rationed, the government has reduced the school week by one day to conserve energy. In Pakistan, power cuts are making it difficult to produce fertilizer and pushing up food costs (Quartz 2022).

The West's answer to these 'spill-over effects' is that these countries should turn to the IMF for loans. Thus, in a context of a booming US dollar and rising interest rates, we can expect an intensification of debt dependence and coercive restructuring in the interests of global capital to be among the 'spill-over effects' of the current economic war.

Conclusion

In 2009, the Italian world systems theorist Giovanni Arrighi offered some speculations about a future after US hegemony. For Arrighi (2010: 31), 'world hegemony' is also a product of a social contract of sorts. Reappropriating Antonio Gramsci's theory of hegemony for a world of sovereign states, Arrighi argued that no world hegemon rules by force alone; rather, in conditions of crisis, a contender for such hegemony must satisfy a demand for order by 'reconstituting the world system on new and enlarged foundations, thereby restoring some measure of interstate cooperation.' Arrighi (2010: 385) laid out three possible options for a future after unilateral US hegemony: 1) a new multilateral 'Western' imperial project; 2) an East-Asian centred world market; and 3) 'long periods of systemic chaos'. From our own vantage point, while each of these remains possible, the third looks increasingly likely (Arrighi 2010: 385-6). If we are to avert it, then we cannot afford to pine for a golden era of commerce and peace or hope to return to a supposedly apolitical global economy – marked by free trade, neutral money and a 'rules-based order'. Rather, the descent into economic war should force us to reconsider the politics that underpin the global economic order and the distributions of power and wealth that it sustains.

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