Structural Power and Hegemonic Exhaustion in the Crypto Era

— Reassessing Susan Strange's Theory of Structural Power through the Lens of Raymond Aron

Taemin Oh, Adjunct Professor, Department of the Philosophy of Bitcoin as Money, Hanyang University

Abstract

This paper reassesses Susan Strange's theory of structural power from a contemporary perspective. Strange saw through the American-decline arguments of the 1980s and 1990s more clearly than almost any of her contemporaries. America's shrinking share of world GNP, she argued, was an illusion produced by a territorial view of power. American power had not disappeared. It had moved "from land and population to control over the structure of the global system." The same diagnosis holds for the dollar-decline arguments of 2026. The dollar's share of global reserves has fallen to 57%, yet about 99% of stablecoins, which individuals choose with no regulation or obligation, are denominated in dollars. States are de-dollarizing while individuals are dollarizing, and the individuals are bypassing the states from below.

This paper argues, however, that Strange's accuracy exposes the limits of her theory rather than its completeness. China, which she expected to benefit from generous American hegemony, became a leading revisionist power. Competition from Chinese imports cost the United States about 2.4 million jobs, and the political polarization of trade-exposed regions fed the Trump phenomenon. Her theory has no place for the domestic political costs of sustaining an empire. The America she describes is an "empire without a republic."

Raymond Aron's distinction between force and puissance[1] fills that gap. In this framework, structural power is not a different kind of power from puissance. It is one pole of puissance, where the actual use of force approaches zero. Hegemonic exhaustion is the process by which the United States is pushed toward the opposite pole, because holding the same position increasingly requires coercion. Strange's model can explain what the United States hopes to gain by bringing crypto into its institutions, but not why it has no choice. By adding Aron's "imperial republic" and the concept of hegemonic exhaustion, this paper explains the motives behind America's current push to institutionalize Bitcoin and dollar stablecoins.

[1] *Translator's note*. Raymond Aron used two French terms that English tends to flatten into "power." *Force* means the resources a political unit has at its disposal: military, economic, and moral. *Puissance* is the capacity to make its will prevail over other units, the result obtained when those resources are brought to bear in a particular situation. The two do not move together: a state can have far more force than another and still not turn it into proportionally more puissance. Puissance can be won through persuasion, with force staying in the background, or through coercion. This paper keeps the French term because "power" would blur the distinction. See Section II.3 and Aron (1962).

I. Introduction

International political economy has long explained the post-1945 order less by direct coercion than by structural power: the power to shape the very range of choices open to states and markets. Susan Strange's theory is its best-known statement. For Strange, power lies not in winning the game but in setting its rules. The dollar is the world's currency for transactions, savings, and reserves, and Federal Reserve rates set the terms of global credit. As long as that holds, the playing field tilts toward the United States, which does not have to decide anything each time (Strange 1988).

The model is at its strongest against claims of American decline. In the conclusion to the second edition of *States and Markets*, Strange declared that the source of American power had shifted "from land and population to control over the structure of the global system" (Strange 1994, Korean ed., 382). Three decades on, that judgment has held up far better than the declinists' forecasts. Japan did not overtake the United States, and the twin deficits did not bring down the dollar system.

Dollar stablecoins in the 2020s seem to vindicate the model once more. In 2025 the US Dollar Index had its worst first half since 1973, and the dollar's share of global reserves fell to 57.13% in the first quarter of 2026. Yet about 99% of the stablecoins that individuals chose freely were denominated in dollars.

So what is the problem? Strange's conclusion offered more than a rebuttal of declinism. She also wrote that if the American economy recovered, idealism would revive, and that the world's peoples, the Chinese among them, "can only pin their hopes on this" (Strange 1994, Korean ed., 391). That condition was met in the late 1990s. But America's generous engagement produced not a cooperative China but a leading revisionist challenger. The sense of threat from that China drove idealism out of American politics and gave rise to the Trump phenomenon. Even America's active embrace of dollar stablecoins is part of the effort to check China. Strange's model explains why the dollar endures. It does not explain why the United States has been pushed so hard to defend it.

That calls for a distinction. The weaker proposition holds that structural centrality exists. The stronger one holds that the structure systematically strengthens the United States over the long run. Both predict the same observation, "peripheral states are cornered while the dollar holds the center," so that observation cannot tell them apart. The difference lies elsewhere. Does the core state almost always lead change, or does change force it to scramble to regain control? Can a peer challenger grow inside the order? And how long will the core state's citizens, who bear the costs, keep consenting to its role?

This paper combines Strange and Aron rather than pitting them against each other. Strange explains where power resides; Aron's distinction between force and puissance explains what it costs to keep. The paper calls these the statics of structural power and the dynamics of hegemonic exhaustion. Section II reconstructs the two theories and defines hegemonic exhaustion operationally. Section III examines what dollar stablecoins do to peripheral states' monetary sovereignty, and shows that Strange's model applies equally to stablecoins and to the institutionalization of crypto. Section IV shows that the core state is being cornered, through two

cases: America's push to institutionalize crypto, and China's rise as a creditor on the periphery, which reverses the debtor periphery that Strange's model assumed. Section V takes up the theory's structural gaps, Section VI offers a synthesis and answers likely objections, and Section VII concludes.

II. Theory: From Structural Power to Hegemonic Exhaustion

1. Structural Power

Strange distinguished relational power from structural power. Relational power is the ability of A to get B to do something B would not otherwise do. Structural power is the ability to determine the field on which the contest is played. Whoever has it need not coerce anyone, because others walk into the system of their own accord (Strange 1988).

She saw this power as a tetrahedron of four structures. The security structure decides who protects whom. The production structure decides what is made and with whose technology. The financial structure governs how credit is created and which currency sets the standard. The knowledge structure shapes what is believed to be true and which standards spread. The four hold one another up. American financial power does not stand alone: it rests on a security structure that binds allies, a knowledge structure that controls semiconductor design and platform standards, and a production structure that commands the upper tiers of supply chains. Seen this way, manufacturing decline and trade deficits are only surface indicators. Even if China builds an alternative payments network, it cannot easily replace the whole tetrahedron at once.

At the core of the financial structure are two capacities: creating credit, and setting the terms on which others can get it. The Eurodollar market is the historical example. US domestic regulation pushed dollar banking to London, and the offshore dollar market exploded in the 1960s. Eurodollars circulated beyond the reach of any central bank and slipped past national capital controls, yet the United States did not suppress them. It suited Washington better for the dollars released to pay for the Vietnam War and Lyndon Johnson's Great Society programs to stay offshore than to return and demand conversion into gold.

Where the credit went shows a second point. Surplus dollars that the oil shocks had piled up flowed through offshore Eurobanks to Latin American governments, whose external debt rose from about $29 billion in 1970 to about $327 billion in 1982. When Mexico's debt moratorium set off the crisis, the periphery went through a "lost decade." Even the resolution had to pass through conditional lending programs of the US-led International Monetary Fund (IMF).

2. The Critique of American Decline

Strange's argument is strongest where it rebuts the declinists. America's share of world GNP fell from about 40% after the war to around 22%, and its share of world manufactured exports from about 30% to around 13%. Strange did not dispute the numbers. She disputed how they were read (Strange 1994).

Her rebuttal has three layers. First, the declinists are taken in by a "Made in USA" illusion. Counting only what is produced inside US territory leaves out production that American firms own and direct abroad, and power should be measured by ownership and control, not territory. Second, once that bias is removed, American authority in the world economy "has not diminished but has in fact increased" (Strange 1994, Korean ed., 384). Third, and decisively, the United States can still push costs onto the whole system. Running deficits while devaluing the dollar, which imposed

costs on every dollar holder, was "possible only through America's superior structural power" (Strange 1994, Korean ed., 387). She read the fact that Saudi Arabia, Kuwait, Japan, and Germany paid most of the roughly $61 billion cost of the 1991 Gulf War the same way (Strange 1994, Korean ed., 388).

Two levels of proposition need to be separated here. The weaker proposition is that a dollar-centered financial structure systematically produces outcomes favorable to the United States. The stronger one is that the order is a mechanism run by American power, for American power. Strange herself noted that structural power is not necessarily the product of deliberate design. But she held to the weaker proposition throughout, and even late in her career kept the same judgment: "states in general have become less powerful, but the United States has become more powerful" (Strange 1998b).

The critique in this paper therefore does not stop at the stronger proposition. It asks whether the claim that structural power sustains and strengthens the core still holds when the core's costs of maintenance are rising and a challenger is emerging that could shake the foundations of structural power itself.

3. Aron's Force and Puissance

Raymond Aron did not reduce power in international politics to physical coercion (Aron 1962). *Force* is the military, economic, and moral means a political unit has at its disposal. *Puissance* is "the capacity of a political unit to impose its will upon other units." Force is the means. Puissance is what those means achieve when they are brought to bear in a particular situation.

Three points follow. First, force and puissance are not proportional. Within NATO the United States had overwhelmingly more force than France, but that gap did not turn directly into a matching gap in puissance. Second, puissance can be exercised through persuasion as well as coercion, and when it is, force works in the background without being mobilized. Third, Aron named space, resources, and the capacity for collective action as the determinants of puissance. It depends not only on how many resources a unit has but on its ability to organize them and justify their use.

This is not the familiar equation of puissance with attraction and force with coercion. That contrast is closer to Nye's (2004) distinction between soft and hard power. For Aron, force is what a unit has, and puissance is what it gets. Neither maps onto coercion or attraction: force is the set of means, whether or not those means are used coercively, and puissance is the result, whether won by persuasion or by coercion. In his framework, the right question about the health of a hegemony is not "How much force does the United States have?" but "How much puissance can it get while mobilizing how little force?"

Aron applied this framework to the United States in *The Imperial Republic* (Aron 1973). Both words in the title matter. The United States plays an imperial role in holding up the world order, yet it is also a republic, run on elections and the consent of its citizens. The costs of empire are ultimately paid by the republic's citizens. When they stop accepting those costs, the imperial role is shaken by domestic opposition.

4. Strange's Structural Power as One Pole of Aron's Puissance

The two concepts overlap a great deal. Both refuse to reduce power to a quantity of resources, both treat power as a relationship, and above all both see compliance without coercion as power's normal form. In Strange's structures, participants follow the rules not because they are forced to but because it is rational to play on that field. A firm that contracts in dollars does not feel it is submitting to America's will. In Aron's terms, this is force staying in the background, unmobilized: puissance won through voluntary acceptance that does not even require persuasion.

Here is the paper's central move. Strange's structural power is not a different kind of power from Aron's puissance. It is one pole of the same spectrum, where the United States gets what it wants with almost no force at all and other actors' choices line up in its favor anyway. At the other pole sits puissance that has to be bought with coercion, through sanctions and tariffs. Hegemonic exhaustion is the slide from the first pole toward the second. It does not mean America has become weaker in absolute terms. It means holding the same position now takes more coercion and costs more. The paper makes this operational along three dimensions.

Table 1. Three Dimensions of Hegemonic Exhaustion and Their Observable Indicators

Dimension	Aron's concept	Observable indicators (examples)
Rising mobilization ratio	From potential to mobilized *force*	Number of sanctions designations; items under export controls; explicit threats in tariff and defense burden-sharing negotiations
Falling conversion efficiency	*Force* and *puissance* are not proportional	Compliance relative to the *force* mobilized; growth of alternative payment networks and gold holdings after sanctions
Shift in how power is exercised	From *puissance* by persuasion to *puissance* by coercion	Demands that allies bear costs; imposed investment commitments; growth in other actors' defensive *puissance*

The two thinkers also part ways. For Strange, power sits in structural position and reproduces itself through inertia. For Aron, puissance sits in relationships and situations and has to be realized anew each time. It is a flow that shrinks with each use. That is why the "paradox of dollar weaponization," discussed in Section IV, arises: mobilized force changes how others see the system, and that erodes puissance (McDowell 2023; Farrell and Newman 2019). Strange's account misses the fact that holding power is getting more expensive. What this paper does is pair the balance sheet of structural power with an income statement of puissance: the first shows what the United States holds, the second what it costs to keep holding it. Strange's tetrahedron also contains security, production, finance, and knowledge, but no entry for the domestic consent in the United States that sustains them. As Section V argues, that omission is where the "empire without a republic" sits.

III. Crypto and Monetary Sovereignty: Strange's Model Half a Century On

1. Strange on the State's Loss of Control over Finance

Strange could not have foreseen dollar stablecoins, since the blockchain technology behind them was created after her death. But in international politics, similar developments already existed in her day. *The Retreat of the State* (1996) opens with this sentence: "Today's heads of government seem to be the last to recognize that they and their ministers have lost the authority over domestic society and economy that they once possessed" (Strange 1996, Korean ed., 3). To explain that loss, she devoted a chapter to "The Neglected Factors: Technology and Finance." Finance is one of the two main factors in her account of declining state authority.

In the same chapter she lists four basic responsibilities of the state, and money comes right after security: "the maintenance of civil law and order, the defense of territory against the depredations of external aggressors, the provision of sound money for the economy, and the assurance of clear rules governing basic exchanges of property." Managing the currency is therefore part of the minimum list that makes a modern state a state. Yet in Chapter 3, "The Limits of Politics," she takes apart the state's claim to exclusive authority over this function. She observes that "seigniorage," the profit from monopolizing currency issue, reflects "the state's claim to exclusive and superior authority," and then undercuts that exclusivity at once: Scottish banks issue their own banknotes. In a lecture at the London School of Economics, she put it more bluntly: "States are not the only actors with the authority to allocate values. Telecommunications companies have it, and so does the mafia" (Strange 1995).

Who, then, was eroding peripheral states' ability to manage their currencies in her day? She named three agents. The first was offshore markets. She traced the erosion to "the liberalization of financial markets, going back to the Eurodollar story of the 1960s," and summed up: "Financial globalization has punched large holes in national regulatory systems" (Strange 1998b, 16). The second was US regulatory choice. For her, the erosion was a decision, not a natural process: "It was national governments, especially the US government, that chose deregulation" (Strange 1998b, 18). The third was international institutions. Of the Asian crisis of 1997–98 she wrote that "the only common denominator in Asia was the lethal combination of external pressures to liberalize too quickly," and she identified the source of that pressure as the United States, the IMF, and the G10 (Strange 1998b, 25, 18).

The three channels have one thing in common: all passed through licensed intermediaries. Eurodollars were booked on the ledgers of banks in London, and IMF programs were negotiated with finance ministries and central banks. Markets did the eroding, but the participants in those markets were legal entities that states had licensed. This is exactly where dollar stablecoins turn out to be different.

2. The Impossible Trinity and the Corner That Can No Longer Be Closed

1) The Breakdown of a Theoretical Premise: The Loss of the Capital-Control Gateway

According to the Mundell–Fleming impossible trinity, no monetary authority can have exchange rate stability, independent monetary policy, and free capital movement all at once. It can pick two, and the third has to go. For twentieth-century nation-states, the key tool for choosing a policy mix that suited their economies within this constraint was capital controls.

By legally closing the capital account and limiting the funds flowing in and out, a state could manage its exchange rate and still set its own interest rates, keeping monetary policy independent. But capital controls only work if one institutional premise holds: all cross-border money must pass through a single gateway, the state-licensed bank. Foreign exchange transfers were booked on bank ledgers, and banks acted as the front-line agents that enforced state rules and orders.

Dollar stablecoins undermine that premise. They move directly from one smartphone wallet to another on a blockchain, with no bank account, no cross-border authorization, and no central clearinghouse. When individuals and firms sell their own currency and start holding and paying in dollar tokens, the legally closed capital account is neutralized from below. The state still guards the old banking gateway, but the money goes around it.

Stablecoins are therefore more than a payments innovation. They change the conditions under which states choose within the trilemma. Free capital movement used to be a policy variable that a state could open or close as needed. As dollar-stablecoin flows become harder to block physically or administratively, free capital movement looks less like a policy choice and more like an external condition that states must take as given.

2) Shrinking Policy Space: What the Evidence Shows

Once that corner of the triangle cannot be closed, a monetary authority's room to maneuver narrows sharply. Suppose it wants to weaken its currency to boost exports or stimulate the economy. Under traditional capital controls, it could hold back capital flight to some extent, which left it some discretion. But where stablecoins have reached people's wallets, an expectation that the currency will weaken immediately encourages a "flight into dollar tokens." The outflow adds to depreciation pressure, sends import prices soaring, and feeds inflation, and rising inflation drives still more flight into dollars, a vicious spiral.

Stopping that spiral would take comprehensive controls on digital asset trading and even on internet access, which would shut down the digital economy at astronomical cost. So rather than block capital movement completely, monetary authorities end up giving in. They defend the exchange rate or tie their interest rates to US monetary policy.

Recent empirical studies strongly support this mechanism. Three stand out.

① **Capital controls work on deposits but not on stablecoins (Hofmann, Mehrotra, and Paulick 2026).** The authors put traditional deposit dollarization and stablecoin inflows into one econometric framework. Conventional restrictions on capital movement substantially reduce deposit dollarization, by 29–32 percentage points. For stablecoin inflows, however, existing capital control regimes make no statistically significant difference. The authors' explanation is simple:

stablecoins circulate on permissionless blockchains outside national regulatory borders. This shows that capital controls have not disappeared, but the range of financial flows they can constrain is shrinking rapidly while a new channel of dollarization beyond state control expands.

② **Exchange rate gaps and currency depreciation (Aldasoro, Beltrán, and Grinberg 2026).** Using 2021–2025 panel data on four dollar-pegged stablecoins and 27 fiat currencies, the authors estimate the causal macroeconomic effects of net stablecoin inflows. When net stablecoin inflows rise by 1% for reasons outside the local economy, the local currency's exchange rate against stablecoins moves about 0.4% further from the official spot rate, and the currency weakens. The effect is most damaging for emerging-market currencies, where financial market infrastructure is weak and arbitrage is difficult.

③ **Stealth dollarization in practice (BIS 2026 / 2022).** The Bank for International Settlements (BIS) has named the phenomenon "digital stealth dollarization" and warned about a channel that runs around the clock and bypasses capital controls. Early signs were already clear in the Turkish lira crisis of 2021. The lira's share of stablecoin trading jumped from 11% in July 2021 to 26% in December, just five months later, while its share of the conventional global foreign exchange market in the same period was only 0.5%. In a country with a weak currency, the stablecoin market clearly served as a dollar refuge in which the lira played a share tens of times larger than in conventional currency trading.

3) Asymmetric Policy Responses and the Limits of the Argument

Responses to this structural change vary sharply with national capacity. The European Union, through its Markets in Crypto-Assets Regulation (MiCA), has put strong regulatory barriers around tokens denominated in foreign currencies, treating them explicitly as a "threat to the monetary order." Many emerging economies, which feel the pressure of stablecoin-driven dollarization most directly, lack the technical and administrative capacity to control these new channels. They have not even begun to treat them as a question of monetary sovereignty.

The argument also has limits. According to BIS estimates, the volume tied to real-economy payments and capital movements, once adjusted, is only about 1% of raw on-chain transaction volume, and stablecoin transactions used purely for payments are just 0.02% of global payment volume. In absolute macroeconomic terms, it is hard to say that stablecoins have displaced the existing fiat monetary order.

For the logic of the impossible trinity, though, average volume is not what matters. Capital controls work on the premise that funds pass through gateways the state administers. What counts is therefore not the bypass channel's share of total flows, but "whether a channel beyond the state's enforcement reach exists and can expand." If even one gateway stays open, the capital account is not closed in principle, however little passes through it. The transformation of the macrofinancial order that dollar stablecoins will bring has only just begun.

3. From Reserves to Wallets: Dollar Dominance and the Shift in Visibility

One more empirical pattern sits on top of this mechanism. Line up the dollar's share by who is choosing, and a steep staircase appears.

Table 2. Dollar Shares by Choosing Actor

Level	Choosing actor	Dollar share	Source
Real economy	World production	About 26% (the US share of world GDP)	IMF *World Economic Outlook* (nominal GDP)
Official reserves	National central banks	57.13% (Q1 2026)	IMF COFER
Foreign exchange market	Financial institutions and firms	89.2% (April 2025; on one side of the transaction)	BIS Triennial Central Bank Survey
Stablecoins	Individuals and market participants	About 99%	Industry estimates based on market capitalization

The United States accounts for about a quarter of world GDP. When central banks allocate their reserves, the dollar's share rises to 57%. In foreign exchange trading, the dollar sits on one side of 89.2% of transactions. And when individuals choose freely, nearly everything is denominated in dollars. Policy elites, mindful of diversification requirements and geopolitics, keep the dollar below 60%. But when individuals choose how to protect their own assets, with no regulation or obligation pushing them, their choices converge almost unanimously on the dollar. As Schnabel puts it, "virtually all stablecoins in circulation are denominated in dollars," while other currencies play almost no role (Schnabel 2026).

The staircase strongly supports Strange's proposition. The reservoir of dollar dominance is not only central bank balance sheets but the voluntary preferences of individual citizens. Governments' ambitions to de-dollarize are bypassed in their own citizens' crypto wallets. In Aron's terms, this is puissance won without mobilizing force: the point on the spectrum closest to Strange's pole. It is also the evidence least favorable to the thesis of hegemonic exhaustion.

Stablecoins take more from peripheral states than monetary policy autonomy. They take visibility too. Because traditional finance ran through banks, nation-states could get transaction information and apply tax, foreign exchange, and anti-money-laundering rules. Dollar tokens that move outside the banking system slip through all of those nets. But visibility does not vanish. It moves. Tokens on public blockchains are IOUs issued by centralized entities that respond to US regulation and law enforcement requests. An issuer can freeze the tokens at a given address without the approval of the holder's own government, wherever the holder lives. In 2025 alone, Tether froze about $1.26 billion of its dollar token, USDT, much of it at the request of US authorities. And in the hands of blockchain analytics firms, the permanence of a public ledger becomes a "legibility machine" that turns addresses into identified real-world people and firms. As peripheral states lose regulatory visibility, Washington's potential visibility grows.

This shift will play out most dramatically in India. On the traditional development path, a society moves in stages from a cash economy to bank accounts, then to credit cards and electronic payments. Smartphones and the mobile revolution make it possible to leapfrog the middle stages entirely. Before bank branch networks and card infrastructure are fully built, a large cash economy can move straight into dollar stablecoins held in smartphone wallets. India is already the world's

leading country in crypto adoption, ranked first for three years running (Chainalysis 2025), and that adoption centers on dollar stablecoins rather than Bitcoin. So this path is not speculation. It is already under way.

Here the logic of shifting visibility produces a paradox. As its sudden demonetization in 2016 showed, India's government has long wanted to bring its vast informal cash economy onto the official books and make it "visible" (Shepard 2016; Lahiri 2020). If that goal is achieved through dollar stablecoins rather than an official rupee payment network, cash disappears and transactions become transparent. But the transparency builds up on the ledgers of centralized issuers and global platforms under US jurisdiction, not on the Indian government's. The very visibility India wanted is secured by infrastructure the United States controls.

This inversion is not merely abstract. Suppose an Indian businessperson pays a bribe to an Indian politician in dollar stablecoins. To trace the flow and freeze an address, Indian investigators would effectively have to "request" help from the United States or a global platform company, instead of turning to their own banks or courts. Part of the authority to investigate corruption among a state's own citizens, on its own territory, shifts to a private issuer under foreign jurisdiction. Investigative authority, a core power of the state, ends up substantially constrained by markets and technology.

This is just what Strange anticipated when she watched Eurodollars and the dissolving of borders in international finance: sovereignty passes from peripheral states to markets, and behind those markets sits a particular jurisdiction that governs them. The proposition is now being realized again, in a more extreme form, at the level of digital money. Just as Eurodollars bypassed capital controls and eroded state authority over finance, stablecoins bypass states' visibility into payments and financial investigations and transfer that power to the issuer's jurisdiction.

4. Fifty Years On: The Model's Success Exposes Its Limits

So what do dollar stablecoins in 2026 add to Strange's model? Three things stand out. Two are new, and one is not new at all.

First, the erosion has moved from wholesale to retail. The three channels she identified all ran through licensed intermediaries, but the stablecoin channel has no such entity. In her 1971 typology of currencies, the "top currency" was one so economically compelling to hold that others adopted it voluntarily (Strange 1971), but the adopters were states, firms, and banks. Retail-scale currency substitution across borders was technically impossible in her day. In the era of dollar stablecoins, the agent of erosion is no longer the banker but the merchant in Lagos and the saver in Buenos Aires.

Second, the exception she pointed to has become the rule. To puncture the state's claim to an exclusive right over money, Strange noted that Scottish banks issue their own banknotes. It was a footnote-sized exception, enough to show the monopoly was never complete. In 2026, private issuers circulate a currency that is not even their own country's, across dozens of jurisdictions. What was offered as the exception is becoming the structure.

Third, and not new at all, the direction of the flow is the same. The argument of *States and Markets* was not that states in general are being pushed back by markets. It was that the very

process by which states are pushed back works in the opposite direction for the country that holds the structure of the market. Eurodollars are the prototype: the weaker national controls became, the stronger the dollar's centrality grew. She stated the asymmetry outright even late in her career: "states in general have become less powerful, but the United States has become more powerful" (Strange 1998b). Her 1989 concept of the United States as a "transnational empire," ruling through structure without territory, rests on the same judgment (Strange 1989). The United States is the one state that is not retreating.

Stablecoins do more than undermine peripheral states. They also run a sophisticated mechanism for pulling capital back to the United States. When an individual in Tokyo, Seoul, Shanghai, or Buenos Aires sells their own currency and buys dollar stablecoins, the following geopolitical chain follows.

1. Deposits and liquidity in the local currency leave domestic commercial banks, such as those of South Korea, Japan, or China.
2. The demand for the government bonds and other home-currency assets those banks hold weakens, and the local currency comes under depreciation pressure.
3. Stablecoin issuers such as Tether and Circle take the dollars they receive in exchange and buy large quantities of US Treasury bills, the world's safest and most liquid short-term asset, as reserves.

As a result, by mid-2026 the Treasury bills held by the dollar-backed stablecoin ecosystem stood at more than $220 billion. That outstrips the holdings of some major foreign investors, such as Germany or the Gulf states, and of large US money market funds (Ahmed and Aldasoro 2026; BIS 2026).

Strange defined the heart of the power that flows from the financial structure as "acquiring purchasing power without either working or trading" (Strange 1987, 565; 1994, Korean ed., 28). Stablecoins split this privilege in two. The issuer takes the interest earned on its reserves. The United States, as the final destination of those funds, takes a huge and price-insensitive source of demand for its own debt.

As Turkey, Argentina, India, South Korea, and Japan surrender part of their monetary sovereignty through spontaneous digital dollarization—and as their domestic banks see liquidity dry up—the United States yields nothing. This is because the currency being adopted is the dollar, and because Washington holds the global gateway for digital assets firmly within its jurisdiction. State power is increasingly shared with the market, but that market is ultimately anchored by the debt of a single nation.

This combination is also the case most faithful to her own definition of structural power. Structural power is the ability "to change the range of choices open to others without appearing to put direct pressure on them" (Strange 1988, 31). Washington asks no country to use the dollar, and since there is no demand, there is nothing to resist. The illusion of 1994 was measuring power by "Made in USA" manufacturing output. The illusion of 2026 is believing in the "decentralized, permissionless blockchain." But once that illusion is stripped away, her insight is still right.

Here lies the question of this paper. What does it mean that a model built half a century ago fits again, exactly, on a technology that did not exist then? The usual answer is a victory for the theory.

This paper's answer differs. The observation the model predicts, that peripheral states are cornered while the dollar holds the center, appears identically in two very different worlds. In one, the core state holds the initiative and the structure reproduces itself. In the other, the core state has been cornered by changes in its environment, because holding that centrality demands ever more mobilization. Strange's model has no variable that separates the two.

Just as her model reads American structural power as strengthening, the United States is absorbing, by executive order and legislation, a technology it did not create. It is tolerating leaks in the anti-money-laundering regime it built, searching for retail demand to absorb its own debt, and sending its allies the bill. Her model records all of this in a single line: "American structural power remains intact."

IV. Crypto Institutionalization: America Backed into a Corner

1. Embracing Crypto Is a Response to China

American crypto policy has moved from delay to active embrace, and the first motive is geopolitical. It is hard to see the shift as the taste of one administration. A clue lies in a June 2023 hearing of a House Financial Services subcommittee, titled "Dollar Dominance: Preserving the U.S. Dollar's Status as the Global Reserve Currency." It was held under the Biden administration with bipartisan participation, and its concern was how to defend dollar hegemony against pressure to de-dollarize. One member noted that China was pursuing a central bank digital currency (CBDC) and asked whether a regulatory framework encouraging privately issued dollar stablecoins might be better than a state-issued digital dollar. The witness called China's CBDC a surveillance tool and answered that fully reserved dollar stablecoins already exist.

That framing became national policy in Executive Order 14178, signed on January 23, 2025. The order promotes the growth of dollar-based stablecoins and directs the protection of the dollar's sovereignty, while barring federal agencies from establishing, issuing, or promoting a CBDC. The policy rests on a simple contrast: a state-issued digital currency is the Chinese model, and dollar tokens issued privately but under American rules are the American model. The GENIUS Act, signed in July 2025, wrote this approach into law. It passed with bipartisan votes of 68 to 30 in the Senate and 308 to 122 in the House. That shows it was not one administration's inclination, but Washington's shared view of China being translated into crypto policy.

China's response is the mirror image. It banned crypto mining and trading outright in 2021, spread the digital yuan under state direction, and in February 2026 banned the issuance of unapproved offshore yuan stablecoins. One side lets private tokens loose and pushes the dollar into individual wallets around the world. The other promotes a state-led digital currency while raising its capital-control walls higher.

Crypto is not an American creation. Bitcoin came from an anonymous white paper in 2008, and even the tool the United States now uses against de-dollarization is a technology that emerged outside the country. What distinguished America was that it realized, sooner than most states, that this borderlessness could be turned to its own advantage. But this was not a designed strategy. It was an opportunity seized after the fact. In Strange's world, the United States was an empire that gained quietly through structure. Having to absorb a technology it did not create, and make it national strategy by executive order and legislation to counter a rival's state digital currency, is not what her model expects.

2. Debt and Self-Contradiction

The second motive is fiscal. The Congressional Budget Office (CBO) projects, in its February 2026 outlook, a federal deficit of $1.9 trillion for fiscal 2026 (5.8% of GDP) and net interest outlays of $1 trillion. The CBO itself states that "the fiscal path is unsustainable." Once GENIUS requires issuers to hold reserves mainly in short-term Treasuries, stablecoin growth translates into rising demand for US debt. When a merchant in Lagos swaps naira for USDT, the issuer buys Treasuries

to back the redemption. At the end of March 2026, Tether held $141 billion in direct and indirect exposure to Treasuries, which ranked it about 17th among Treasury holders worldwide on international capital statistics.

Some researchers call stablecoins "Eurodollars moved on-chain" for this reason. But the label carries a historical irony. The twentieth-century Eurodollar discussed in Section II benefited the core by turning the periphery into debtors and concentrating the costs of crises on them. Its twenty-first-century version is a distribution network that holds up America's own debt with the world's retail savings. A structure that once made others indebted has flipped into one that absorbs America's debts. Nor is its growth guaranteed. The stablecoin market peaked at about $321 billion in April 2026 and has stalled around $300 billion since. The United States, searching so desperately for a new network of demand for its own debt, looks less like a leading designer than a debtor under pressure.

The third motive, securing leadership on-chain, also contains a contradiction. The anti-money-laundering regime was in effect an international public good that the United States led through its chokepoints in dollar clearing and the Financial Action Task Force (FATF). Yet the dollar stablecoins America is nurturing have become the largest leak in that shield. According to Chainalysis's *2026 Crypto Crime Report*, illicit addresses received at least $154 billion in crypto in 2025, up 162% from the year before and a record, and 84% of it was in stablecoins. The contradiction can be explained by priorities. For the United States, cutting off criminal money is a real goal but not the top one, and it gives way to debt, monetary dominance, and geopolitics toward China. The choice also reveals desperation. The United States is prepared to tear down an international public good it built in order to protect other goals. That is not how a consistent leader of the order behaves.

3. The Paradox of Dollar Weaponization

One of the strongest assets of the dollar order is the capacity to impose financial sanctions. According to the US Treasury's *2021 Sanctions Review*, designations by the Office of Foreign Assets Control (OFAC) rose 933%, from 912 in 2000 to 9,421 in 2021. In 2022 the United States froze about $300 billion of the Russian central bank's foreign exchange reserves. This is where the first dimension in Table 1, the rising mobilization ratio, is most clearly visible in the financial structure.

But this very overuse of force produces a paradox. The more effective sanctions are, the more incentive sanctioned countries and third countries have to reduce their reliance on dollar rails (McDowell 2023; Farrell and Newman 2019). Weaponizing the dollar has accelerated de-dollarization. What deserves attention is who leads it: state-level elites, meaning central banks diversifying their reserves and governments building alternative payment networks. After the freeze of Russian assets, central banks' gold purchases exceeded 1,000 tonnes a year for three years in a row. Russia's ruble-linked stablecoin A7A5 carried more than $93.3 billion in payments that got around sanctions in less than a year. Both can be read as mobilized force stimulating other actors' defensive puissance. Even the stablecoin form is not the dollar's monopoly.

America's answer is the dollar stablecoin, and what it targets is interesting. Rather than persuade or overpower the state-level elites who lead de-dollarization, the United States bypasses

them and deals directly with their citizens. Even if central banks diversify their reserves and governments lay alternative rails, the dollar order's reservoir of demand stays full as long as citizens keep dollar stablecoins in their crypto wallets. This pattern of bypassing the elites and dealing with citizens directly fits Strange's model exactly. Structural power operates over the heads of peripheral states and descends to markets and individuals, the same logic of shifting visibility and retailization seen in the previous section.

But this is also where the model shows what it cannot hold. Strange's structural power is static by nature. It explains why the dollar network is strong and why its force descends to individual citizens. It has no framework for how repeated use of that force wears the force itself down. The self-limiting nature of sanctions belongs squarely to Aron's dynamics: mobilized force grows, but compliance does not grow in proportion, and in the long run the network's own pull is damaged. America's strongest puissance comes from the expectation that participating in the dollar network is advantageous, that is, from voluntary compliance. But the moment it mobilizes that network again and again as an instrument of coercion, puissance resting on attraction turns into force resting on coercion. And force, unlike puissance, is used up as it is used. This is the very structure in which, in Aron's terms, the overuse of force ends in the exhaustion of puissance.

Strange explains why the dollar's grip is still strong and how it descends to the level of citizens. Aron explains why that same grip wears itself down. America's rush toward dollar stablecoins and crypto institutionalization looks less like the ease of one who leads the game than the gesture of one backed into a corner: a power that has spent its puissance over eighty years of overusing force and is trying to regain its grip. Sanctions are the sharpest weapon the dollar network offers, yet every use erodes the very pull that sustains the network. That self-limiting quality is why the hegemonic exhaustion thesis has to be added to the structural power proposition.

4. How Generous Hegemony Bred a Revisionist Challenger

Strange's 1994 conclusion does not end in pessimism. If America rebuilt its economy, she wrote, it was quite possible that a revival of optimism would bring a revival of idealism and of vision for the future, and that "Europeans, Japanese, Chinese, Africans, and Latin Americans can only pin their hopes on this" (Strange 1994, Korean ed., 391). The picture is clear. The direction of the world order depends on American will, and China figures only as a beneficiary that must place its hopes in American generosity. The possibility that China might become an agent rewriting the order's rules was out of view. This is not personal carelessness but a consequence of the theory. The one who holds the structure is America, and everyone else is granted options. A path by which the grantee becomes the grantor is not in the theory.

History, however, met the condition she set. In the late 1990s the American economy was rebuilt, and what revived on top of it was exactly the idealism she described. In a March 2000 speech, President Clinton said that by joining the World Trade Organization (WTO), China was agreeing "to import one of democracy's most cherished values, economic freedom." He compared China's attempts to control the internet to "trying to nail Jell-O to the wall" (Clinton 2000). That same year Congress granted permanent normal trade relations, and China joined the WTO in 2001. Generous hegemony did, in fact, work.

But the result was not a cooperative order. China's share of world manufactured exports jumped from 2.3% in 1991 to 18.8% in 2013 (Autor, Dorn and Hanson 2016). It became a production giant with about 30% of world manufacturing value added and, for a time, a creditor holding $1.32 trillion in US Treasuries. That power began to target the rules of the American-centered order itself, through the militarization of the South China Sea, the Belt and Road Initiative, the digital yuan, and rare-earth export controls. In its 2017 National Security Strategy, the United States labeled China a "revisionist power." It also formally admitted that the premise of the previous two decades had been largely wrong: that bringing a competitor into international institutions would turn it into a trustworthy partner (White House 2017). If China's rise was the product of the American idealism she anticipated, generous hegemony nurtured its own challenger. If it was an unrelated, spontaneous process, her picture, in which the world's hopes depend on America's will, was wrong.

A more fundamental problem lies in a hidden premise behind Strange's asymmetry. She assumed the periphery borrows from the core. When she analyzed the Eurodollar, it did: the periphery was mostly in dollar debt, and when crisis hit, the borrowers least able to repay took the first blow. That was a debtor periphery.

The twenty-first century has produced the opposite, a creditor periphery: a country outside the core that lends to it. China is not the Mexico of the 1980s. It did not enter the structure as a borrower of offshore dollars. It earned dollars by selling goods to the world and used them to buy American debt.

The difference matters. A debtor periphery is vulnerable to crisis, but a creditor periphery makes the core vulnerable. The imbalances now pile up in America's public finances, not on the periphery's books, and it is the periphery that decides whether to keep buying that debt.

China's Treasury holdings fell from $1.32 trillion in November 2013 to $633.4 billion in June 2026, less than half. Foreign investors' share of Treasury holdings fell from about 50% around 2008 to about 30%. In August 2026 the US 30-year yield reached 5.31%, its highest since 2007.

The strongest defense of Strange comes from her own work. In the late 1980s, Japan was the world's largest creditor nation, and many commentators predicted that it would replace American financial hegemony. Strange argued that creditor status does not convert automatically into structural power (Strange 1987), and history proved her right. Would China's purchasing power as a creditor not meet the same fate? This paper concedes that her argument about Japan was correct within the logic of the tetrahedron. But the reason Japan's bonds did not turn into power lay outside the financial structure. Japan sat inside America's security structure. For a state that depends on the US–Japan alliance for security, using its bonds as a weapon against America would have shaken its own security foundations. China is different. It stands outside America's security structure and is in fact its main challenger, and a creditor with no such lock on it has the political freedom to adjust its holdings. If the tetrahedron means that the four structures prop one another up, the Chinese case shows that the four can be separated.

V. An Empire Without a Republic

1. American Domestic Politics as a Variable

The costs of generous hegemony were concentrated in particular American regions and classes. Rising import competition from China directly eliminated about 560,000 US manufacturing jobs between 1999 and 2011, and about 2.4 million jobs in total once spillovers to related industries and local economies are counted (Autor, Dorn and Hanson 2016). The Southeast and Midwest, where factories had clustered, took the hardest hit, and employment and wages there had not recovered a decade later. The economic shock then became a political one. The more exposed a district was to Chinese imports, the more ideologically polarized it became and the more likely it was to elect a hard-line Republican (Autor, Dorn, Hanson and Majlesi 2020). Trump's election in 2016 was the peak. "America First" was a nationalism that treated America's role in sustaining the world order as a cost in itself. Nor did it end with one politician's aberration. The Biden administration kept the Section 301 tariffs and tightened export controls on China, and both the June 2023 House hearing on dollar dominance and the 2025 GENIUS Act were bipartisan.

Return to Strange's 1994 sentence. She wrote that America's misuse of structural power had, in the short run, protected "American taxpayers and consumers (and, to a lesser extent, workers)" (Strange 1994, Korean ed., 382). The thirty years since have been an exact reversal of that sentence. Cheap Chinese imports benefited consumers, but workers were not protected. They were discarded. Workers were not beneficiaries to a lesser extent. They were the group that bore the heaviest costs of generous hegemony.

She said American power should be measured by ownership and control, not territory, and she was right. American firms own or direct factories in China and absorb the profits at the top of supply chains through design, patents, and brands. Measured by ownership, American power really did grow. But those profits piled up on the books of shareholders and headquarters. They did not return to the workers in Ohio and Michigan whose factories left. The problem is that democratic legitimacy does not come from ownership. A government's legitimacy is tied to territory, and votes are cast not by shareholders but by local residents. She dropped territory from the count as the "Made in USA" illusion. That may be fair when measuring American power, but not when asking where that power comes from.

2. The Transnational Empire

The "transnational empire" she conceptualized in 1989 ruled through structure, without territory, and that empire has no citizens, no elections, and no consent (Strange 1989). What fills the gap is the capacity for collective action that Aron named as a determinant of puissance: the domestic ability to distribute burdens and justify the distribution to citizens. For Aron, America is both an empire and a republic, and the sustainability of its imperial role depends on the consent of the citizens who pay the costs.

To be fair, a scholar who died in 1998 cannot be blamed for failing to predict the events of 2016, and it should be noted that she studied the politics of industrial decline for a long time. Section VI

takes up this objection. What this paper asks is not whether she predicted correctly but how her theory is designed. Her theory has no variable for how the order's winners and losers feed back into domestic politics. So it cannot explain the Trump phenomenon even in hindsight. In her categories, it is just one more "misuse." But the tariffs and export controls on China have survived administrations of both parties, and the voters who support them are concentrated in the regions most exposed to the China shock. A "misuse" that persists through changes of administration and party is no longer a policy error. It is an output of the structure.

VI. Synthesis: Hegemony, Statics and Dynamics

1. From Puissance by Persuasion to Puissance by Billing

Aron's *The Imperial Republic* portrayed America as a republic that took on imperial obligations it had never sought. In the ruins of the postwar world, only the United States was left to provide a reserve currency, a security umbrella, and a lender of last resort. The Korean War turned that burden into a bond that could not be undone. It more than tripled the defense budget and turned NATO into an integrated command with standing forces. Once American engagement was irreversible, eighty years of it exhausted American puissance. The clearest sign is that American power has shifted from persuasion to coercion.

The contrast between the European Payments Union (EPU, 1950) and the Instrument in Support of Trade Exchanges (INSTEX, 2019) is a revealing test case. Both were multilateral clearing mechanisms that bypassed the dollar. The EPU netted intra-European claims and debts in a postwar Europe short of dollars. INSTEX tried to settle trade between Europe and Iran around the sanctions on Iran. The structures were similar, and the outcomes were opposite. During the EPU's years, intra-European trade more than doubled, from about $10 billion in 1950 to about $23 billion in 1959. INSTEX processed effectively a single transaction before it was wound up in 2023.

The difference lay not in design but in America's attitude. The United States tolerated Europe's workaround, supplying $350 million of Marshall Plan funds as the EPU's initial capital. It gave up a short-term benefit for a larger purpose, a unified Europe to stand against the Soviet Union. INSTEX was born amid explicit American opposition, and European firms, facing the threat of secondary sanctions, did not use it. In both cases America got the result it wanted. But in the latter, that result was forced compliance rather than voluntary acceptance, and Europe responded by developing the discourse of "strategic autonomy," a form of defensive puissance.

The same logic lets us reread the evidence Strange cited in 1994. For her, devaluing the dollar to impose costs on every holder, and getting allies to share the costs of the Gulf War, were proof of structural power. Read through Aron, the conclusion reverses. A core state that wins puissance through persuasion and public goods bears the costs itself. A core state that has to bill others has already moved from puissance by persuasion to puissance by billing. In 1950 the United States put its own money into the EPU. In 1991 it sent the Gulf War bill to its allies. In 2025 it demanded that NATO members spend 5% of GDP on defense, and that Japan and South Korea commit $550 billion and $350 billion in investment pledges.

2. The Tetrahedron: Four Power Resources or Four Costs of Upkeep?

Apply the tetrahedron as it stands, and America's structural advantage is still considerable. Granting that, ask of each pillar whether it is increasingly held up by persuasion or by mobilized force.

Table 3. The Four Structures of the Tetrahedron: Structural Advantage and Cost of Upkeep

Structure	America's structural advantage	Force mobilized	Cost of upkeep and vulnerability
Finance	Dollar share: 57% of reserves, 89% of FX trading, about 99% of stablecoins	OFAC designations rose from 912 (2000) to 9,421 (2021); about $300 billion of Russian reserves frozen	Net interest outlays of $1 trillion (2026); China's Treasury holdings cut by more than half
Knowledge	Advanced semiconductor design, AI models, platform standards	Escalating chain of export controls on China since October 2022	Acceleration of Chinese self-reliance (DeepSeek, 2025)
Security	Worldwide alliance network and overseas bases	NATO's 5%-of-GDP target by 2035 secured (2025); pressure over burden-sharing	Allied "strategic autonomy" discourse; hedging by partners such as Saudi Arabia
Production	Control of high-value-added design and intellectual property	Investment pledges from Japan and South Korea (2025), with tariffs as leverage	$52.7 billion in CHIPS Act support; dependence on China for rare-earth processing (about 90%)

In the financial structure, holding chokepoints is evidence of strength, and having to press on them more and more often is evidence of exhaustion. The knowledge structure is the strongest pillar, and it is where Strange has the most room to be right. But the moment America mobilizes this advantage through export controls, the paradox of weaponization sets in. When China's DeepSeek released a competitive model in January 2025 with limited computing resources, it showed that American coercion may bring technological self-reliance forward. In the security structure, NATO members' agreement to raise defense spending to 5% of GDP by 2035 is evidence that American puissance still works. But the United States had to put the possibility of withdrawing from allies, and tariffs, on the table as open bargaining chips to get that result. That shows the shift in how power is exercised.

Put the four pillars together, and one picture emerges. The tetrahedron is real, but it is at once four power resources and four costs of upkeep. In each pillar America's position is still at the top, but the top is increasingly held up by mobilized force: sanctions, export controls, defense-spending demands, and investment pledges. Debt and deficits are not evidence against America's underlying power. They are the record of what it costs to keep.

Here the core of the imperial burden thesis shows. As with any public good, the more an order succeeds, the stronger the incentive to free-ride and the smaller the relative share of its output that the provider collects. China is one piece of evidence: it drains the center's strength by free-riding on the order the center designed. In Strange's structural power, China is a hard-to-explain anomaly. How does the instrument of hegemony nurture its own greatest challenger? For the burden thesis, however, China is not an exception but a prediction. The cost of success breeds challengers abroad and rebellion at home.

3. Synthesizing the Two Theories

Table 4. Comparing the Analytical Focus of Strange and Aron

	Strange: the statics of structural power	Aron: the dynamics of hegemonic exhaustion
Core question	Where does power reside, and how does it constrain choices?	By what means and at what cost is power maintained?
Nature of power	Puissance at the limit, where the mobilization ratio approaches zero	A relational flow that must be realized and settled in each situation
Time axis	Self-reproduction of structure (relatively static)	Changes in mobilization ratio, conversion efficiency, and how power is exercised
America's predicament	Policy errors and irresponsibility (correctable)	The structural burden of the imperial role (cannot be resolved by policy)
China's standing	Beneficiary of generous hegemony	Revisionist challenger bred by the cost of success
Domestic politics	Friction in operating the structure (correctable by policy)	Feedback generated by the structure (citizens' consent sets the limits of the imperial role)

The relationship between the two can be summed up this way. Strange precisely described the state in which puissance is cheapest to obtain, and Aron conceptualized the process by which that price rises. America can still hold unmatched global capabilities while facing a rising cost to maintain its hegemony.

4. Anticipated Objections

Did Strange really ignore American domestic politics? It is not true that she failed to see it. She wrote about the politics of industrial decline for twenty years. In a 1979 article she wrote that protectionism reflects "widespread resistance to deep-rooted structural change," and that "conflicts between firms over market share therefore appear as conflicts between governments" (Strange 1979). In 1981 she co-edited with Tooze *The International Politics of Surplus Capacity*, which covered the politics of adjustment in steel, textiles, shipbuilding, and automobiles, the very industries that later became the Rust Belt (Strange and Tooze 1981). Her 1985 "Protectionism and World Politics" took the subject head-on (Strange 1985). In her 1987 article she made America's constitutional structure itself a variable. The United States is poorly suited to keep policymaking consistent, partly because of constitutional provisions, so Washington must always reckon with "the ability of powerful lobbies and interest groups acting on or within Congress to distort, frustrate, or even reverse strategy" (Strange 1987, 572). Congress, interest groups, and declining industries were all inside her model. Nor did she lack the skill to use domestic politics as a causal variable. Asked about the fate of the euro, her answer was "the domestic politics of France and Germany" (cited in Kirshner 2000, 417). So the objection is fair. This paper does not claim that she was unaware of domestic politics.

The problem is where she placed it, and three things recur. First, the causal chain ends at government. Take the 1979 formulation again: from conflict between firms to conflict between

governments. Workers, voters, and party realignment are not in the chain. What she saw was the politics of industries, not the politics of the people who lost them. Second, she saw that resistance and dismissed it. The verdict of the 1985 article was that protectionism was not a serious threat, and that national and corporate self-interest gave reasons not to fear it (Strange 1985). That is not a failure of observation. Third, she filed domestic politics under "friction." In the 1987 account, Congress and the lobbies appear not as drivers of structural power but as obstacles to its consistent exercise. The same thinking is behind the article's description of declinism as a convenient excuse for past failures. The problem is policy, and policy can be fixed. Her 1994 line that "it is not yet too late to reverse the process" is where that logic ends.

This paper's claim is narrower. Her theory does include domestic politics, but only as an outside obstacle. It does not treat domestic politics as something the structure itself creates. For her, domestic resistance is friction: an obstacle that arises when the structure is put to use, and that good policy can reduce. This paper treats it as feedback: a reaction the structure itself generates, which in the end wears away the structure's own support. Policy can reduce friction, but it cannot fix feedback.

The same gap shows up in the two channels through which the structure affects American politics. Through finance, she traced the political fallout: speculation and crisis breed a backlash. Through production, she did not carry the chain through to a shift in power: deindustrialization creates steel and auto workers, and they become the base of an isolationist political coalition. The Trump phenomenon is where the two channels meet, and her account covers only one of them.

But she died in 1998, before the China shock. One may object that it is excessive to call her failure to see China's rise a gap in the theory. In 1991 China accounted for 2.3% of world manufactured exports (Autor, Dorn and Hanson 2016), and its share of US imports was only about 3% in 1990. WTO accession and permanent normal trade relations both came after her death. US manufacturing employment fell by only about 10%, from a peak of roughly 19.55 million in June 1979 to roughly 17.61 million in June 1998. The collapse that wiped out a third came entirely after 1998. The debate partners of the 1990s were Mexico and Japan, not China.

Even so, she might not have missed the signs of the Trump phenomenon. One such sign was the emergence of Ross Perot, a third-party candidate who caused a storm in the 1992 election, in which President George H. W. Bush lost reelection and a little-known governor of Arkansas, Bill Clinton, won the presidency. But Pat Buchanan's 1992 campaign, which developed logic similar to Trump's, pointed at Germany and Japan, and Perot pointed south of the border, at Mexico. Before 1998, the manufacturing shock from China had not come into view.

Still, the political scale of the backlash was already visible. In 1992 Perot won about 19.74 million votes, or 18.9%, the largest third-party vote since 1912. NAFTA passed the House in 1993 by 234 to 200, but only 102 Democrats voted for it. In the same period Rodrik, an economist, warned that globalization would damage social cohesion and provoke a political backlash (Rodrik 1997). Nothing prevented Strange from making the same warning in 1998.

Finally, the Perot phenomenon was not identical to the Trump phenomenon. In 1992 exit polls, Perot's support was 23% in the West, 21% in the Midwest, 18% in the East, and 16% in the South. It was not especially concentrated in the manufacturing Midwest, and no empirical study linking the two phenomena at the county level has been identified. One can say the seeds had already been

sown. One cannot say that, in Strange's lifetime, the signs were clear that deindustrialization (the Rust Belt) would become a force in American politics.

Limitations of this paper

First, identifying the independent effect of China's reduced Treasury holdings on long-term US interest rates is beyond the scope of this paper. It argues for a change in the direction of the feedback structure, not the size of a causal effect. Second, the stablecoin market has stalled since peaking in April 2026, and whether it will grow to the scale the Treasury expects is still uncertain.

VII. Conclusion

This paper re-examined Strange's theory of structural power, starting from its strongest point. It reaches four conclusions.

First, Strange is right. She saw through the weakness of the American-decline argument better than anyone, and that insight still holds in 2026. While the dollar's share of reserves fell to 57%, about 99% of the stablecoins that individuals chose, with no regulation or obligation, were dollar-denominated. Dollar stablecoins press the impossible trinity from below. They limit peripheral states' control over their own interest rates, and the financial visibility those states lose moves to Washington, through public ledgers and issuers under US jurisdiction.

Second, that accuracy is itself the problem. It would be a misreading to treat the re-concentration around stablecoins as a blind spot in her model. From the start she put at the center of her theory the idea that America is the exception to the retreat of the state, and that the advance of markets strengthens America. Late in her career she still held that "states in general have become less powerful, but the United States has become more powerful" (Strange 1998b). Today's scene, in which peripheral states give up monetary sovereignty while America gives up none, confirms a half-century-old model like a textbook case. But the observation her model predicts appears in two different worlds. In one, the core state leads the game. In the other, the core state has been backed into a corner by changes in the environment that its own order produced. Her model has no variable that tells them apart.

Third, being right does not make the theory complete. China, which she cast in 1994 only as a beneficiary of generous hegemony, became a core of revisionism. This creditor periphery once held $1.32 trillion in US Treasuries, and it reversed the core-periphery asymmetry she had built on a debtor periphery. The helplessness of creditors that she confirmed in Japan does not apply to a China that stands outside the security structure. America's embrace of crypto is likewise not the automatic reproduction of structural power. It is a defensive response aimed at checking China, and it brings two constraints. One is public finances with $1 trillion in net interest outlays. The other is a leak in the anti-money-laundering regime, a global public good that America built while spending its puissance, where 84% of illicit crypto flows through stablecoins. The costs have also been billed at home. Chinese import competition took about 2.4 million jobs, and the political turn of the regions where the shock was concentrated pushed idealism off the stage. Her theory treats the hegemon's will as an outside variable that can be corrected, and it measures power by ownership while leaving aside the fact that legitimacy is tied to territory. The America she drew was an empire without a republic.

Fourth, Aron fills this gap. For Aron, force is the means, and puissance is the relational capacity gained by putting those means to work. The two are not proportional. In this frame, structural power is not a different kind of power from puissance. It is the limit at which mobilized force approaches zero and yet others' choices still line up in the core state's favor. If structural power is the balance sheet of what America holds, puissance is the income statement of what holding it costs. Exhaustion is the slide toward the pole of coercion: keeping the same position now takes more coercion. Sanctions designations rose 933% between 2000 and 2021, export controls on China keep

escalating, and allies face demands for 5% defense spending and investment pledges. Mobilized force now props up all four structures. Strange saw the ability to bill allies. Aron saw the necessity of billing them.

The two theories are therefore not alternatives. The post-1945 order has to be understood by separating two claims: that it is an order run by America, and that it is an order run for America alone. America's structural power is real, but it is not free, and its cost breeds challengers abroad and rebellion at home. Crypto is a new tool of American hegemony. At the same time, it is evidence of hegemonic exhaustion, because it shows that the existing hegemony now needs new tools to be maintained.

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