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How U.S. Monetary Policy Sustains Imperial Power and Drives Class Struggle

A Critical Analysis of the Trump–Powell Standoff and Fed Hegemony

Rosa Luxemburg Foundation North Africa office.
Economic research paper series September 2025

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Introduction: The Trump-Powell Standoff as a Window into Systemic Conflict

The publicly heated disputes between U.S. President Donald Trump and Federal Reserve Chairman Jerome Powell are a testimony of deep-seated problems and class conflicts that has always shaped economic decision-making within the United States. This conflict unmasks the fundamental divergence between the proclaimed imperatives of monetary policy, and short-term political agendas, driven by the insatiable pursuit of immediate gains for dominant capitalist interests and their ruling class architects. This tension profoundly corrodes the U.S. system of checks and balances, exposing how political inclinations are strategically deployed to bolster the supposed demands of an “independent” monetary policy, an independence that functions precisely to insulate elite interests from the inconvenience of democratic accountability. This standoff is not a simple clash of personalities, but a reflection of a deeper crisis within the U.S. ruling class itself. The traditional ideological apparatus that separates economic and political power is breaking down, leading to “deep splits in the ruling class, and a new right-wing, openly capitalist domination of the state.”¹

Jerome Powell's tenure as Fed Chair, starting in February 2018, was defined by unprecedented political pressure from President Trump. In a press conference at Mar-a-Lago on August 8, 2024, Trump stated: “I think I have better instincts in many cases than the people at the Fed, or its chairman. The President should at least have a say in how monetary policy is set.”²

This political pressure started during Trump's first term, and intensified after he returned to office in January 2025. But, despite his repeated calls to lower interest rates, the Federal Reserve kept its benchmark interest rate unchanged, at its January 2025 meeting, and reaffirmed this stance in its subsequent meetings on March, May, June and July 2025. The Fed's justification for this decision was that inflation remained above its target and the labor market stayed resilient, reaffirming its commitment to “a prudent monetary policy focusing on price stability over the medium term, given the inflationary risks resulting from protectionist trade policies.”³

The tectonic plates of power shifted at the September 17 meeting. Following the unexpected resignation of Fed Governor Adriana Kugler and the swift appointment of Stephen Miran, a trusted economic advisor to Donald Trump, the FOMC finally relented, cutting the rate by a quarter basis point. The official justification, as stated by Powell, was a “shift in the balance of risks,” with employment risks now “tilted to the downside.” In essence, the Fed claimed that the labor market's deterioration outweighed lingering inflation concerns, thereby justifying a preemptive rate cut to support jobs—a narrative that conveniently obscures the political trigger that was the true catalyst for the decision.

1 Foster, J. B. (2025). The U.S. ruling class and the Trump regime. *Monthly Review*. <https://monthlyreview.org/articles/the-u-s-ruling-class-and-the-trump-regime/>

2 “Trump says president should have say in Fed decisions.” (2024, August 8). Reuters. <https://www.reuters.com/world/us/trump-says-president-should-have-say-fed-decisions-2024-08-08/>

3 Sherman, N. (2025, January 30). Trump attacks Fed after no change in interest rates. BBC News. <https://www.bbc.com/news/articles/c78w1x7lwd1o>

Trump's Tariff Gambit: When Capital Disciplines the State

Indeed, as soon as it returned to power, the Trump administration launched a large-scale protectionist offensive, which has been likened to an unprecedented trade war in the hope of redefining the contours of the contemporary geopolitical and economic conflict between the USA and China.

On April 2, 2025, the administration implemented a new trade policy, imposed a baseline 10% tariff on most imports, and added, country-specific "reciprocal" tariffs ranging from 10% to 50% to offset trade deficits. Such a move under the propagandistic banner of the so-called "Liberation Day," marked a dramatic rupture from decades of trade liberalization. The administration justified its new tariffs by citing allegations of industrial espionage and other vulnerabilities, but the policy quickly backfired, causing financial markets to destabilize and putting the government under severe pressure. In an effort to mitigate economic fallout and regain advantage in ongoing negotiations the government was forced to a partial retreat, scaling back the duties. Despite the symbolic trade concessions reached with Beijing in May 2025, the effective tariff rate on most Chinese goods remained remarkably punitive (above 30 percent), due to other existing duties.

As Clyde W. Barrow argues, this moment served as a textbook demonstration of Marxist state theory in practice: when executive policy crosses the structural interests of capital especially global finance, disciplinary mechanisms swiftly reassert dominance.⁴ Through cascading sell-offs, margin calls, and a sudden spike in bond yields, the state was forced into compliance with the imperatives of capital accumulation. The result was a rapid retreat disguised as tactical recalibration. This episode exposes a deeper paradox; that what began as an attempt to shield domestic production from global volatility ultimately intensified internal fragilities, revealing the contradiction between imperial assertion abroad and economic equilibrium at home.⁵

Yet this contradiction must also be read politically. As Matthew Karp observes, the rapid collapse of Trump's maximalist posture on tariffs reflects not a rupture but a repetition. What appeared to be an assault on the liberal economic order quickly regressed into symbolic aggression, reaffirming a decades-old pattern of Republican governance: theatrical populism masking structurally conservative outcomes. The tariff regime's implosion under pressure from capital illustrates, in Karp's terms, that Trump's economic agenda remains bound by the same gravitational forces that have long constrained U.S. policy; bond markets, corporate confidence, and elite investor class consensus.⁶

⁵ Barrow, C. W. (2025, April 23). Trump's tariffs and capital's constraints. Jacobin. <https://jacobin.com/2025/04/trump-tariffs-capital-trade-constraints>

⁶ Karp, M. (2025, May 23). Maxed out. New Left Review – Sidecar. <https://newleftreview.org/sidecar/posts/maxed-out/>

The same structural logic that caused Trump's tariff policy to fail is also at play in his confrontation with the Federal Reserve: it is not strength of character, but the imperatives of financial markets that have the final say. This apparent ideological clash between the executive and the monetary authority masks a more fundamental continuity. To understand why this confrontation was inevitable, one must examine the Federal Reserve's imperial origins and the systemic forces that created it and continue to shape its role.

■ The Fed's Imperial Genesis and historical continuities

Origins and Early Imperial Functions

Since its founding in 1913⁷, the Federal Reserve was structured to operate independently from political influence. This institutional separation was designed to help the Fed achieve its core goals: price stability, full employment, and financial system stability. However, this common explanation conceals the Fed's dual purpose. Its creators were responding to both domestic financial instability and imperial competition, responding to a strategic imperative: asserting U.S. dominance over European imperial powers in the realm of global currency management.⁸ Understanding this historical context is essential for viewing the Fed not only as a domestic institution but also as a central component of U.S. global power. The Fed, is not simply influenced by power elite, but is an integral part of the state apparatus that serves the long-term interests of the capitalist class.

Indeed, the drive for a U.S. central bank emerged from a context of intense interimperial competition over currency blocs.⁹ As British financial dominance waned and American industrial capacity surged, the Fed served to institutionalize dollar-based extraction –via dollar denominated trade credits–¹⁰ from peripheral economies while facilitating capital flows between core nations.

The Fed's creation was informed by lessons from America's growing empire, especially following the Spanish-American War of 1898. Colonial projects like the establishment of the gold-exchange standard in the Philippines in 1903¹¹ acted as important testing grounds.¹² Later used globally. The Fed's foreign lending capabilities, including its discount window, channeled American capital systematically. This funding supported extractive infrastructure projects in Latin America and Asia. Railways to mining regions, ports for commodity export, and banking systems locked peripheral nations into dollar-denominated debt.

7 United States. Congress, "Federal Reserve Act: Public Law 63-43, 63d Congress, H.R. 7837: An Act to Provide for the Establishment of Federal Reserve Banks, to Furnish an Elastic Currency, to Afford Means of Rediscounting Commercial Paper, to Establish a More Effective Supervision of Banking In the United States, and for Other Purposes," December 23, 1913, available at: <https://fraser.stlouisfed.org/title/federal-reserve-act-966>

8 United States. National Monetary Commission. (1910-1912). Reports of the National Monetary Commission. Government Printing Office. https://fraser.stlouisfed.org/files/docs/historical/nmc/nmc_report_1912.pdf

9 Johnson, N. (2023, March 30). The imperial fed. Phenomenal World. <https://www.phenomenalworld.org/analysis/the-imperial-fed/>

10 Eichengreen, B., & Flandreau, M. (2010, October). The Federal Reserve, the Bank of England and the rise of the dollar as an international currency, 1914–1939. [Conference paper]. Bank for International Settlements. <https://www.bis.org/events/conf100624/eichengreenflandreaupaper.pdf>

11 Act No. 938, Pub. L. No. 57-190, 32 Stat. 952 (1903). https://www.zhiyanbao.cn/index/partFile/10/608/2022-01/10_97079.pdf

12 Krus, N., & Hanke, S. H. (2020). Studies in applied economics: Did the Philippine Islands need a central bank? Johns Hopkins Institute for Applied Economics. <https://sites.krieger.jhu.edu/iae/files/2020/01/Philippines-Paper-Final-Draft.pdf>

The Pound-Dollar Rivalry and Wartime Coordination

Pound Dollar Rivalry fundamentally influenced Fed policy from its inception. As Britain's financial power declined, London's banking houses shifted from opposition to partnership. They recognized that coordinated Anglo-American monetary policy could preserve their joint dominance over emerging economies. The Fed's gold policies directly challenged French and German monetary influence while reinforcing sterling-dollar duopoly.¹³

World War I, intensified currency competition. The Fed's coordination with Bank of England revealed how “national” central banks actually operated as nodes in imperial networks. As Eichengreen and Flandreau demonstrate, this coordination was crucial to the dollar's rise as an international currency, occurring much earlier than conventionally supposed- during and immediately after World War I.¹⁴

Currency competition masked deeper cooperation among core nation central banks against peripheral economies. While pounds and dollars appeared to compete, both currencies jointly dominated international trade financing, commodity pricing, and debt structuring in colonized regions. This manufactured competition provided ideological cover for coordinated extraction. It enabled each imperial power to present nationalist objectives while pursuing shared class interests in global wealth concentration. These imperial foundations established patterns that persisted and evolved throughout the twentieth century.

The Global Monetary Order: From Bretton Woods to Neoliberalism

The Bretton Woods agreement, established in 1944, cemented a new era of imperial financial coordination. Far from simple monetary reform, Bretton woods institutionalized dollar imperialism by making the dollar the world's reserve currency.¹⁵ While maintaining the Fed's “independent” facade, this system enabled systematic U.S. wealth extraction from both rebuilding Europe and decolonizing nations. While the U.S. through institutions like the Fed, appeared to be acting in the general interest of global stability, it was simultaneously entrenching the power of U.S. capital and the dollar as the world's reserve currency.¹⁶

During decolonization (1950s-1960s), the Fed developed new control mechanisms designed to maintain U.S. monetary dominance globally. One key strategy involved close coordination with the World Bank to provide dollar-denominated loans to newly independent nations. For example, countries in Latin America seeking economic development became reliant on such lending, which, while outwardly supportive, effectively locked these nations into a system of monetary dependency. Though politically sovereign, their economic policies (such as exchange rate management and monetary controls) were often constrained to align with U.S. financial interests, limiting true economic autonomy. Another example of imperial management, is the Fed's policies during the Suez Crisis (1956)¹⁷.

13 Chitu, L., Eichengreen, B., & Mehl, A. (2012, May). When did the dollar overtake sterling as the leading international currency? Evidence from the bond markets (ECB Working Paper No. 1433). European Central Bank. <https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1433.pdf>

14 *ibid*

15 Steil, B. (2013). *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order*. Princeton University Press. <https://doi.org/10.2307/j.ctt1r2dxv>

16 Gowan, P. (1999). *The global gamble: Washington's Faustian bid for world dominance*. Verso.

17 Boughton, J. M. (2001, September). Was Suez in 1956 the first financial crisis of the twenty-first century? *Finance & Development*. <https://www.imf.org/external/pubs/ft/fandd/2001/09/boughton.htm>

When Britain, France, and Israel intervened militarily in Egypt, financial instability hit the British pound sterling hard. The Fed, coordinating with the U.S. Treasury and the IMF, initially withheld immediate financial support to impose discipline, then helped organize large IMF credit arrangements to stabilize the pound. This move ensured that “independent” monetary policies in allied countries like Britain had to conform to dollar system rules or face sanctions such as currency devaluation or market exclusion. This served to discipline both allies and enemies within the dollar system.

After the Bretton Woods system collapsed (1971-1973), the Federal Reserve adapted to new geopolitical pressure while maintaining its foundational imperial patterns. The United States, unilaterally terminating the dollar's convertibility to gold. With this action, it did not just break the dollar's last tie to a commodity-backed currency, it officially demonetized gold itself, removing it as the bedrock of the global monetary system.¹⁸

Since 1971, all currencies become fiat currencies. This means they were no longer convertible into a commodity like gold. This fundamental shift in global financial architecture was not a neutral technical adjustment. It was a strategic response to a specific political and economic challenge to U.S. hegemony.¹⁹

The commonly cited case of President Nixon's influence over Fed Chair Arthur Burns prior to the 1972 election is often framed as a violation of central bank independence. The incident is better understood when analyzed as a symptom of U.S. imperial capitalism's inherent contradictions: Nixon's decision to abandon the gold standard and pushing for expansionary monetary policy, was a strategic move. This apparent breach of Fed independence actually served imperial interests by exporting inflation to dollar-dependent economies while stimulating domestic growth ahead of the election.

The 1980s highlight a crucial paradox in the Fed's role, despite the perceived alignment between President Ronald Reagan and Chairman Paul Volcker in confronting high inflation.²⁰ The so-called “Volcker Shock” demonstrates how Fed policy served imperial interests, even when the institution was seen as independent. By raising interest rates to record levels, the Fed did more than just curb inflation. Its policies caused U.S. unemployment to spike to 11% and triggered severe debt crises in developing nations as their dollar-denominated debts became vastly more expensive.²¹

All these episodes reveal a core truth: whether operating under direct political pressure (as with Nixon) or maintaining celebrated independence (as with Volcker), Fed policy consistently served identical imperial and class interests. The critical question, then, is whose economic well-being was prioritized?

18 Polleit, T. (2019, February 8). Why Marx loved central banks. Mises Institute. <https://mises.org/mises-wire/why-marx-loved-central-banks>

19 At that time, De Gaulle had systematically demanded redemption of France's dollar reserves for physical gold to assert French monetary sovereignty as explained in Pigeaud, F., & Sylla, N. S. (2021). *Africa's last colonial currency: The CFA Franc story*. Pluto Press

20 Reynolds, A. (2022, June 17). The Reagan-Volcker years in retrospect. Cato Institute. <https://www.cato.org/blog/reagan-volcker-years-retrospect-3>

21 Cheng, S-K. (2025, April 10). US imperialism in crisis: Opportunities and challenges to a global community with a shared future. MR Online. <https://mronline.org/2025/04/10/us-imperialism-in-crisis-opportunities-and-challenges-to-a-global-community-with-a-shared-future/>

Tim Barker's analysis offers a pointed answer: Volcker's policies actively sought to reduce "unit labor costs"; thereby explicitly prioritizing profit protection and actively managing labor compensation for the benefit of capital²², rather than aiming for equitable economic outcomes.²³

Paradoxically, Volcker's "independent" technical decision-making produced identical outcomes to Nixon's political interference: the externalization of crisis costs to peripheral economies and the subordination of democratic priorities to capital accumulation.

This pattern was indeed not limited to the U.S. but was Part of a coordinated imperial strategy. Across the Atlantic, British Prime Minister Margaret Thatcher's policies mirrored those of Regan administration. Like Volcker, she embraced contractionary policies to curb inflation, which resulted in mass unemployment and social unrest in Britain. Her program of monetarist discipline, union suppression, and large-scale privatization, combined Reagan's "Reaganomics" signaled a coordinated transatlantic neoliberal shift, which fundamentally restructured the social contract to favor capital over labor.

By actively targeting wage bargaining, systematically dismantling welfare provisions, and elevating inflation control to a moral imperative, these policies embedded global financial asymmetries in the post-1980s order. This coordinated neoliberal shift facilitated capital accumulation, at the expense of labor, obscuring the class interests served by institutional stability.²⁴

This historical analysis reveals that what appears as contemporary political theater between Trump and Powell actually represents deeper structural contradictions embedded within the system itself. The real question is not whether the Fed should be "independent" from political pressure, but rather whose interests this independence ultimately serves.

■ The Real Function: Labor Discipline, capitalist accumulation and Imperial Maintenance

Mainstream portrayals of the Federal Reserve often invoke the legal restrictions that ostensibly shield the central bank from political interference, constructing a powerful myth of its technocratic independence. However, this interpretation fundamentally misunderstands the political function of such "independence": As Éric Monnet argues, central bank power has grown significantly over the past two decades, but the capacity of democracies to keep them under control has deliberately lagged, creating an institutional framework designed to constrain popular economic influence.²⁵

This insulation from democratic oversight enables the Federal Reserve to pursue policies that would be politically untenable if subject to direct popular control. Most critically, it allows the Fed to use unemployment as a deliberate tool to suppress wage growth- a strategy that requires institutional protection from the workers who bear its costs. The Volcker Shock is the quintessential example: by raising interest rates to 20%, THE Fed was deliberately triggering a recession that pushed unemployment above 10% in order to break union

22 Stein, D. (2024). Toward an Intersectional Analysis of Money: Racial Capitalism, Stagflation, and Unemployment as Economic Policy. *American Quarterly* 76(4), 795-820. <https://dx.doi.org/10.1353/aq.2024.a945171>

23 Barker, T. (2021, June 24). Preferred shares. *Phenomenal World*. <https://www.phenomenalworld.org/analysis/preferred-shares>

24 Barker, T. (2023, January 11). Inflation is about class struggle (D. Denvir, Interviewer). *Jacobin*. <https://jacobin.com/2023/01/inflation-class-struggle-economic-policy-federal-reserve-the-dig>

25 Monnet, É. (2024). *Balance of power: Central banks and the fate of democracies* (S. Rendall, Trans.). University of Chicago Press.

power and wage growth. This policy was only possible because Volcker could act without direct accountability to the millions of workers who lost their jobs.

The Volcker Shock of the early 1980s was also a defining moment that replaced “full employment” target by “inflation targeting” as the dominant monetary policy framework for decades to come.

On a worldwide scale Andreas Kern, Bernhard Reinsberg, and Matthias Rau-Göhring argue in their study on IMF structural adjustment programs that, central bank independence is neither a neutral nor sacred goal, but rather a critical mechanism within the neoliberal agenda. Their research, which analyzed data from over 120 countries between 1980 and 2014, reveals how IMF conditionalities systematically promote central bank independence specifically to limit government intervention in monetary policy,²⁶ facilitating capital accumulation for financial elites by prioritizing “inflation targeting” at the expense of broader social objectives such as “full employment” and “equitable economic development” goals.

The global financial crisis, however, showed that this narrow goal was inadequate for ensuring financial stability, challenging the fundamental consensus of the classical central bank independence paradigm. The Fed’s new operating framework adopted in response to the 2008 crisis centered on paying Interest on Reserve Balances (IORB) and quantitative easing (QE). This marked a pivotal moment, embedding the institution deeper within the interests of ruling class power structures. This strategic reconfiguration did not weaken its autonomy but recalibrated it to serve the financial class by embedding the Fed within the architecture of financial power through the following mechanisms:

1. Institutionalizing the Dealer-of-Last-Resort Function: *The Fed abandoned its traditional role as a neutral “market-maker-of-last-resort” to become an active “dealer-of-last-resort.”²⁷ It now permanently manages the core funding markets for Wall Street (like the repo market), effectively guaranteeing the liquidity and profitability of the largest financial institutions. This deep, structural entanglement ensures their survival is the primary precondition for monetary policy.*

2. De-risking state role: Socializing Risk and Privatizing Gain: *By purchasing trillions in toxic private assets (MBS) and government debt, the Fed socialized the losses of the financial class onto its own balance sheet. Concurrently, paying IORB provides a massive, risk-free subsidy to commercial banks for the reserves created by these emergency actions, directly transferring public funds to financial elites.*

3. Enforcing Financial Discipline: *The framework disciplines the state itself by managing the cost of public debt (via QE and interest rates) and disciplines labor by using the threat of inflation and unemployment to suppress wage demands, all while ensuring asset prices (the primary wealth source for the owning class) remain supported.*

²⁶ Kern, A., Reinsberg, B., & Rau-Göhring, M. (2019). IMF conditionality and central bank independence. *European Journal of Political Economy*, 59, 212–229. <https://eprints.gla.ac.uk/181169/7/181169.pdf>

Gabor, D. (2016). The (impossible) repo Trinity: The political economy of repo markets. *Review of International Political Economy*, 23(6), 967–1000.

Far from a loss of independence, these shifts represent the Fed's adaptation to safeguard capitalist accumulation amid systemic crisis. Its legal protections do not enable democratic accountability but insulate a class project: securing the financial system for elites against popular oversight, using the state's power to socialize the risks of private profit-seeking.

Trump and Fed's fallacious arguments

The Trump administration's economic strategy illuminates how this false independence operates in practice.

Trump's narrative is allegedly linking rate cuts to reducing the federal debt servicing cost, pretending to save approximately four trillion dollars in the long term²⁸. Nevertheless, this justification eclipses the true Agenda: Lower rates benefit asset holders and financial markets, not public finances. Trump's framing obscures that his policies will primarily serve wealthy creditors and speculators, and will permit him to blame the Fed when inflation results from his own policy choices.

Moreover, this framing hides deeper inflationary dynamics that are caused by his protectionist trade policy and domestic labor restrictions (including crackdowns on migrant workers), tax cuts for the wealthy, but also deeper factors rooted in global shocks that have defined the early 2020s, like the COVID-19 pandemic, widespread supply chain disruptions, and the Russia-Ukraine war, which drove sharp increases in energy and commodity prices worldwide.

On the other hand, the Fed's alleged "independence" allows it to prioritize financial stability and low inflation over the objective of full employment. Accordingly, the monetary tightening policy adopted by the Federal Reserve does not represent a neutral technical response but rather a structural mechanism aimed at stabilizing the path of capitalist accumulation in the face of eroding profits. The sharp interest rate hikes initiated by the Fed since 2022 to curb inflation that peaked above 9.1%—the highest level since 1981, constitute more than anti-inflationary policy.²⁹ As JW Mason argues in a conversation with Samir Sonti, this constitutes a deliberate strategy that aims to curb wage growth, often by engineering higher unemployment.³⁰ This strategy, functions critically, similar to the Volcker chock to discipline labor and consolidate the power of capital by making workers more compliant and available at lower costs.

Fed Chair Powell himself acknowledged this mechanism in a 2022 press conference, stating that reducing job vacancies and cooling the labor market were necessary to bring down inflation³¹.

28 While a sovereign currency, issuer like the U.S. can never be forced into involuntary default on obligations in its own currency. The Treasury and Fed, operating as a consolidated government sector, can always ensure debt service regardless of interest rates.

29 Salah, R. (2024). Shadows of Politics: The Prospects of U.S. Financial Markets Between Easing and Recovery. Ittijahat Al-Ahdath, (38). Future for Advanced Research and Studies. Retrieved from

https://www.researchgate.net/publication/390893185_zlal_alsyast_afaq_alaswaq_almalyt_alamrykyt_byn_altysyr_waltafy

30 Sonti, S., & Mason, J. W. (2022, October 12). Who pays for inflation? Phenomenal World.

<https://www.phenomenalworld.org/interviews/inflation-labor/>.

31 Federal Reserve. (2022, September 21). Transcript of Chair Powell's Press Conference, September 21, 2022

<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20220921.pdf>

Tellingly, he noted that 'we need to see unemployment rise' to achieve price stability (an admission that would be politically explosive if the Fed faced direct democratic oversight. By limiting itself to interest rate tools, the Fed ensures that inflation fighting always involve disciplining workers through unemployment rather than addressing supply constraints or corporate price setting power.

Inflation, at its core stems from systemic tensions that technical monetary policies cannot resolve. A genuine democratic approach to monetary policy would not rely on inflicting unemployment to curb inflation. Instead, it would use direct employment programs to guarantee both full employment and price stability.

As long as the current system exists, this unresolved tension between the Fed's celebrated autonomy and its operational role as a servant to ruling-class will give rise to a range of potential future outcomes. These could be anything from elite efforts to manage crises and maintain capitalist control to temporary populist gains that cause unpredictable policy shifts. Ultimately, these contradictions threaten to worsen global instability, as the U.S. attempts to maintain its imperial dominance through monetary, financial, and military actions³², This could further fragment the international financial order and increase the precarity of peripheral economies.

Conclusion: Monetary Policy, Imperialism, the Crisis of Capitalist Hegemony and implications for the Global South

The Trump-Powell standoff, initially appearing as a mere political disagreement, is a critical symptom of the inherent contradictions within U.S. capitalism and its global imperial project.

This paper has shown that the Federal Reserve, far from being a neutral economic body, has historically served as a critical tool for global capital. From its imperial origins to its role in institutionalizing dollar hegemony. The notion of the Fed's "independence" is, therefore, an ideological construct designed to insulate elite interests from public accountability and to legitimize policies that disproportionately benefit capital at the expense of labor and the Global South.

Monetary policy is not a neutral science, it is a tool of class power among others, designed to protect profits and treat labor as a cost to be minimized. Such conflicts over monetary policies are not deviations from the norm but rather transparent manifestations of the deep splits within the U.S. ruling class, and its struggle for control over the state apparatus in an era of declining hegemony.³³ Ultimately, truly democratic oversight of monetary policy requires more than just replacing a Fed chair, or ensuring legal independence for the FED. It demands a fundamental shift in how we think about money, power, and the economy. A sovereign currency issuer has the capacity to maintain both price stability and full employment through policies that serve public rather than elite interests. The real question is not

32 Ntina Tzouvala (2024). Sanctions, Dollar Hegemony, and the Unraveling of Third World Sovereignty. *Yale Journal of International Law*, 49(1), 217–301. <https://yjil.yale.edu/posts/2024-06-10-sanctions-dollar-hegemony-and-the-unraveling-of-third-world-sovereignty>

33 Foster, J. B. (2025). The U.S. ruling class and the Trump regime. *Monthly Review*. <https://monthlyreview.org/2025/04/01/the-u-s-ruling-class-and-the-trump-regime/>

whether monetary policy should be 'independent' or 'political', but whom it serves. For the Global South, the goal is to move beyond simply critiquing the current system and naively hoping for a benevolent outcome from these U.S. internal conflicts. We must instead strategically exploit these fractures to accelerate the decline of a predatory system and build decisive independence from it. This begins by actively dismantling the ideological myths that support U.S. financial imperialism. The idea of the central bank "independence" is one such myth that has been reproduced in nearly every country along with, policies like structural adjustments, privatization, and fiscal austerity. If we do not expose and challenge them, we risk reproducing the very contradictions of capitalism in our own countries, leading to cycles of debt, inequality, and dependence.

To avoid reproducing these destructive models, we must pursue concrete alternatives. We can accelerate de-dollarization by actively developing and joining regional monetary funds, currency swap agreements, commodity producers-consumers agreements and trade systems that bypass the dollar. The erratic nature of U.S. policy makes a powerful case for these alternatives. We must also build counter-hegemonic institutions. The dysfunction of the IMF and World Bank as tools of a fractured master has never been more apparent creating a historic opening for alternatives. We must strengthen and fund our own development banks and regional stability mechanisms, rendering the Bretton Woods institutions irrelevant.

The most crucial task, however, is ideological: demystifying to decolonize. By exposing the Fed's "independence" as a myth and U.S. monetary policy as a tool of class war, we must arm our own societies against reproducing these same destructive models. We must reject the false religion of central bank independence that prioritizes inflation control over full employment and instead build monetary systems that are truly accountable to popular sovereignty and human need.

Only by dismantling this deeper ideological framework can U.S. financial imperialism be truly confronted and decolonial economic practices embraced to affirm justice for the oppressed.

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