

THE FEDERAL RESERVE AS THE WORLD'S UNOFFICIAL CENTRAL BANK

Mengyi Wang[†]

The Federal Reserve (Fed) has quietly become the world's de facto central bank. Acting as the global lender of last resort, it has backstopped the global economy through central bank swap lines—bilateral agreements with foreign central banks—that supplied more than half a trillion dollars during the Global Financial Crisis and COVID-19. Five of those agreements now function as standing, uncapped guarantees of dollar liquidity.

This Article explains how and why the Fed came to occupy this role. Conventional accounts treat swap lines as a functional response to the dollarized global economy, obscuring the contested institutional development of the Fed's global authority. Drawing on extensive archival evidence, this Article instead demonstrates that the Fed's authority emerged through a century-long, path-dependent process in which repeated financial crises shifted decision rights away from the political branches and international organizations and toward the central bank. This institutional account decouples the Fed's institutional rise from the dollar's structural rise. It shows how the Fed's comparative institutional advantages—money creation, legal latitude, and transnational central-bank coordination—cumulatively entrenched the central-bank channel.

In this new light, the Fed's global role is both a product and a driver of hegemonic succession—from sterling to dollar, and

[†] Climenko Fellow and Lecturer on Law, Harvard Law School. For generous comments, suggestions, and support, I thank Bill Alford, Emilie Aguirre, Gregory Auclair, Dan Awrey, Colleen Baker, Marco Basile, Raúl Carrillo, Guy-Uriel Charles, Sabrina Charles, Felipe Cole, Nakita Cuttino, Sannoy Das, Kevin E. Davis, Christine Desan, Benjamin Dinovelli, Ryan D. Doerfler, Gemma Donofrio, Barry Eichengreen, Rui Pedro Esteves, Marc Flandreau, Jeffry Frieden, Idriss Fofana, Anna Gelpern, James Greiner, Howell Jackson, Elizabeth King, Naomi Lamoreaux, Fernando Loayza, Grégoire Mallard, Jonathan Masur, Perry Mehrling, Michael Mitchell, Ugo Panizza, Joost Pauwelyn, Zachary Price, Adam Sandel, Jérôme Sgard, Hal Scott, Matthew Stephenson, Raphael Stern, Nathan Sussman, Edward Swaine, Martin Sybblis, Cédric Tille, Susannah Barton Tobin, Pierre-Hugues Verdier, Adrian Vermeule, Bill Watson, Mark Wu, David Zaring, and Jeffery Zhang. I also thank the participants at DebtCon8, the 7th Conference on Law & Macroeconomics, the AALS Financial Regulation Mid-Year Workshop, the ABA Administrative Law Spring Workshop, the ASIL Mid-Year Research Forum, the Harvard Law School East Asian Legal Studies Brown Bag, the JILSA Summer Workshop, and the Money as a Democratic Medium Conference.

perhaps now toward renminbi. An original dataset shows that while the Fed remains the central node in a system of proliferating liquidity agreements that structure “weaponized interdependence,” rival networks—notably China’s—are emerging as nascent monetary circuits atop the global dollar order.

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INTRODUCTION

The Federal Reserve (Fed), the U.S. central bank, now functions as the world’s de facto central bank. It is arguably the most powerful economic institution domestically and globally.¹ Recent

¹ James McBride, Anshu Siripurapu & Noah Berman, *What Is the U.S. Federal Reserve?*, COUNCIL ON FOREIGN RELATIONS (Aug. 15, 2024) <https://www.cfr>.

presidential efforts to assert greater control over the Fed,² alongside the Supreme Court's recent decisions to bifurcate the administrative state to safeguard the Fed's independence,³ have reopened a centuries-old debate about the power of a central bank. That debate originated with the Fed's institutional precursors: first, over Congress's authority to charter the First Bank of the United States; later, over the scope of Congress's implied powers in creating the Second Bank.⁴ Over the ensuing two centuries, this debate has been refracted across statutory reforms,⁵ administrative law doctrines, and evolving norms of central bank independence.⁶

But even as this legal debate has been on replay domestically, the Fed's more consequential global role has largely evolved out of view.⁷ This Article pulls that role into focus by

org/backgrounders/what-us-federal-reserve [<https://perma.cc/CZ2P-HZQV>] ("The U.S. central banking system—the Federal Reserve, or the Fed—is the most powerful economic institution in the United States, and perhaps the world."); John O. McGinnis, *Comparing the Court and the Fed: Democratic Dilemmas of Elite Institutions*, 57 WAKE FOREST L. REV. 173, 175 (2022) ("The Supreme Court and the Federal Reserve are the most powerful institutions in the United States.").

² By presidential control, I refer both to personnel control, including the appointment of the Chair and members of the Board of Governors, and to functional control, including efforts to influence the Fed's policy agenda, instruments, and implementation of its statutory mandate. For instance, functionally, President Trump's executive order aimed to bifurcate the Fed's regulatory and monetary functions, subjecting each to different political controls. See Ensuring Accountability for All Agencies, THE WHITE HOUSE (Feb. 18, 2025), <https://www.whitehouse.gov/presidential-actions/2025/02/ensuring-accountability-for-all-agencies/> [<https://perma.cc/44JY-9HQ9>].

³ See *Trump v. Cook*, ___ S.Ct. ___ at *7 (2026); *Trump v. Slaughter*, ___ S.Ct. ___ at *18 (2026). There were also earlier indications. See, e.g., *Trump v. Wilcox*, 145 S. Ct. 1415, 1421 (2025) (Kagan, J., dissenting). The Supreme Court will hear *Trump v. Cook* in January 2026. See Order List, Supreme Court of the United States (Oct. 1, 2025), https://www.supremecourt.gov/orders/court-orders/100125zr_7648.pdf [<https://perma.cc/NLT8-DU5B>].

⁴ See JACK RAKOVE, *REVOLUTIONARIES: A NEW HISTORY OF THE INVENTION OF AMERICA* 428–31 (2010); JONATHAN GIENAPP, *THE SECOND CREATION: FIXING THE AMERICAN CONSTITUTION IN THE FOUNDING ERA* 202–47 (2018). See *McCulloch v. Maryland*, 17 U.S. 316 (1819). The First Bank drew much inspiration from the Bank of England, see H. Wayne Morgan, *The Origins and Establishment of the First Bank of the United States*, 30 BUS. HIST. REV. 472 (1956).

⁵ See Gary Richardson & David Wilcox, *How Congress Designed the Federal Reserve to Be Independent of Presidential Control*, 39 J. ECON. PERSPS. 221 (2025).

⁶ See, e.g., SARAH A. BINDER & MARK SPINDEL, *THE MYTH OF INDEPENDENCE: HOW CONGRESS GOVERNS THE FEDERAL RESERVE* (2017); Peter Conti-Brown, *The Institutions of Federal Reserve Independence*, 32 YALE J. REGUL. 257, 295 (2015) ("Everyone understands that the Fed is an independent agency, probably the most independent of agencies."); Carola C. Binder & Christina P. Skinner, *The Legitimacy of the Federal Reserve*, 28 STAN. J.L. BUS. & FIN. 1 (2023).

⁷ There are exceptions. See, e.g., Peter Conti-Brown & David Zaring, *The Foreign Affairs of the Federal Reserve*, 44 J. CORP. L. 665, 669 (2018); Colleen Baker,

centering the Fed's lender of last resort (LOLR) function: the *raison d'être* of central banking and the site where the asymmetry between domestic scrutiny and international opacity is most pronounced.⁸

The central claim is that the Fed's global authority emerged through a path-dependent process of institutional competition. Over a century of financial shocks, the Fed's distinct institutional features—money creation, legal latitude, and transnational central bank coordination—allowed it to outcompete domestic and international institutional alternatives such as the Treasury, the State Department, and the International Monetary Fund (IMF). These institutional features were self-reinforcing, generating positive feedbacks that made the Fed's interventions easier to reproduce and harder to displace. The upshot is that an earlier model of executive-led dollar diplomacy under Taft and Knox gradually migrated to the Fed, where global monetary power could be exercised through central-bank instruments rather than overt foreign policy.⁹

This dynamic is clearest in financial crises. A central bank's elemental task is to halt market-wide collapses by lending to distressed institutions—or credibly commit to do so. Only central banks possess the necessary speed and scale to arrest financial contagion, when confidence in financial institutions evaporates and panic threatens to cascade through the credit system.¹⁰ Liquidity—the ability to meet short-term obligations

The Federal Reserve's Use of International Swap Lines, 55 ARIZ. L. REV. 603, 618 (2013); Katherine Clark Harris, *Hidden in Plain Sight: The Federal Reserve's Role in U.S. Foreign Policy*, 40 YALE J. INT'L L. 393 (2015).

⁸ The domestic emergency lending functions were debated in the public sphere especially in light of the Fed's lending of Global Financial Crisis and precipitated the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act. See generally JÜRGEN HABERMAS, *THE STRUCTURAL TRANSFORMATION OF THE PUBLIC SPHERE: AN INQUIRY INTO A CATEGORY OF BOURGEOIS SOCIETY* (1991).

⁹ In 1912, Taft summarized his view of Dollar Diplomacy: "The diplomacy of the present administration has sought to respond to modern ideas of commercial intercourse. This policy has been characterized as substituting dollars for bullets." Historical Documents: Messages of the President, OFF. OF THE HISTORIAN, U.S. Dep't of State, <https://history.state.gov/historicaldocuments/frus1912/message-of-the-president> [<https://perma.cc/T8ET-82YT>] (last visited Aug. 5, 2024).

¹⁰ The concept of LOLR was first developed in the Bank of England context more than two centuries ago. See HENRY THORNTON, *AN ENQUIRY INTO THE NATURE AND EFFECTS OF THE PAPER CREDIT OF GREAT BRITAIN* (F.A. Hayek ed., Augustus M. Kelley Publishers 1802); WALTER BAGEHOT, *LOMBARD STREET: A DESCRIPTION OF THE MONEY MARKET* (1873). Since then, the literature on the theoretical, descriptive, and normative aspects of LOLR has grown across different disciplines. See, e.g., PERRY MEHLING, *THE NEW LOMBARD STREET: HOW THE FED BECAME THE DEALER OF LAST RESORT* (2010); Richard S. Grossman & Hugh Rockoff, *Fighting the Last War: Economists on the Lender of Last Resort* (Nat'l Bureau of Econ. Rsch., Working Paper No.

without fire sales—tends to vanish precisely when it is most needed.¹¹ The collapse of Silicon Valley Bank in 2023 illustrates the stakes: unable to secure liquidity fast enough, the bank suffered a destabilizing run.¹² The Fed's backstop helped prevent broader panic—an illustration not of a one-off episode but a symptom of recurring fragilities in modern finance.

In recent decades, the structure of these crises has changed with financialization—the growing dominance of financial over industrial capitalism.¹³ Short-term funding and monetary transmission have shifted away from bank-centered intermediation and the federal funds market toward offshore dollar liabilities, wholesale funding markets, and shadow banking. As dollar funding became globally distributed across interconnected balance sheets, the system grew more reliant on short-term, money-like claims and more vulnerable to their sudden contraction under stress. Intermediation, maturity transformation, and securitization expanded the supply of such claims by layering liquid liabilities on top of longer-term assets. On the flip side, they also increased

20832, 2015); Kathryn Judge, *The First Year: The Role of a Modern Lender of Last Resort*, 116 COLUM. L. REV. 843 (2016).

¹¹ To be clear, banks hold long-term assets like U.S. Treasury bonds. But during a bank run, they cannot quickly convert these assets into cash at their true market value. Imagine trying to sell \$30 billion in bonds in just one day—it is nearly impossible to find buyers willing to pay that amount of bonds at full price. Because these assets are “illiquid,” banks may be forced to sell them instead at a steep discount (“fire sale”), which can lead to default. Providing emergency liquidity—essentially, buying these assets at a fair price—helps banks quickly access the cash they need to pay depositors, preventing a wider banking panic. See generally Emmanuel Farhi & Jean Tirole, *Collective Moral Hazard, Maturity Mismatch, and Systemic Bailouts*, 102 AM. ECON. REV. 60 (2012).

¹² See Michael S. Barr, Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank, BD. OF GOVERNORS OF THE FED. RESRV. SYS. (Apr. 28, 2023), <https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf> [<https://perma.cc/YWP6-HEXF>].

¹³ There is a large multi-disciplinary literature on the scale, nature, sources, and consequences of financialization. For instance, Thomas Piketty has documented the dramatic expansion of financial assets relative to real economic growth, which partly stems from interlocking financial claims. THOMAS PIKETTY, *CAPITAL IN THE TWENTY-FIRST CENTURY* 241 (2013) (“the total amount of financial assets and liabilities in the early 1970s did not exceed four to five years of national income. By 2010, this amount had increased to ten to fifteen years of national income This reflects the unprecedented development of cross-investments involving financial and nonfinancial corporations in the same country . . . as well as cross-investments between countries”). See Gerald F. Davis & Suntae Kim, *Financialization of the Economy*, 41 ANN. REV. SOCIO. 203 (2015); GRETA R. KRIPPNER, *CAPITALIZING ON CRISIS* 5–6 (2012) (discussing Charles Kindleberger and Hyman Minsky's view that the LOLR acts to mitigate the cycles of boom and bust that are endogenous to financial markets).

the risk of system-wide liquidity shortages.¹⁴ For instance, mortgage-backed securities transform illiquid mortgages into standardized collateral for short-term funding, supporting the expansion of market-based liquidity while contributing to its collapse in 2008.¹⁵

Institutional responses to financial crises have correspondingly followed the structure of financial instability. Historically, recurrent banking crises in the late nineteenth and early twentieth centuries generated the economic and political case for a domestic LOLR, leading to the Fed's creation in 1913.¹⁶ As deposit-based runs gave way to runs on securitized and wholesale funding markets, the Fed's LOLR function adapted to cover new forms of liquidity stress.¹⁷ The same logic also extends outward in a globalized financial system, from the heyday of the classical gold standard onward. The dynamics that necessitated a domestic LOLR also compel a global lender of last resort (GLOLR), capable of stabilizing cross-border dollar funding markets under stress. The need for such a backstop is underscored by more than a century of crises, from the Baring Crisis of 1890 to COVID-19.¹⁸ Now, the scale of contemporary dollar markets makes the point starkly: daily foreign-exchange turnover now reaches \$7.5 trillion, and foreign-exchange swaps are

¹⁴ See Marvin Goodfriend, *Money Markets*, 3 ANN. REV. FIN. ECON. 119 (2011).

¹⁵ See John J. McConnell & Stephen A. Buser, *The Origins and Evolution of the Market for Mortgage-Backed Securities*, 3 ANN. REV. FIN. ECON. 173 (2011).

¹⁶ *Banking Panics of the Gilded Age*, FED. RESRV. HIST., <https://www.federalreservehistory.org/essays/banking-panics-of-the-gilded-age> [<https://perma.cc/6JKU-A2HX>] (last visited Jan. 25, 2025); *Lender-of-Last-Resort Issues—Past, Present, and Future*, INT'L MONETARY FUND, <https://www.elibrary.imf.org/display/book/9781557757968/ch07.xml> [<https://perma.cc/WG94-JFE6>] (last visited Jan. 28, 2025).

¹⁷ For a discussion of securitized banking run and the Global Financial Crisis, see Gary Gorton & Andrew Metrick, *Securitized Banking and the Run on Repo*, 104 J. FIN. ECON. 425 (2012). On the Fed's changing LOLR role, see PERRY MEHRLING, *THE NEW LOMBARD STREET: HOW THE FED BECAME THE DEALER OF LAST RESORT* 26–27 (2010).

¹⁸ Charles Kindleberger first extended analogy of a domestic LOLR to a global one, arguing that in the absence of a supranational authority, only a hegemon can perform core functions like discounting and countercyclical lending (the hegemonic stability theory). See CHARLES P. KINDLEBERGER & ROBERT Z. ALIBER, *MANIAS, PANICS, AND CRASHES: A HISTORY OF FINANCIAL CRISES* 307 (5th ed. 2005); Barry Eichengreen, *Hegemonic Stability Theories of the International Monetary System*, in *INTERNATIONAL POLITICAL ECONOMY: PERSPECTIVES ON GLOBAL POWER AND WEALTH* 234, 234–35 (Jeffrey A. Frieden et al. eds., 4th ed. 2000). Stanley Fischer, the first Deputy Managing Director of the IMF and later vice-chair of the Fed, extended Kindleberger's GLOLR vision, see Stanley Fischer, *On the Need for an International Lender of Last Resort*, 13 J. ECON. PERSP. 85, 86 (1999).

a central channel through which non-U.S. institutions obtain short-term dollar funding.¹⁹

So when global financial crises strike, who steps in to prevent global economic collapse? It is the Fed.²⁰ The Fed performs the GLOLR role primarily via central bank swap lines—emergency liquidity lending to other central banks.²¹ A swap line is a two-step credit arrangement: the Fed lends U.S. dollars to a partner central bank, using that central bank's currency as collateral. Later, they unwind the swap (the Fed gets its dollars back, plus interest).²² Analogous to its domestic LOLR function, the Fed has not only supplied emergency liquidity during past crises—it now credibly stands ready to act again. During the Global Financial Crisis and COVID-19, the Fed activated swap lines to fourteen central banks. Usage peaked at \$580 billion—25 percent of the Fed's balance sheet—and reached \$450 billion during COVID-19.²³ Since then, five of these lines have become standing and uncapped, offering preauthorized liquidity insurance to Canada, the European Central Bank, Japan, the United Kingdom, and Switzerland. Even central banks without standing agreements now expect Fed

¹⁹ This was based on the estimate in April 2022. Bank for Int'l Settlements, Int'l Banking & Fin. Mkt. Devs., BIS Q. REV., Dec. 2022, at 16; FED. RSRV. BANK OF N.Y., *FX Market Structure Conference*, <https://www.newyorkfed.org/newsevents/events/markets/2024/1119-2024> [<https://perma.cc/9W3Y-QS84>] (last visited July 29, 2025).

²⁰ See U.S. CONG., JOINT ECON. COMM., AN INTERNATIONAL LENDER OF LAST RESORT, THE IMF, AND THE FEDERAL RESERVE 1 (Feb. 1999) ("the IMF cannot serve as a genuine LOLR. Specifically, the IMF cannot create reserves, cannot make essential decisions quickly, and does not act in a transparent manner in order to qualify as an authentic international LOLR. The Federal Reserve, on the other hand, does meet essential requirements of an international LOLR"). In addition, a variety of reasons such as domestic political economy and geopolitics hamper the IMF's capability and legitimacy as an LOLR for the world. See, e.g., JEFFERY A. FRIEDEN, *BANKING ON THE WORLD: THE POLITICS OF AMERICAN INTERNATIONAL FINANCE* 181–90 (1st ed. 1987); Barry Eichengreen, *Unlocking IMF Reform*, PROJECT SYNDICATE (2024), <https://www.project-syndicate.org/commentary/imf-reform-requires-governance-overhaul-and-focus-on-core-mandate-by-barry-eichengreen-2024-07> [<http://perma.cc/FEY9-9mpr>] (last visited July 17, 2024).

²¹ COMMITTEE ON THE GLOBAL FIN. SYS., *US Dollar Funding: An International Perspective* (Bank for Int'l Settlements, CGFS Paper No. 65, 2020).

²² See Baker, *supra* note 7, at 622. Edd Denbee et al, *Stitching Together the Global Financial Safety Net* 3 (BANK OF ENG., Financial Stability Paper no. 36, 2016).

²³ See *Assets: Central Bank Liquidity Swaps: Central Bank Liquidity Swaps: Week Average*, FRED (2025), <https://fred.stlouisfed.org/series/WCBLSA> [<https://perma.cc/RB8J-Q3XA>]; Michael J. Fleming & Nicholas J. Klagge, *The Federal Reserve's Foreign Exchange Swap Lines*, 16 FED. RSRV. BANK OF N.Y. CURRENT ISSUES IN ECON. & FIN., at 5 (2010).

intervention—further entrenching its GLOLR role.²⁴ The upshot is that through both the GLOLR and related functions,²⁵ the Fed has effectively become the world's unofficial central bank.²⁶

But why the Fed? As the issuer of the world's dominant currency in the dollarized global economy, the Fed seems naturally positioned to douse global financial fires with dollar liquidity.²⁷ Much as the Sterling's international role once elevated the Bank of England, the dollar's centrality gives the Fed extraordinary structural advantages. The conventional account reflects this functionalist intuition. It presents swap lines as efficient technocratic adaptations to changing market needs: first developed in the 1960s to defend Bretton Woods through exchange-rate stabilization, and later repurposed to supply liquidity to a dollarized global financial system.²⁸

²⁴ That expectation is strained by political pressure on the Fed's independence. As former Swedish central bank governor Stefan Ingves put it, "Risks to the independence of the Fed could also threaten the supply of dollars to central banks." Eshe Nelson, *Trump's Attack on the Fed Ripples Through the Global Economy*, N.Y. TIMES (July 17, 2025), <https://www.nytimes.com/2025/07/17/business/trump-powell-fed-global-reaction.html> [<https://perma.cc/W7DW-PWQQ>].

²⁵ See *infra* Part I.B.

²⁶ PETER CONTI-BROWN, *THE POWER AND INDEPENDENCE OF THE FEDERAL RESERVE* 231 (2018) ("In that event, the Fed became something of a central bank to the world: it provided the currency that other countries needed to accomplish their own policies as lenders of last resort."). Baker, *supra* note 7, at 618 ("Through the use of its swap lines, the Federal Reserve became the de facto global lender of last resort."); Mallard et al., *The United States in the World Today: How Sociologists Think About It and Why It Matters*, 50 ANN. REV. SOCIO. 691, 698 (2024); John Crawford, *The Dollar Dilemma: Hegemony, Control, and the Dollar's International Role*, 18 VA. L. & BUS. REV. 149, 171 (2024).

²⁷ U.S. GOV'T ACCOUNTABILITY OFF., GAO-11-696, *FEDERAL RESERVE SYSTEM: OPPORTUNITIES EXIST TO STRENGTHEN POLICIES AND PROCESSES FOR MANAGING EMERGENCY ASSISTANCE*, at 204 (2011). This document is part of the GAO's one-time audit of the Fed's emergency lending.

²⁸ See, e.g., *Central Bank Liquidity Swaps*, BD. OF GOVERNORS OF THE FED. RESRV. SYS., https://www.federalreserve.gov/monetarypolicy/bst_liquidityswaps.htm [<https://perma.cc/BSB7-32K6>] (last visited Jan. 17, 2025). In marking the historical origin, the academic literature tends to rely on two articles: Robert McCauley & Catherine Schenk, *Central Bank Swaps Then and Now: Swaps and Dollar Liquidity in the 1960s* (Bank for Int'l Settlements, BIS Working Paper No. 851, 2020) and Michael D. Bordo, Owen F. Humpage & Anna J. Schwartz, *The Evolution of the Federal Reserve Swap Lines Since 1962*, 25 (Nat'l Bureau of Econ. Rsch., Working Paper No. 20755, 2014) ("The Fed has used swaps for many different purposes since their inception in 1962"). See, e.g., Lev Menand, *The Federal Reserve and the 2020 Economic and Financial Crisis*, 26 STAN. J.L. BUS. & FIN. 295, 313 (2021) ("It first started using swap lines in the 1960s, on a small scale."); Lev Menand, *The Logic and Limits of the Federal Reserve Act*, 40 YALE J. REGUL. 197, 258 (2023) ("In 1962, a new front opened. . . . Seeking to stabilize this emerging supply of dollar deposits overseas, the Fed entered into agreements with foreign central banks to swap dollar reserves at the FRBs for foreign currency"); Baker, *supra* note 7, at 625 ("In 1962, the Federal Reserve Bank of New York

However, this inference—and the technocratic origin story that undergirds it—is mistaken. The dominance of the dollar and the dominance of the Fed are not coextensive. Logically, the structural dominance of the dollar does not entail the institutional dominance of the Fed; it requires only that *some* authority manage the dollar internationally. Put differently, the dollar's structural dominance is one explanatory variable: it makes the Fed more powerful vis-à-vis, for instance, the Bank of England, but it cannot by itself explain why authority migrated to the Fed rather than to the Treasury, the State Department, the Bank for International Settlements (BIS), or the International Monetary Fund (IMF). The institutional allocation of that authority therefore requires a separate explanation. Historically, that allocation was neither fixed nor uniquely technocratic.²⁹ At different points in the twentieth century, these institutions supplied competing legal authorities, financial infrastructures, and channels for international monetary management. As we will see, in 1962, the Treasury held decision rights over international monetary and financial management, directing the Fed to revive its swap facility to supplement the Treasury's Exchange Stabilization Fund.³⁰ The conventional narrative also elides the political origins of swap lines, thus reinforcing the technocratic myth. As we will see, even during the Bretton Woods era, swap lines were not a purely technocratic response to a technical problem; they were embedded in broader political bargains negotiated by the political branches. Only after those bargains began to fray did the Fed's technocratic governance move into the space politics vacated.

Nor is the Fed's global role the result of formal delegation or clear statutory authority. The IMF, at least nominally, holds

spearheaded an international effort among major central banks to establish a swap line network"); Christina Parajon Skinner, *Central Bank Activism*, 71 DUKE L.J. 247, 274 (2021) ("The Fed's 'network of swap lines' with central banks around the world has roots in the Bretton Woods era"); Aditi Sahasrabudhe, *Drawing the Line: The Politics of Federal Currency Swaps in the Global Financial Crisis*, 26 REV. INT'L POL. ECON. 461, 463 (2019) ("Created in 1962 to protect central banks from unfavorable dollar positions, currency swaps are not new to the Fed's toolkit"); Daniel McDowell, *The (Ineffective) Financial Statecraft of China's Bilateral Swap Agreements*, 50 DEV. & CHANGE 122, 124 (2019) ("Currency swap agreements are not new to the world of central banking. The US Federal Reserve pioneered the technique as far back as the 1960s").

²⁹ That is, several equilibria could exist.

³⁰ See *infra* Part II.D. Other institutional configurations during the Bretton Woods era. For instance, the Bank of International Settlements (BIS) had organized intra-Europe swap lines in the 1950s. See HAROLD JAMES, *INTERNATIONAL MONETARY COOPERATION SINCE BRETTON WOODS* 160–61 (1996).

the mandate to manage international monetary stability.³¹ The Federal Reserve Act likewise provides no firm foundation for the Fed's global authority. Fed officials, such as former Fed Chair Bernanke, cite Section 14 of the Federal Reserve Act as the basis of its "long-standing authority to do swaps with other central banks."³² However, that interpretation stretches Section 14 beyond its text, and internal Fed memos and scholarship have cast doubt on the alleged legal clarity.³³

The Fed's eventual predominance therefore requires an institutional explanation. That is, how did a domestic agency with a domestic mandate come to acquire a global remit? Recovering the origins of the Fed's global role requires extending the timeline and reuniting political decision-making with technocratic practice, which the conventional account treats separately. These arrangements recur from the Baring Crisis of 1890 through the interwar period and into the post-Bretton Woods era, even as the organizing logic of monetary and financial stability shifts from convertibility under fixed exchange rates to liquidity provision under floating regimes. The functional need for international financial stability has stayed constant, while the instrument, organizing logic, and institutional locus altered along with internal and external political-economic conditions and eventually consolidated in the Fed.

To reconstruct the historical process of the Fed's rise to the GLOLR, the Article draws on personal papers of key figures (e.g.,

³¹ See IMF, Articles of Agreement of the International Monetary Fund (Aug. 2020), <https://www.imf.org/external/pubs/ft/aa/index.htm> [<https://perma.cc/6954-PMDL>].

³² After the Global Financial Crisis, then-Chair Ben Bernanke testified: "We have long-standing authority to do swaps with other central banks . . . My counsel says . . . Section 14 of the Federal Reserve Act." Alan Grayson, *Alan Grayson: "Which Foreigners Got the Fed's \$500,000,000,000?" Bernanke: "I Don't Know."*, YOUTUBE (July 21, 2009), https://www.youtube.com/watch?v=n0NYBTkE1yQ&ab_channel=AlanGrayson [<https://perma.cc/V4YT-X8RD>].

³³ As the long-term general counsel Howard Hackley reiterated in 1968, "The Federal Reserve Banks have no express statutory authority to buy securities of foreign governments or foreign central banks or to make extensions of credit to such governments or banks." Bd. Of Governors of the Fed. Resv. Sys., *Legality of Federal Reserve participation in proposed funding arrangement for sterling balances* (July 2, 1968). See, e.g., Menand, *supra* note 28, at 301 (2021) ("Section 14 permits purchases and sales of foreign currencies, but again only in the open market. In a swap, the purchases and sales transact off-market at non-market prices. And, even if swap lines were authorized by section 14, swaps are constructively loans, and the requirements of section 13(3) should apply. Among these requirements is that the Fed report the transactions to Congress and seek prior approval of the Treasury Secretary"); Alexander R. Perry, Note, *The Federal Reserve's Questionable Legal Basis for Foreign Central Bank Liquidity Swaps*, 120 COLUM. L. REV. 729, 731 & n.11 (2020).

Benjamin Strong,³⁴ Thomas Lamont,³⁵ and Thomas McKittrick³⁶), institutional records (e.g., the Federal Reserve and the Bank of England), and the personal writings of policymakers (e.g., Émile Moreau and Henry Morgenthau³⁷). These sources reveal a transnational network of actors—often spanning central banks, private finance, and public institutions—who shaped both formal decisions and informal norms of monetary governance since the classical gold standard.³⁸ In an era before systematic or institutionalized monetary governance, personal connections and ad hoc collaborations often carried decisive weight.³⁹ J.P. Morgan & Co. is a key case in point. J.P. Morgan functioned as an informal central bank prior to the Fed's creation, worked alongside the State Department in advancing dollar diplomacy in China in the 1900s, and later extended private credit to the Bank of England in tandem with the New York Fed's gold credit during the 1920s.⁴⁰ Thomas Lamont, J.P. Morgan's chief executive, operated for decades at the hinge of domestic and international monetary policies—from early dollar diplomacy under Taft to the Versailles negotiations and the New Deal.⁴¹ Another Morgan associate, Benjamin Strong, became the head of the New York Fed, leading the Fed's wartime and inter-war monetary relations and defining the embryonic central bank-led dollar diplomacy.⁴²

³⁴ Benjamin Strong Jr. Papers, New York Federal Reserve Bank [hereinafter *Benjamin Strong Papers*].

³⁵ Papers of Thomas William Lamont, Baker Library, Harvard University [hereinafter *Thomas Lamont Papers*].

³⁶ Papers of Thomas McKittrick, Baker Library, Harvard University [hereinafter *Thomas McKittrick Papers*]. Thomas McKittrick led the BIS through World War II. Others also figure prominently into the correspondences. For instance, Owen Young, general counsel and chairman of the board of directors for the General Electric Company drafted the Young Plan that established the BIS. Owen D. Young, *ENCYCLOPEDIA BRITANNICA*, <https://www.britannica.com/biography/Owen-D-Young> [<https://perma.cc/W72A-9E7T>] (last visited July 28, 2025).

³⁷ ÉMILE MOREAU, *SOUVENIRS D'UN GOUVERNEUR DE LA BANQUE DE FRANCE: HISTOIRE DE LA STABILISATION DU FRANC, 1926–1928* (1954) [hereinafter *Moreau Memoir*]. Moreau was the governor of the Banque de France (French central bank) in the 1920s.

³⁸ Barry Eichengreen & Andreas Kakridis, *Interwar Central Banks, in THE SPREAD OF THE MODERN CENTRAL BANK AND GLOBAL COOPERATION: 1919–1939* 6, 6–10 (Barry Eichengreen & Andreas Kakridis eds., 2023). See generally LIAQUAT AHAMED, *LORDS OF FINANCE: THE BANKERS WHO BROKE THE WORLD* (2009).

³⁹ BARRY EICHENGREEN, *GOLDEN FETTERS: THE GOLD STANDARD AND THE GREAT DEPRESSION, 1919–1939* 220 (1995).

⁴⁰ See MARTIN HORN, *J.P. MORGAN & CO. AND THE CRISIS OF CAPITALISM: FROM THE WALL STREET CRASH TO WORLD WAR II* (2022).

⁴¹ See EDWARD M. LAMONT, *THE AMBASSADOR FROM WALL STREET* 153–244 (2023).

⁴² See *infra* Part II.B.

This historical reconstruction illuminates *how* and *why* the Fed, rather than the Treasury or the IMF, came to function as the GLOLR in the dollarized global economy. It reveals a self-reinforcing, path-dependent process rather than a functionalist account of efficient responses to market needs.⁴³ The Fed's international authority, once contingently constructed in the 1910s, possessed institutional features that generated positive feedback over time. First, its domestic legal latitude—including the autonomy reinforced by recent judicial protection of central-bank independence—expanded its capacity to act globally with limited political authorization or supervision. Second, repeated coordination within a transnational central banking community, with varied intensity and objectives across evolving monetary regimes, stabilized these practices as shared crisis scripts, encompassing not only common views of financial stability but also shared commitments to central bank independence and related operational norms that insulated intervention from ordinary political control. Third, these effects operated comparatively through the mechanics of money creation. The Fed's fiscal autonomy and money creation power have allowed it to act quickly and financially autonomously. Framed as monetary rather than fiscal, these interventions reduce transaction costs—avoiding the appropriations politics that constrain Treasury action and the multilateral bargaining that slows IMF lending—thereby generating negative feedback for those alternatives and reinforcing reliance on the central bank channel.⁴⁴ This long, discontinuous, historical process eventually converted a LOLR to a GLOLR.

This new understanding informs the contemporary stakes, which cascade across interlocking horizons: legal stakes over the scope of the central bank's authority and independence; institutional stakes over its place in the administrative state and authority over dollar policy;⁴⁵ geopolitical stakes over how liquidity reshapes alliances and rivalries;⁴⁶ and macroeconomic stakes over the architecture and stability of the international

⁴³ I draw particularly from PAUL PIERSON, *POLITICS IN TIME: HISTORY, INSTITUTIONS, AND SOCIAL ANALYSIS* 44–46 (2004); Avner Greif & David D. Laitin, *A Theory of Endogenous Institutional Change*, 98 AM. POL. SCI. REV. 633 (2004).

⁴⁴ For instance, Republican senators contested the Treasury's swap lines to Argentina. REUTERS, *US Is Not Putting Money into Argentina, Bessent Says* (Oct. 2, 2025), <https://www.reuters.com/world/americas/argentina-is-beacon-western-hemisphere-uss-bessent-says-2025-10-02/> [https://perma.cc/ULL8-8JRU] (last visited Oct. 5, 2025).

⁴⁵ See Conti-Brown & Zaring, *supra* note 7.

⁴⁶ See *infra* Part III.

financial system. The macroeconomic dimension is often visible only in hindsight but is no less consequential. History shows that central bank cooperation can serve as a technocratic fix along the path of least political resistance while deferring the politically painful adjustments needed for lasting financial stability. In the 1920s, the New York Fed's efforts to stabilize the franc and sterling—through interest rate alignment and gold credits—postponed decisions on inflation and fiscal balance and failed to avert Britain's 1931 exit from the gold standard.⁴⁷ In the 1960s, the Gold Pool and early swap lines likewise masked widening macroeconomic imbalances, delaying the system's inevitable collapse.⁴⁸ The Fed itself, in a confidential memo, acknowledged this palliative: swap lines could only serve as a "stop-gap measure" to relieve market pressure and "buy time" to address underlying structural problems.⁴⁹ By unpacking these four dimensions, this Article brings legal scholarship into conversation with international political economy,⁵⁰ economic history,⁵¹ and socio-legal studies of expertise.⁵²

⁴⁷ ALLAN H. MELTZER, *A HISTORY OF THE FEDERAL RESERVE: Volume 1 at 1913–1951* 178 (2003); see *infra* Part II.B.

⁴⁸ *Id.* at 179; Aditi Sahasrabuddhe & Jack Seddon, *The Perils of Technocratic Power: Central Bank Discretion and the End of Bretton Woods Revisited*, Queen's Univ. Ctr. for Econ. Hist., Working Paper No. 25-06 (2025), <https://www.quech.org.uk/working-papers.html> [<https://perma.cc/3CNX-2XM9>].

⁴⁹ Task Force on System Foreign Currency Operations, Bd. of Governors of The Fed. Rsrv. Sys., 459 (Mar. 1990). This document is part of a collection of 11 "strictly confidential" internal memos [hereinafter *Task Force Report*].

⁵⁰ These include international political economy literatures on non-hegemonic alternatives to achieve monetary stability, currency competition, and the interaction between domestic and international monetary policies. See Eichengreen, *supra* note 18, at 271; ROBERT KEOHANE, *AFTER HEGEMONY: COOPERATION AND DISCORD IN THE WORLD POLITICAL ECONOMY* (1984); Jeffry Frieden, *The Governance of International Finance*, 19 ANN. REV. POL. SCI. 33 (2016); ESWAR PRASAD, *GAINING CURRENCY: THE RISE OF THE RENMINBI* (2016); KENNETH ROGOFF, *OUR DOLLAR, YOUR PROBLEM* 211–28 (2025); BETH A. SIMMONS, *WHO ADJUSTS? DOMESTIC SOURCES OF FOREIGN ECONOMIC POLICY DURING THE INTERWAR YEARS* (1994); ROBERT TRIFFIN, *GOLD AND THE DOLLAR CRISIS* (1960); Maurice Obstfeld & Kenneth Rogoff, *Global Implications of Self-Oriented National Monetary Rules*, 117 Q.J. ECON. 503 (2002).

⁵¹ See, e.g., Nathan Sussman & Barry Eichengreen, *The International Monetary System in the (Very) Long Run*, IMF WORKING PAPER, 9–13 (2000); WILLIAM L. SILBER, *THE STORY OF SILVER: HOW THE WHITE METAL SHAPED AMERICA AND THE MODERN WORLD* (2019).

⁵² See Marion Fourcade, *The Construction of a Global Profession: The Transnationalization of Economics*, 112 AM. J. SOC. 145, 178 (2006); Eichengreen & Kakridis, *supra* note 38; LEON WANSLEBEN, *THE RISE OF CENTRAL BANKS: STATE POWER IN FINANCIAL CAPITALISM* (2023); Anne-Marie Slaughter, *Global Government Networks, Global Information Agencies, and Disaggregated Democracy*, 24 MICH. J. INT'L L. 1041 (2003); Andrew Abbott, *Boundaries of Social Work or Social Work of Boundaries? The Social Service Review Lecture*, 69 SOC. SERV. REV. 545 (1995).

The remainder of the Article proceeds in four parts. Part I sketches the Fed's role as the world's unofficial central bank. Part II—the heart of the Article—reconstructs the path-dependent historical process through which the Fed became the GLOLR. Part III parses the geopolitical stakes of the swap line network, drawing on internal transcripts to show how the Fed weighs geopolitical considerations in extending liquidity. Part IV takes the path-dependent institutional features identified in the historical analysis as its point of departure. Rather than offering reform proposals, it clarifies the institutional design questions raised by the Fed's entrenched global role.

I

BEING THE WORLD'S UNOFFICIAL CENTRAL BANK

This section profiles the Fed as the world's *de facto* central bank. Just as its domestic remit extends beyond its signature LOLR role to encompass monetary and regulatory functions, its global role spans both liquidity provision and the shaping of monetary and regulatory practices. Its power, however, varies across these domains. In the provision of dollar liquidity to foreign central banks, the Fed occupies a uniquely central position, exercising substantial bargaining power through its GLOLR function. By contrast, its influence over global monetary and regulatory practices—through interest rate policy and standard-setting—is more diffuse, operating through coordination rather than control, closer to a “conductor” role historically associated with the Bank of England under the classical gold standard.

A. The Global Lender of Last Resort

Once just a domestic central bank acting as the LOLR to supply liquidity to domestic banks, the Fed now operates within a globally distributed dollar system in which offshore, market-based funding has made access to elastic dollar liquidity systemically critical. The sheer scale of offshore dollar liabilities, coupled with their volatility,⁵³ has thrust the Fed into a global “first responder” role. It puts out economic fires by injecting liquidity through central bank swap lines. Operationally, the Fed's swap lines are authorized by the Federal Open Market Committee (FOMC)—the top monetary policy body of the Fed—and

⁵³ See Crawford, *supra* note 26, at 171–72.

implemented by the New York Fed.⁵⁴ The change in the makeup of the financial market is such that many private entities are linked through their interconnected balance sheets and obligations, and once the avalanche of liquidity shortage hits, financial institutions and banks scramble for short-term liquidity.⁵⁵

Generally speaking, the Fed has two primary LOLR tools, the discount window and open market operations. Arguably, swap agreements are a discount window LOLR tool, legally dressed up as open-market operations. This subsection reviews the two LOLR tools and describes how swap line agreements work. The most significant service that Federal Reserve Banks provided member institutions was access to the discount window.⁵⁶ Member banks could obtain reserves or currency by rediscounting short-term commercial or agricultural paper with their Reserve Bank.⁵⁷ The Fed's founders believed this mechanism would serve two purposes: it would create an "elastic" national money supply commensurate with dynamic economic activity level, while limiting eligible collateral to keep credit away from speculative activity.⁵⁸

To take advantage of the discount window, foreign banks must pledge collateral deemed satisfactory by the lending Reserve Bank.⁵⁹ Foreign commercial banks were also able to use the Fed's regular discount window. For instance, Deutsche Bank borrowed \$2.4 billion through the discount window.⁶⁰

However, many financial institutions do not meet the stringent requirement to be able to take advantage of the discount window and thus have to rely on swap lines intermediated through their own central banks. The logic of swap lines is

⁵⁴ *Federal Open Market Committee*, BD. OF GOVERNORS OF FED. RSRV. SYS., <https://www.federalreserve.gov/monetarypolicy/fomc.htm> [<http://perma.cc/CD7A-Q9DB>] (last visited Feb. 28, 2025).

⁵⁵ *Discount Window*, BD. OF GOVERNORS OF FED. RSRV. SYS., <https://www.federalreserve.gov/monetarypolicy/discountrate.htm> [<https://perma.cc/C3UB-9Z44>] (last visited Oct. 27, 2024).

⁵⁶ *The Fed's Formative Years*, FED. RSRV. HIST., <https://www.federalreserve-history.org/essays/feds-formative-years> [<https://perma.cc/N8QD-2RPL>] (last visited July 22, 2024).

⁵⁷ *Id.*

⁵⁸ *Id.* ("Panics were widely attributed to the nation's 'inelastic' currency, the concentration of bank reserves in New York City and other major financial centers, and investment of those reserves in short-term loans to stock market speculators").

⁵⁹ *Id.*

⁶⁰ See BARRY EICHENGREEN, *HALL OF MIRRORS: THE GREAT DEPRESSION, THE GREAT RECESSION, AND THE USES - AND MISUSES - OF HISTORY* 186 (2016).

straightforward.⁶¹ Imagine two countries: country A uses currency A, and country B uses currency B. But only currency A is widely used in global trade and as global financial assets, so banks and businesses in country B often need currency A. If a crisis makes currency A scarce, central bank B cannot print currency A but can acquire it through an agreement with central bank A. This agreement is the bilateral central bank swap line, where central bank A temporarily lends currency A to central bank B using currency B as collateral. Central bank B then decides how to distribute the newly acquired currency A to banks in country B, often through auction. This arrangement ensures that banks in country B can continue operating and avoid financial disruptions. Later, the currencies are swapped back. Effectively, central bank A extends its monetary authority into country B. Put differently, central bank A now subsumes central bank B's LOLR function, effectively becoming the central bank for both countries.

In reality, the dollar is the currency A, and the Fed is the central bank A.⁶² During the Global Financial Crisis and the COVID-19 pandemic, the Fed extended swap lines to the central banks of fourteen "Country Bs," five of which have since become standing, uncapped agreements (with Canada, the European Union, Japan, the United Kingdom, and Switzerland). Although these swap lines are technically reciprocal (e.g., the Fed exchanges dollars to the European Central Bank in return for euros), they have operated as one-way arrangements, with the Fed effectively lending dollars to a select group of central banks and taking those central banks' currencies as collateral.

Operationally, the Fed charges a spread of 50 basis points over the relevant overnight index swap rate.⁶³ Pricing is calculated to balance making funding attractive in stress against moral hazard and stigma; the spread sets a floor for when central bank funding becomes competitive.⁶⁴ Relative

⁶¹ I derive this hypothetical from William A. Allen & Richhild Moessner, *Central Bank Co-Operation and International Liquidity in the Financial Crisis of 2008–9*, at 9–10 (Bank for Int'l Settlements, BIS Working Paper No. 310, May 2010).

⁶² *Central Bank Liquidity Swaps*, BD. OF GOVERNORS OF THE FED. RESRV. SYS., <https://www.federalreserve.gov/monetarypolicy/central-bank-liquidity-swaps.htm> [<https://perma.cc/Y4UB-3R84>] (last visited Jan. 17, 2025).

⁶³ Foreign central banks typically on-lend at that same rate but could add a margin to compensate for credit risk. The operational details of the standing swap lines is drawn from an internal Fed memo. Brett Berger, *Addressing Global Dollar Liquidity Strains: The Role of the Federal Reserve's Swap Arrangements* 7, 7 (Oct. 7, 2016). [hereinafter Berger FOMC Memo].

⁶⁴ *Id.*

pricing also matters: the swap tender rate (about 90 basis points) has at times been below the Fed's primary credit rate (about 100 basis points), creating potential optics concerns if foreign institutions can access cheaper dollar liquidity than U.S. firms.⁶⁵

Under the standing swap line arrangements, when a foreign central bank draws on its dollar liquidity line, the Fed credits dollars to the central bank's account at the Federal Reserve Bank of New York, while the foreign central bank transfers an equivalent amount of its own currency—valued at the prevailing spot exchange rate—to an account for the Fed.⁶⁶ The foreign central bank then on-lends those dollars to institutions in its jurisdiction for the same maturity as the swap, which is often done through auctions domestically.⁶⁷ At the end of the term, it returns the dollars plus a fee.⁶⁸ Since caps were removed, foreign central banks have typically lent onward at a rate equal to the Fed's fee.⁶⁹ Crucially, the legal counterparty to the Fed is the foreign central bank itself; the repayment obligation does not run to the private institutions receiving the dollar funding.⁷⁰

In addition, dollars have been drawn in response to local and regional shocks. For instance, following the United Kingdom's referendum on European Union membership on June 23, 2016, the drawing referendum was modest; the European Central Bank's \$2 billion drawing in the week ending July 13, 2016 was the largest since 2013 but not exceptional.⁷¹ More recently, amid the 2022 Credit Suisse turmoil, the Swiss National Bank drew \$10 billion from its Fed swap line to stabilize its dollar funding.⁷²

⁶⁵ *Id.* at 8.

⁶⁶ *Id.* at 3.

⁶⁷ *The SNB's U.S. Dollar Auctions*, <https://www.snb.ch/en/the-snb/mandates-goals/monetary-policy/foreign-exchange-operations/us-dollar-auctions> [<https://perma.cc/7CXW-PWUS>] (last visited Feb. 26, 2026).

⁶⁸ As mentioned, it is set at the U.S. dollar overnight index swap rate for the relevant maturity plus 50 basis points—and the Fed returns the foreign currency. Berger FOMC Memo, *supra* note 63 at 3.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.* at 4 n.12.

⁷² *Swiss National Bank makes another large draw on Fed swap line*, REUTERS (Oct. 13, 2022), <https://www.reuters.com/markets/europe/swiss-national-bank-makes-another-large-draw-fed-swap-line-2022-10-13/> [<https://perma.cc/22Q4-7PXU>].

The Fed's de facto GLOLR role is especially stark when contrasted with the IMF, the de jure GLOLR established by the Bretton Woods Agreements with 190 member countries with instruments such as the Special Drawing Rights (SDRs), the Flexible Credit Line, and the Short Term Liquidity Line.⁷³ They diverge in four key respects: speed, scale, discretion, and structure.⁷⁴ The Fed's swap lines are bilateral, prearranged, and operationalized within hours—allowing rapid, large-scale injections of dollar liquidity with minimal political negotiation or conditionality.⁷⁵ By contrast, IMF lending is multilateral, procedurally complex, and often politically fraught, with assistance tied to formal programs, ex ante conditions, and reputational costs.⁷⁶ The Fed acts preemptively, using its own balance sheet; the IMF reacts through pooled member resources. As a result, the Fed has eclipsed the IMF as the de facto first responder to global financial crises—not by design, but by institutional advantage.

⁷³ See IMF, Articles of Agreement of the International Monetary Fund (Aug. 2020), <https://www.imf.org/external/pubs/ft/aa/index.htm> [<https://perma.cc/L5J7-WRA9>].

⁷⁴ IMF Lending Programs, INT'L MONETARY FUND, <https://www.imf.org/en/About/effectiveness-of-imf-lending> [<https://perma.cc/A2CL-CJKV>] (last visited Aug. 5, 2025); Fischer, *supra* note 18.

⁷⁵ Allen & Moessner, *supra* note 61, at 75. See also Rohan Kekre & Moritz Lenel, *The High-Frequency Effects of Dollar Swap Lines*, 7 AM. ECON. REV.: INSIGHTS 107, 108 (2025) ("We find that these swap line announcements compressed liquidity premia"). This statement means that the swap lines lowered the interest rate for dollar borrowing by lowering the additional interest rate associated with liquidity risk.

⁷⁶ While recognizing the need for a world currency, two of the most influential monetary thinkers—John Maynard Keynes and Charles Kindleberger—differed on the nature of the SDR or alternative world currencies. Keynes proposed "Bancor," a currency detached from national governments, while Charles Kindleberger favored using the dollar as the world's currency while giving other economies more say over how dollar liquidity is managed. See Lynn Parramore, *Meet the Man Who Helped Make the Dollar the World's Currency*, INST. NEW ECON. THINKING, <https://www.ineteconomics.org/perspectives/blog/meet-the-man-who-helped-make-the-dollar-the-worlds-currency> [<https://perma.cc/6CSR-U8DH>] (last visited Feb. 7, 2025) ("[Charles Kindleberger] was interested in expanding the dollar system to the globe and bringing in other voices, adding European voices to the Open Market Committee, or maybe transitioning to have the BIS [Bank for International Settlements] be the world central bank instead of the Fed."). For a thorough review of Charles Kindleberger's view of the dollar and the international monetary system, see PERRY MEHLING, *MONEY AND EMPIRE: CHARLES P. KINDLEBERGER AND THE DOLLAR SYSTEM* (2022).

B. The Global Monetary and Regulatory Fed

Beyond crisis firefighting, the Fed shapes the global monetary and regulatory environment in more diffuse but still consequential ways. In the monetary realm, the Fed's policy stance anchors expectations well beyond U.S. borders. Its 2012 adoption of a two percent inflation target—its interpretation of the statutory dual mandate—quickly became a focal point for global monetary policy.⁷⁷ In dollarized economies like Ecuador, policy is effectively outsourced to the Fed.⁷⁸ Elsewhere, central banks often shadow their moves to avoid destabilizing capital flows or exchange rates. Under the gold standard, central banks coordinated through exchange rate targeting. Today, inflation targeting has become the new “gold standard”—increasingly organized around the Fed.⁷⁹

In the regulatory realm, the Fed's influence flows through both formal and informal channels. Swap line counterparties must meet prudential and supervisory standards and share granular data, giving the Fed both a privileged surveillance window into foreign banking systems and a subtle form of conditionality, as access reduces funding risks while incentivizing alignment with U.S. regulatory norms.⁸⁰ More broadly, the Fed has shaped the global regulatory architecture through its leadership in the Basel Committee and Financial Stability Board, steering capital adequacy and liquidity rules that discipline private money creation well beyond U.S. borders.⁸¹

Notably, the Fed's institutional dominance in international bank supervision emerged much like its dominance over swap lines—outside formal delegation, rooted in a tight central banker network, and bypassing Treasury oversight.⁸² Acting through

⁷⁷ See DOUGLAS R. HOLMES, *ECONOMY OF WORDS: COMMUNICATIVE IMPERATIVES IN CENTRAL BANKS* (2013). While the targets are similar, it is important to note that in practice, some central banks, such as the Canadian Central Bank, follow the Fed's interest rates more than others, such as the Bank of England and the European Central Bank.

⁷⁸ IMF, *Ecuador: Selected Issues* (2021), <https://www.elibrary.imf.org/view/journals/002/2021/229/article-A004-en.xml> [<https://perma.cc/P84Z-DUUD>].

⁷⁹ Avia Spivak & Nathan Sussman, *Inflation Targeting as the New Golden Standard* (Ctr. Econ. Pol'y Rsch., Discussion Paper No. DP7001, 2008).

⁸⁰ FED. OPEN MKT. COMM., *Transcript of the Federal Open Market Committee Meeting, October 17, 1964* (2008).

⁸¹ See David Zaring, *Finding Legal Principle in Global Financial Regulation*, 52 VA. J. INT'L L. 683 (2012); Michael S. Barr & Geoffrey P. Miller, *Global Administrative Law: The View from Basel*, 17 EUR. J. INT'L L. 15, 17 (2006); Conti-Brown & Zaring, *supra* note 7, at 693–96.

⁸² Conti-Brown & Zaring, *supra* note 7, at 683–84.

this transnational network, the Fed helped create the Basel Committee before Congress had authorized participation and long before the executive branch had meaningful visibility into its work.⁸³ Formally established in 1974 after two mid-sized but systemically significant bank failures, the Basel Committee was a strictly central banker domain.⁸⁴ Building on informal BIS gatherings since 1963, the Basel Committee became the forum through which the Fed and its G-10 counterparts in the 1970s and 1980s coordinated core principles of bank supervision.⁸⁵

II

BECOMING THE WORLD'S UNOFFICIAL CENTRAL BANK

To understand how the Fed became the world's unofficial central bank, it is not enough to start in the 1960s or even with Bretton Woods in the 1940s. The institutional ascent of the Fed unfolded over a much longer arc—one that parallels but partially decouples from the structural rise of the dollar and turns on the reallocation of decision rights over international monetary and financial stabilization away from the political branch and to the technocratic branch. What distinguishes the Fed's eventual ascent is not linear expansion, but a path-dependent process in which certain instruments, legal interpretations, and institutional carriers became easier to reuse than their alternatives.

The historical account that follows begins in the late nineteenth century, when the United States first emerged as a world economic power during the heyday of the classical gold standard. U.S. bankers, industrialists, and politicians began to project economic influence, blending diplomatic and strategic goals.⁸⁶ Initially, it was an executive-driven enterprise—"dollar diplomacy" in the State Department's hands.⁸⁷ Over time, however, the Fed inherited and refashioned the scripts developed by the transnational central bankers, inserting itself into the governance of global finance.

Once the Fed entered this space, a set of initial institutional and political conditions placed it on a trajectory that proved difficult to reverse. During its formative years in the 1910s, the Fed's development was shaped by key contingent features such as a *de jure* decentralized structure that *de facto*

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ Frieden, *supra* note 20, at 17–25.

⁸⁷ *See infra* Part II.A.

granted the New York Fed operational latitude in international markets; an internationalist leadership cohort—most notably Paul Warburg and Benjamin Strong—committed to embedding the dollar and the United States in global finance; and persistent legal ambiguity around the scope of foreign operations. These conditions enabled early experimentation in cross-border liquidity provision while limiting ex ante political constraint. Over time, these conditions generated a set of reinforcing mechanisms—functional continuity, legal interpretation, transnational networks, and monetary financing—that locked in these practices and made alternative arrangements progressively less viable. In path-dependent terms, these mechanisms operated through increasing returns to existing instruments, the entrenchment of permissive legal baselines, coordination effects within transnational networks, and the lower political cost of central bank-based financing relative to fiscal alternatives.

First, functional continuity anchored the path. Of course, specific financial instruments evolve in response to the logic of the underlying monetary regime: gold convertibility under the fixed exchange regime (classical and interwar gold standard), dollar parity under Bretton Woods, and liquidity in the money market in the current floating exchange regime. As the ensuing sections show, in 1890, the Banque de France and the Russian state extended gold credits to the Bank of England;⁸⁸ in the 1920s, the New York Fed's gold credits to the Bank of England stabilized sterling;⁸⁹ in the 1930s, reciprocal gold-mediated currency swaps under the Tripartite Agreement managed exchange rates;⁹⁰ in the 1960s, the Gold Pool pooled reserves to defend the dollar.⁹¹ Each was a mechanism for emergency liquidity and currency stabilization, but the institutional anchors shifted—from foreign treasuries, to central banks acting ad hoc, to coalitions operating through transnational forums. This throughline underscores how today's swap lines are less a novel invention than the latest institutional crystallization of a long lineage of functional equivalents.

Second, legal interpretation reinforced the path. The Fed's most significant international interventions often rested on statutory ambiguity, interpreted expansively in ways that

⁸⁸ See *infra* Part II.A.

⁸⁹ See *infra* Part II.B.

⁹⁰ See *infra* Part II.C.

⁹¹ See *infra* Part II.D.

increased its operational autonomy.⁹² Strong's 1925 gold credit lacked explicit authorization, but he justified it under the Fed's power to purchase bills and open foreign accounts.⁹³ In the 1960s, General Counsel Hackley admitted swap lines had "no explicit and clear authority," yet stitched together a rationale from disparate provisions and the 1925 Strong precedent.⁹⁴ In each case, legal improvisation allowed technocratic actors to establish new baselines of permissible action—baselines that persisted unless and until political branches actively rolled them back. Eventually, decades of legal improvisation hardened into the recent "Doomsday Book"—a secretive collection of internal documents with an assertive stance on swap line's legal foundation: "[s]ince cable transfers include forward and spot foreign exchange transactions, this section authorizes 'swap agreements' with foreign central banks."⁹⁵

Third, the transnational central banking network generated positive feedback. Unlike Treasuries—where personnel, priorities, and bargaining positions reset with elections—central banks interact through durable, repeated relationships and a shared professional vocabulary about financial stability. The institutionalization of the central bank "club" entrenched technocratic cooperation. What began in the Baring era as a loose, ad hoc coalition of central banks—assembled episodically to confront discrete crises—gradually solidified into a permanent, routinized network.⁹⁶ The core membership has remained remarkably consistent—the Fed, the Bank of England, the Banque de France, the Bundesbank/European Central Bank, and a handful of others—but the form has changed. Early cooperation relied on personal relationships and improvised credit arrangements; the Strong-Norman episode in particular also shows why the transnational central banking community can generate positive feedback.⁹⁷ Central bankers also mobilize through institutions like the Bank for International Settlements, which was created as a meeting

⁹² See *infra* Part II.A.

⁹³ See *infra* Part II.B.

⁹⁴ See *infra* Part II.B.

⁹⁵ FED. RSRV. BANK OF N.Y., DOOMSDAY BOOK 23 (2006) https://www.wsj.com/public/resources/documents/DoomsdayBook.pdf?mod=article_inline [<https://perma.cc/U7M6-24HX>] (last visited Apr. 23, 2025) (oriented towards the Fed's crisis fighting power, became publicly available in response to FOIA requests).

⁹⁶ See *infra* Part II.A.

⁹⁷ See *infra* Part II.B.

ground for central bankers and later became a site of contest over autonomy. The Fed lacked a clear mandate to participate, yet the New York Fed used the BIS to develop banking-supervision functions even before Congress authorized the Basel Committee—a precursor to its later “global regulatory Fed” role.⁹⁸ In the Bretton Woods era, the BIS fought for survival as a hub for central bank coordination against the IMF, whose channels ran through political branches like finance ministries and treasuries. The BIS in particular became a venue for sustained policy exchange and joint surveillance.⁹⁹ The same people and institutions met repeatedly, built durable ties, and treated financial rescue as part of their shared craft—grounded in substantive doctrines (gold standard orthodoxy at the time; later, a common view of LOLR responsibility) and reinforced by an emerging norm of independence from politics. That continuity made each intervention easier to repeat: a crisis response could be framed as “what central bankers do,” carried forward as precedent, and reactivated when conditions rhymed.¹⁰⁰ The contrast is the 1930s turn to Treasury leadership. Morgenthau’s rebuke—“If we were at war with each other, we could not be acting any differently”—marks a different institutional logic:¹⁰¹ rescue as explicit intergovernmental bargaining and reset by politics, generating negative feedback that undermines the reproduction of the politically-led alternative.

Fourth, the Fed’s money creation and fiscal autonomy lowered the cost of staying on this path. Comparative feedback turned on how crisis lending was financed. When liquidity was supplied through money creation, it could be done quickly and with little political exposure. In contrast, Treasury-led interventions—through the Exchange Stabilization Fund or the Export-Import Bank of the United States—were consistently visible, contested, and unstable. The use of these Treasury instruments has repeatedly triggered congressional and partisan backlash, including the Trump Administration’s recent deployment of swap lines to Argentina through the Exchange Stabilization Fund.¹⁰² IMF lending generated similar negative feedback. Expanding IMF resources required

⁹⁸ See *infra* Part I.B.

⁹⁹ See generally Slaughter, *supra* note 52.

¹⁰⁰ See *infra* Part II.D.

¹⁰¹ See *infra* Part II.C.

¹⁰² Joshua Klein & Rebecca M. Nelson, *U.S. Financial Support to Argentina*, Cong. Rsch. Serv. Rep. No. R48780 (Dec. 30, 2025).

legislative approval and multilateral bargaining, while conditionality has made recipient countries' political choice costly. That difference made the central bank channel easier to activate in crisis and easier to reuse over time, while rendering Treasury- and IMF-centered alternatives progressively harder to sustain.

The history that follows traces how repeated crises activated these mechanisms in uneven ways, producing reversals as well as reinforcement, but gradually locking in the Fed as the default carrier of global liquidity provision.

A. Overture: Hegemonic Succession and Dollar Diplomacy

Two interlocking developments in the two decades before the Federal Reserve Act (1913) shaped the Fed's formative international role: (1) emerging but ad hoc central bank cooperation under the classical gold standard, fusing monetary aims with geopolitics—as in the Baring Crisis of 1890—and (2) a U.S. turn to using trade and finance for geopolitical leverage, from the Open Door Notes (1899–1900) to Dollar Diplomacy (1909–1913).¹⁰³ Together, they produced an enduring script for international financial rescue, but housed it in politically visible institutions that proved difficult to sustain.

To set the scene, financial rescues were once centered on gold—much as they are now centered on dollars. Then as now, nations depended on a reserve asset they could not themselves create. In the United States, for example, the Federal Reserve Act of 1913 required the Fed to hold enough gold to cover 40% of the dollars it issued.¹⁰⁴ To increase its gold reserves, a central bank could raise interest rates, attracting deposits and investment, which pulled gold into its vaults. When crises hit, countries could not simply print more currency unless they held enough gold to back it at a fixed rate.

By the late 19th century, financial centers like London and Paris sat at the crossroads of global economic power and geopolitical rivalry.¹⁰⁵ As one example, in the 1890s, Japan

¹⁰³ Marc Flandreau, *Central Bank Cooperation in Historical Perspective: A Sceptical View*, 50 *ECON. HIST. REV.* 735, 737 (1997) ("Specifically, the provision and allocation of liquidity . . . as well as the balance (or imbalance) of monetary power . . . gave rise to varying degrees of cooperation.").

¹⁰⁴ See *Roosevelt's Gold Program*, FED. RESRV. HIST., <https://www.federalreservehistory.org/essays/roosevelts-gold-program> [<https://perma.cc/3NTV-YLVH>] (last visited Oct. 29, 2024).

¹⁰⁵ BARRY J. EICHENGREEN, ARNAUD MEHL & LIVIA CHITU, *HOW GLOBAL CURRENCIES WORK: PAST, PRESENT, AND FUTURE* 28 (2018). The Bank of England and Bank of

strategically held sterling reserves in London, aligning itself financially with Britain to counterbalance Russian-led, French-backed military expansion in Asia.¹⁰⁶ Monetary ties then reinforced diplomatic ties, cementing a formal military pact that linked financial networks to security arrangements (the “Anglo-Japanese Alliance of 1902”).¹⁰⁷

At the same time, a proto-swap line was emerging in Europe’s premier financial center. The Baring Crisis of 1890 typified the entanglement of global financial stability and great-power politics. Barings Brothers & Co.—the Lehman Brothers of its time—teetered on collapse due to its massive exposure to Argentina’s sovereign debt.¹⁰⁸ When Argentina defaulted on £48 million—then roughly 60% of global sovereign debts—the crisis threatened to destabilize Barings Brothers and consequently London’s entire financial system.¹⁰⁹ To contain the fallout, the Bank of England, as a LOLR on the gold standard, needed sufficient gold reserves to print sterling. Lacking enough gold reserves, it secretly secured £4.5 million in gold through negotiations with the Banque de France and the Russian government.¹¹⁰ Russia, in turn, pledged not to withdraw its £2.4 million deposit at Barings Brothers, further stabilizing confidence in the firm.¹¹¹ Though the lifeboat operation here was more analogous to the Treasury’s FIMA facilities, the Baring rescue prefigured a now-familiar structure: central banks acting as crisis managers, coordinating rescues that merged economic logic with geopolitical calculation.

Japan regularized their cooperation, whereby Japan deposited the large indemnity it received from China at the end of the Sino-Japanese War of 1894–95. SIMON JAMES BYTHEWAY & MARK METZLER, *CENTRAL BANKS AND GOLD: HOW TOKYO, LONDON, AND NEW YORK SHAPED THE MODERN WORLD* 8–9 (2016).

¹⁰⁶ BYTHEWAY & METZLER, *supra* note 105, at 28–29.

¹⁰⁷ *Id.*

¹⁰⁸ Paula Vedoveli, *Information Brokers and the Making of the Baring Crisis, 1857–1890*, 25 FIN. HIST. REV. 357, 357 (2018); Eugene White, *Censored Success: How to Prevent a Banking Panic, the Barings Crisis of 1890 Revisited* (2018); Kris James Mitchener & Marc D. Weidenmier, *The Baring Crisis and the Great Latin American Meltdown of the 1890s*, 68 J. ECON. HIST. 462, 467 (2008). The 1890 Baring rescue deviated from Bagehot’s Lombard Street rules, published 17 years prior to the crisis. Bagehot’s orthodox prescription for the LOLR was to 1) lend freely, 2) to solvent firms, 3) on good collateral, and 4) at a penalty rate. Eugene White, *Censored Success* at 7, 28.

¹⁰⁹ Mitchener & Weidenmier, *supra* note 108.

¹¹⁰ White, *supra* note 108, at 7, 28.

¹¹¹ *Id.*

In this particular episode, central bank cooperation also reshaped diplomatic alignments. The Franco-British financial entente solidified into a broader diplomatic alliance, culminating in the Entente Cordiale of 1904, strengthening military cooperation ahead of World War I.¹¹² By contrast, financial coordination was absent in earlier periods of conflict. During the Napoleonic Wars, for instance, Britain was forced off the gold standard due to wartime financing constraints.¹¹³

While Europe was experimenting with episodic central bank cooperation in crisis, the United States was beginning to learn how its monetary and financial power projects outward into the world. The acrimonious domestic debate over bimetallism—centered on whether silver should be remonetized—took on international dimensions. Following William Jennings Bryan's "Cross of Gold" speech in 1896,¹¹⁴ silver proponents argued that expanding trade with countries on the silver standard, such as China and Japan, would advance both U.S. economic interests and monetary reform.¹¹⁵ To their dismay, the Gold Standard Act of 1900 cemented the United States' formal commitment to gold. Even so, as we will see, the bimetallic debate would linger. The United States would repeatedly grapple with the strategic implications of silver, particularly in its approach to China—first during the late Qing Empire, and again in the Republican era of the 1930s.¹¹⁶

The earliest episode came at the turn of the twentieth century, when Washington sought to secure access to Chinese markets through diplomatic and monetary means. The Open Door Notes (门户开放), issued by Secretary of State John Hay in 1899–1900, signaled Washington's intent to preserve most-favored-nation trade access in Imperial China while

¹¹² See *Entente Cordiale: Franco-British Alliance, 1904 Treaty*, BRITANNICA (2024), <https://www.britannica.com/event/Entente-Cordiale> [https://perma.cc/8G8B-D3FW] (last visited Dec. 9, 2024).

¹¹³ Michael D. Bordo & Eugene N. White, *A Tale of Two Currencies: British and French Finance During the Napoleonic Wars*, 51 J. ECON. HIST. 303, 303 (1991).

¹¹⁴ Bryan's "Cross of Gold" Speech: Mesmerizing the Masses, *History Matters*, <https://historymatters.gmu.edu/d/5354/> [https://perma.cc/XC6G-3XEP] (last visited Aug. 15, 2024). See Richard N. Cooper, *The Gold Standard: Historical Facts and Future Prospects*, Brookings Papers on Economic Activity, No. 1 (1982).

¹¹⁵ 33 Cong. Rec. 363 (Dec. 18, 1899) (House) ("[I]t must be remembered that we are reaching out, if not for more territorial acquisitions, at least for increased trade with the balance of the West Indies, with the Central and South American States, and with China and Japan, all of which are silver countries and will be identified with us in our money policy.").

¹¹⁶ See *infra* Part II.C.

preventing any single European power from monopolizing its economic future.¹¹⁷ This policy inaugurated the transition from Pax Britannica to Pax Americana.¹¹⁸ Hay's Open Door strategy also had a monetary dimension, informed by his service under President Lincoln during the passage of the National Banking Acts of 1863 and 1864.¹¹⁹

But maintaining the Open Door policy required more than diplomatic rhetoric—it required financial leverage. The Boxer Rebellion (1899–1901) threatened to upend U.S. ambitions by intensifying European military involvement in China. After the rebellion was crushed, the 1901 Boxer Protocol imposed crippling indemnities on Imperial China.¹²⁰ The Qing court, the last imperial dynasty of China, was forced to sign punitive settlements with fourteen foreign powers, including the United States, which totaled \$333 million in 1902 (triple that in 2024 dollars).¹²¹ The debt's burden deepened due to a currency mismatch—China's silver-backed system made it vulnerable to fluctuations against gold.¹²² As silver prices plunged nearly 25%, the indemnity payments became even more punishing.¹²³

Secretary Hay then reasserted the Open Door policy and sought to stabilize China's monetary system.¹²⁴ In that process,

¹¹⁷ *Secretary of State John Hay and the Open Door in China, 1899–1900*, OFF. OF THE HISTORIAN, FOREIGN SERV. INST., U.S. DEP'T OF STATE, <https://history.state.gov/milestones/1899-1913/hay-and-china> [<https://perma.cc/6LKV-CNCU>] (last visited Jan. 29, 2025).

¹¹⁸ See David A. Lake, *International Economic Structures and American Foreign Economic Policy, 1887–1934*, in *INTERNATIONAL POLITICAL ECONOMY: PERSPECTIVES ON GLOBAL POWER AND WEALTH* (Jeffrey A. Frieden & David A. Lake eds., 1987).

¹¹⁹ See *Relatives and Residents: John Hay (1838–1905)*, MR. LINCOLN'S WHITE HOUSE, <http://www.mrlincolnswhitehouse.org/residents-visitors/relatives-and-residents/relatives-residents-john-hay-1838-1905/> [<https://perma.cc/EXV3-497E>] (last visited Apr. 27, 2025); JOHN GEORGE NICOLAY & JOHN HAY, *ABRAHAM LINCOLN: A HISTORY* vol. 6, 241–49 (1890).

¹²⁰ See Boxer Protocol, Peking, Sep. 7, 1901, Peace Agreement Between the Great Powers and China, <https://reparations.qub.ac.uk/assets/uploads/Boxer-Protocol.pdf> [<https://perma.cc/SX5C-FARR>]. Timeline of Historical Events That Affected the Open Door Policy in China, *Britannica*, <https://www.britannica.com/story/timeline-of-historical-events-that-affected-the-open-door-policy-in-china> [<https://perma.cc/EV5Q-BUK8>] (last visited Jan. 31, 2025).

¹²¹ AUSTIN DEAN, *CHINA AND THE END OF GLOBAL SILVER 70* (2020). See also *United States Relations with China: Boxer Uprising to Cold War (1900–1949)*, BUREAU OF PUB. AFFS., U.S. DEP'T OF STATE, OFF. OF ELEC. INFO., (2007) <https://2001-2009.state.gov/r/pa/ho/pubs/fs/90689.htm> [<https://perma.cc/RR2S-WUY6>] (last visited July 25, 2024).

¹²² The debt was gold-denominated, and China had a silver-based domestic revenue. DEAN, *supra* note 121, at 70–72.

¹²³ *Id.*

¹²⁴ The Open Door policy encompassed many infrastructural sectors such as cable and telegraph. See 35 Cong. Rec. 1934 (Feb. 19, 1902) (House).

he tried to pull China into the U.S. financial orbit by spearheading imperial China's currency reforms.¹²⁵ The most significant vehicle for this effort was the U.S. Commission on International Exchange. The Commission worked with European gold-standard countries to stabilize the gold-silver exchange rate, with the explicit goal of "inducing" China to adopt the gold-exchange standard—a strategy later dubbed "gold standard diplomacy."¹²⁶ This episode was one of the earliest U.S. efforts to restructure a foreign monetary system in alignment with American interests.¹²⁷

These impulses matured into the formal strategy of dollar diplomacy under President Taft and Secretary Knox. Willard Straight, a key agent of Knox, famously described dollar diplomacy as the "financial expression of John Hay's Open Door Policy."¹²⁸ Straight declared dollar diplomacy "justified at last," when he successfully put together an American Consortium of banks (including J.P. Morgan) that wedged into the European monopoly to provide American loans in China, particularly for railroad building and finance.¹²⁹

Dollar diplomacy, in the formalized form, was short-lived. Upon taking office, President Woodrow Wilson—especially through his staunchly anti-imperialist Secretary of State, the Cross of Gold William Jennings Bryan—formally repudiated

¹²⁵ Hay thought "spearheading reform of China's currency would give the United States a preeminent position in China's financial affairs and assert its ambitions in the Pacific." DEAN, *supra* note 121, at 74. EMILY S. ROSENBERG, *FINANCIAL MISSIONARIES TO THE WORLD: THE POLITICS AND CULTURE OF DOLLAR DIPLOMACY, 1900–1930* 19 (1999).

¹²⁶ See *To Even Silver and Gold*, N.Y. TIMES, May 14, 1903, at 8. *China and Silver*, N.Y. TIMES, Feb. 3, 1903, <https://www.nytimes.com/1903/02/03/archives/china-and-silver.html> [<https://perma.cc/EMF5-ZTL7>] (last visited Oct. 21, 2024). *The Chinese Currency*, N.Y. TIMES, <https://www.nytimes.com/1904/08/31/archives/the-chinese-currency.html> [<https://perma.cc/3ZQT-KTD4>] (last visited Oct. 21, 2024); *Plan for Uniform Chinese Currency*, N.Y. TIMES, June 14, 1903, at 4.

¹²⁷ Emily S. Rosenberg, *Foundations of United States International Financial Power: Gold Standard Diplomacy, 1900–1905*, 59 BUS. HIST. REV. 169 (1985). The commission produced a detailed report: U.S. COMM'N ON INT'L EXCHANGE & Jeremiah W. Jenks, *CONSIDERATIONS ON A NEW MONETARY SYSTEM FOR CHINA* (1904).

¹²⁸ WALTER LAFFEBER, *THE CAMBRIDGE HISTORY OF AMERICAN FOREIGN RELATIONS VOL. 2, AMERICAN SEARCH FOR OPPORTUNITY, 1865–1913* at 200, 206 (2008).

¹²⁹ Frieden, *supra* note 20, at 22–23. The Consortium ("the American Group") persisted for several decades. However, the Banking Act of 1933, which separated investment from commercial banking, inadvertently barred most participating banks from underwriting securities—effectively disqualifying them from continuing their role in the Consortium. See *Memorandum: China Consortium* (June 1, 1939), Thomas Lamont Papers.

it.¹³⁰ Yet, as we saw, dollar diplomacy had already taken multiple forms: public-private loan syndicates to finance infrastructure and U.S.-engineered overhauls of foreign monetary systems—each tailored to specific geopolitical and financial contexts. These U.S. strategies developed alongside other global practices, such as the liquidity rescue during the Baring Crisis of 1890, pointing to an increasingly diverse international repertoire of financial statecraft.

Dollar diplomacy did not vanish; it simply changed form and hands. Instead of being led by the executive branch, it was now mediated by a new independent entity with a distinct legal mandate, to which we now turn.

B. Act I: The Fed's Global Debut, 1913–1929

At its creation, the Fed benefited from a constellation of contingent conditions that placed it on a path-dependent trajectory towards GLOLR. These include a decentralized Federal Reserve System, an internationalist leadership cohort, dense transnational ties, a favorable international economic position, and persistent legal ambiguity over foreign operations. This subsection details how these domestic and international conditions worked in concert to set the Fed on its GLOLR path.

The Panic of 1907 finally made the domestic case for a central bank in a country long skeptical of centralized monetary power—reflected in the failed renewals of the First and Second Banks of the United States.¹³¹ As Barry Eichengreen and Lawrence Broz have written, the internationalist orientation of the Fed was present at the start.¹³² In particular, the New York financial elites and their allies pressed the international case: they aimed to displace London as the world's preeminent financial center and expand the global reach of U.S. financial institutions.¹³³ The convergence of these domestic and international pressures culminated in the Federal Reserve Act of 1913, signed into law by President Woodrow Wilson.¹³⁴

¹³⁰ JOHN MILTON COOPER, *WOODROW WILSON: A BIOGRAPHY* 210–11 (2009); *see also* NOEL MAURER, *THE EMPIRE TRAP: THE RISE AND FALL OF U.S. INTERVENTION TO PROTECT AMERICAN PROPERTY OVERSEAS, 1893–2013* 118 (2013).

¹³¹ ROBERT L. HETZEL, *THE MONETARY POLICY OF THE FEDERAL RESERVE: A HISTORY* 12 (Marc Flandreau et al. eds., 2008).

¹³² Barry Eichengreen, *Does the Federal Reserve Care about the Rest of the World?*, 27 *J. ECON. PERSPS.* 87, 90–91 (2013); J. LAWRENCE BROZ, *THE INTERNATIONAL ORIGINS OF THE FEDERAL RESERVE SYSTEM* 141–43 (1997).

¹³³ *See generally* Broz, *supra* note 132.

¹³⁴ Federal Reserve Act of 1913, Pub. L. No. 63-43, 38 Stat. 251 (1913).

By this time, the United States had already surpassed Britain in labor productivity; exporters, importers, and financiers were working to develop markets for dollar-denominated trade credits and to establish the dollar as a vehicle for international investment.¹³⁵

The statutory basis of the Fed's international power was seeded by one of the Fed's founders and an original member of the Federal Reserve Board, Paul Warburg—an émigré from the prominent Warburg family from Germany and a leading architect of the Federal Reserve Act.¹³⁶ Drawing on his expertise in European central banking, especially the Reichsbank, and with trade credits and discount markets, Warburg pressed for the creation of an American counterpart that could serve both domestic and international needs.¹³⁷ The Act's open market provisions—later used to justify swap lines—were, in part, designed with this aim of supporting international trade finance.¹³⁸ There, the powerful New York finance community took a keen interest in dethroning London as the premier financial center and expanding the client bases of their own financial services.¹³⁹ As to its mandate around lending, intellectually, the real bills doctrine—the prevailing intellectual thought that conceptually sought to bifurcate productive and speculative use of credits—was explicitly translated into the Federal Reserve Act of 1913.¹⁴⁰ Under the influence of this theory, real bills in the form of short-term commercial papers that bridge the temporary transition from a producer to a customer were the only type of credit the Fed should extend via its discount window.¹⁴¹ This narrow conception of “elasticity” of credit that

¹³⁵ Eichengreen, *supra* note 132, at 88–89.

¹³⁶ RON CHERNOW, *THE WARBURGS: THE TWENTIETH-CENTURY ODYSSEY OF A REMARKABLE JEWISH FAMILY* 130–40 (2d ed. 2016).

¹³⁷ *Id.* See also BROZ, *supra* note 132, at 141–43.

¹³⁸ BROZ, *supra* note 132, at 50 (In aggregate, the Act's open-market provisions aimed to strengthen the effectiveness of regional discount policy while shaping gold flows, exchange conditions, and the infrastructure needed to finance U.S. trade abroad, including a domestic acceptance market. Alongside complementary reforms—such as rediscounting powers, support for acceptance financing, and the authorization of foreign branch banking—the statute was fundamentally structured with international financial ambitions in mind).

¹³⁹ HETZEL, *supra* note 131, at 12.

¹⁴⁰ Barry Eichengreen, *Doctrinal Determinants, Domestic and International, of Federal Reserve Policy 1914–1933*, in *THE FEDERAL RESERVE'S ROLE IN THE GLOBAL ECONOMY: A HISTORICAL PERSPECTIVE* 14, 14 (Michael D. Bordo & Mark A. Wynne eds., 2016).

¹⁴¹ HETZEL, *supra* note 131, at 12.

was envisaged at the time was later used to provide trade credits and swap lines.¹⁴²

Institutionally, the Fed was designed as a decentralized system of regional Reserve Banks, each with considerable autonomy, overseen by the Board of Governors in Washington.¹⁴³ In line with Warburg's internationalist imprint on the Federal Reserve Act, the Fed also entered from the outset into a dual institutional framework. Domestically, it operated within the American administrative state, working closely with the President, Congress, and agencies such as the Treasury to finance wars and regulate bank credit. Internationally, the Fed actively joined a rarefied club of central bankers—such as the Bank of England, the Banque de France, and the Reichsbank—where monetary decision-making was increasingly insulated from domestic politics.¹⁴⁴ This elite transnational network, which would later move in and out of formal institutions like the Basel Committee,¹⁴⁵ began shaping global liquidity flows and financial stability with significant autonomy from the political branch.¹⁴⁶

Operationally, Benjamin Strong, a confidant of Warburg and the first president (then “governor”) of the New York Fed from 1914 to 1928, defined the nascent Fed and the new dollar diplomacy.¹⁴⁷ Strong skillfully navigated the Fed's dual

¹⁴² MARY BRIDGES, *DOLLARS AND DOMINION: US BANKERS AND THE MAKING OF A SUPER-POWER* 79–86 (2024).

¹⁴³ Barry Eichengreen, *Designing a Central Bank for Europe: A Cautionary Tale from the Early Years of the Federal Reserve System* 2 (Nat'l Bureau of Econ. Rsch., Working Paper No. 3840, 1991).

¹⁴⁴ Richard A. Naclerio, *Benjamin Strong Jr.: The Common Monetary Thread*, 109 Sacred Heart Univ., Hist. Fac. Publ'ns, at 9 (2014) (“For this herculean task of networking all the central banks of Europe with the Federal Reserve, Strong knew he could not just take on the old guard of ancient European financial centers head-on. Instead, he promoted cooperation with international monetary institutions. Thus, in February of 1916, with the Great War raging, he sailed to Europe to negotiate with the leaders of the most powerful banks on the continent. His focus was on the Bank of France and the Bank of England.”).

¹⁴⁵ *History of the Basel Committee*, BANK FOR INT'L SETTLEMENTS: COMMS. & ASS'N, <https://www.bis.org/bcbis/history.htm> [<https://perma.cc/98CG-L2UN>] (last visited Aug. 22, 2022).

¹⁴⁶ This point was extensively articulated in AHAMED, *supra* note 38. See also Conti-Brown & Zaring, *supra* note 7.

¹⁴⁷ It is hard to overstate the towering presence of Strong as a central node in the global network of central bankers. One example is that following his death, tributes poured in, especially from European central banks that had directly benefited from his work. On December 20, 1928, just two months after his passing, the General Council of the Banque de France (the French equivalent of the Federal Reserve's Board of Governors) passed a resolution honoring Strong, *Thomas Lamont Papers*, *supra* note 35. The Banque de France resolution read, partially, “Il évoque avec c son oeuvre mondiale de collaboration à l'égard des banques

institutional framework, earning praise as an "internationally minded, forward-looking banker statesman."¹⁴⁸

Intense but ad hoc central bank cooperation between Strong's, the "banker statesman," and Montagu Norman, a long-time governor of the Bank of England, further entrenched the New York Fed's stature in ensuring international monetary and financial stability. Right after the U.S. declared war on Germany, Strong wrote to Norman: "Let us hope that the alliance between England and the United States in the war will be accompanied by a very close alliance between your great institution and mine, which will be based not upon selfish interests, but rather upon mutual interests and mutual confidence."¹⁴⁹ From that point forward, the New York Fed and the Bank of England functioned as the central nucleus of international financial cooperation—setting the tone and direction for other central banks—with the rest of their respective governments orbiting at a greater institutional distance. This cooperation marked the emergence of a new modality: central bank diplomacy, where monetary authorities, not diplomats or Treasury officials, became core architects of international financial order.

In the 1920s, as Britain struggled to return to and maintain the gold standard, Strong pursued two key strategies,

centrales, son souci de contribuer à la restauration monétaire des grandes nations qui ont vu leurs économie atteinte à la suite aux événements de la guerre."; see also DIANE B. KUNZ, *THE BATTLE FOR BRITAIN'S GOLD STANDARD IN 1931* 12 (1987); see generally LESTER V. CHANDLER, *BENJAMIN STRONG, CENTRAL BANKER* (reprt. ed. 1978).

¹⁴⁸ This characterization was made by E.W. Kemmerer, President of the Stable Money Association and Research Professor at Princeton. *Thomas Lamont Papers*, *supra* note 35. See generally LESTER V. CHANDLER, *BENJAMIN STRONG, CENTRAL BANKER* (reprt. ed. 1978).

¹⁴⁹ At the same time, Strong was acutely aware of the tensions surrounding America's financial ascent, particularly British fears of losing monetary primacy. In his letter to Assistant Treasury Secretary Russell Leffingwell, he observed: "Englishmen are all concerned about American competition, and the air is filled with rumors of American bankers opening credits and American manufacturers making contracts abroad in markets which England considers her own." Letter from Benjamin Strong, first governor of the Fed. Rsrv. Bank of New York to Russell C. Leffingwell, Assistant Sec'y of the Treasury (July 31, 1919), *Benjamin Strong Papers*, *supra* note 34. Yet despite this shift, Strong worked to reassure his British counterpart, Montagu Norman, of Anglo-American financial cooperation. In 1917, he wrote to Norman to the downplay triumphalist rhetoric from the U.S. financial press: "That journal . . . is edited and published . . . in matters of this kind of the most profound ignorance. I do hope that you and other sensible and friendly people in London do not attach too much importance to the vain-glorious boasting of the American press about these financial developments." Letter from Benjamin Strong, first governor of the Fed. Rsrv. Bank of New York, to Montagu Norman, Governor of Bank of England (Mar. 22, 1917), *Benjamin Strong Papers*, *supra* note 34.

both of which were reflective of gold convertibility as the intellectual anchor of international monetary and financial stability. First, he cut U.S. interest rates to bolster the pound, making sterling-denominated assets more attractive, thus facilitating capital flows from New York to London.¹⁵⁰ The New York Fed orchestrated rate changes with the Bank of England. On February 26, 1925, it raised its rate to 3.5%, prompting a staggered response from the Bank of England—first increasing its market rate to 5.5%, then its official Bank Rate to 5%—to support sterling's return to gold and deter capital outflows.¹⁵¹

To be clear, Strong's policy was not purely a product of altruism or friendship. He believed that aiding Britain's return to the gold standard—and thereby advancing broader exchange rate stabilization—would boost U.S. exports and stimulate economic growth.¹⁵² This move stabilized the pound at its pre-World War I exchange rate but drew the New York Fed into intra-Federal Reserve System and inter-branch factional splits. Then-Secretary of Commerce Herbert Hoover and Federal Reserve Board member Adolph Miller favored raising interest rates to curb speculation and support the domestic economy, while Benjamin Strong preferred lowering rates to aid Britain and the international economy.¹⁵³ Herbert Hoover, who favored industrial growth over finance interests,¹⁵⁴ was particularly critical. He condemned the policy as “inappropriately loose” and blamed it for fueling speculative real estate bubbles from

¹⁵⁰ More precisely, he cut the discount rate by 150 basis points. JAMES ASHLEY MORRISON, *ENGLAND'S CROSS OF GOLD: KEYNES, CHURCHILL, AND THE GOVERNANCE OF ECONOMIC BELIEFS* 222 (2021).

¹⁵¹ This episode was drawn from Committee of Treasury, Minute Book 49 notes on January 28, 1925, Committee of Treasury Minutes – 1924-1926 book, Bank of England (n.d.) [<https://perma.cc/X8UT-29RT>] (on file with Bank of England Archive, Treasury Minutes 1779–1991); The rate increase, at the time of implement, was positively received in England. Norman noted that even Keynes who “violently” disproved of the rate increase to 4% in 1923 was on board this time. See Letter from Montagu Norman to Thomas Lamont, (Mar. 7, 1925), *Thomas Lamont Papers*, *supra* note 35. On the Fed side, there was significant risk, see Letter from J.H. Case, Deputy Governor to Benjamin Strong, first governor of the Fed. Rsrv. Bank of New York (Feb. 13, 1927) *Benjamin Strong Papers*, *supra* note 34. (The Deputy Governor James Herbert Case wrote to Strong: “The inducement of low rates to accomplish the important purposes we had in mind in 1924 involved, as we then realized, considerable risk in bringing on speculation in securities and other things.”).

¹⁵² Eichengreen *supra* note 132, at 90.

¹⁵³ SILVANO A. WUESCHNER, *CHARTING TWENTIETH-CENTURY MONETARY POLICY: HERBERT HOOVER AND BENJAMIN STRONG, 1917–1927* 77 (1999).

¹⁵⁴ Frieden, *supra* note 20, at 39.

Detroit to Chicago.¹⁵⁵ This episode was the Fed's "first full-blown controversy" around the weighting of international and domestic factors.¹⁵⁶ Even more controversial, in 1927, to aid England's stay on the gold standard, Strong forced through another interest rate cut, despite increasingly apparent signs of a speculative and inflationary market that may have aggravated asset bubbles and precipitated the eventual crash in the late 1920s.¹⁵⁷ Later, President Hoover would dismiss Strong as a "mental annex to Europe."¹⁵⁸

Strong's second strategy was the extension of gold credit to the Bank of England.¹⁵⁹ In 1925, the New York Fed announced—ex post—that it had arranged to "place \$200,000,000 gold at the disposal of the Bank of England if desired."¹⁶⁰ The gold credit allowed the Bank of England to draw from a gold pool during a two year "standby period," providing an implicit liquidity backstop.¹⁶¹

At the time, bills of exchange were short-term credit instruments used in international trade—similar to postdated checks or IOUs—where a buyer would promise payment at a future date. Instead of a straightforward purchase of commercial bills, the New York Fed placed \$200 million in gold at the Bank of England's disposal.¹⁶² The proceeds were then deposited in a sterling account and reinvested in commercial bills guaranteed

¹⁵⁵ Adolph Miller, a founder of the Federal Reserve System, also joined the criticism. See Priscilla Roberts, *Benjamin Strong, the Federal Reserve, and the Limits to Interwar American Nationalism.*, 86 *ECON. Q.* 61, 79 (2000); Eichengreen, *supra* note 132 at 90–91.

¹⁵⁶ Eichengreen, *supra* note 132, at 91.

¹⁵⁷ Roberts, *supra* note 155, at 80; Eichengreen, *supra* note 132, at 91.

¹⁵⁸ HERBERT HOOVER, *THE MEMOIRS OF HERBERT HOOVER, VOLUME III: THE GREAT DEPRESSION, 1929–1941*, 9 (1952).

¹⁵⁹ During the period of European financial reconstruction, Strong's ad-hoc diplomacy, conducted through central bank networks, often left the State Department as a passive observer, reliant on the NY Fed for updates. Letter from J.H. Case, Deputy Governor to Benjamin Strong, first governor of the Fed. Rsrv. Bank of New York (Aug. 13, 1925), *Benjamin Strong Papers*, *supra* note 34.

¹⁶⁰ Quoted in *Special to The New York Times*, *CHALLENGES RIGHT TO GIVE GOLD CREDIT*; Crosby Says If Bank's Money Is for British Government, *Congress Should Pass on It.*, N.Y. TIMES (May 5, 1925), <https://www.nytimes.com/1925/05/05/archives/challenges-right-to-give-gold-credit-crosby-says-if-banks-money-is.html> [<https://perma.cc/CVM9-3P2F>] (last visited Jan. 19, 2025). See also 12 Fed. Rsrv. Bull., Bd. OF GOVERNORS OF THE FED. RSRV. SYS., 375–76 (June 1926).

¹⁶¹ HOWARD H. HACKLEY, *THE STATUS OF THE FEDERAL RESERVE IN THE FEDERAL GOVERNMENT* 147 (1972) [hereinafter *Hackley Report*]; 12 Fed. Rsrv. Bull., Bd. OF GOVERNORS OF THE FED. RSRV. SYS., 375–76 (June 1926).

¹⁶² 12 Fed. Rsrv. Bull., Bd. OF GOVERNORS OF THE FED. RSRV. SYS., 375–76 (June 1926).

by the Bank of England—essentially a transactional work-around that mimicked a conventional purchase of bills rather than directly lending to a foreign central bank.¹⁶³

The 1925 gold credit thus bore striking parallels to a modern-day standing swap line. It was a prearranged credit facility, structured around a foreign currency claim: the Fed received sterling-denominated assets and was permitted to invest in sterling bills. The facility also carried interest, echoing features later embedded in formal swap agreements.

The statutory uncertainty surrounding this episode resurfaced in the 1930s, when the Board of Governors formally interpreted the Federal Reserve Act to restrict foreign accounts—an implicit acknowledgment that the 1925 arrangement had stretched, if not outright exceeded, its legal limits.¹⁶⁴ Notably, Strong resisted calls to release a legal memo that allegedly justified the move.¹⁶⁵ Oscar Crosby, former Assistant Secretary of the Treasury and a wartime financial adviser, publicly rebuked the transaction, questioning the New York Fed's authority to extend credit to the Bank of England without congressional approval.¹⁶⁶ To Crosby, "[i]nternational politics and international finance are indeed married in a close bond."¹⁶⁷

To sum up, the Fed began operations in the short interregnum between the formal dollar diplomacy and the onset of World War I. From its inception, the Fed operated within two orbits—the American administrative state and the transnational central banking club. While the orbits often aligned, as we have seen, they also occasionally diverged. The divergence between the Fed's dollar diplomacy and its domestic mandate fueled concerns within the executive branch that Strong was overstepping the Fed's authority especially vis-à-vis the Treasury.¹⁶⁸ Yet, these initiatives were largely sustained by Strong's

¹⁶³ Strong explained the operation of the gold credit to Bank of England to Moreau, when they were discussing whether an analogous deal between the New York Fed and Banque de France. See *Moreau Memoir*, *supra* note 37.

¹⁶⁴ *Id.*

¹⁶⁵ For more on this episode, see WUESCHNER, *supra* note 153, at 67–69.

¹⁶⁶ N.Y. TIMES, *supra* note 160.

¹⁶⁷ *Id.*

¹⁶⁸ Strong also discussed the inter-branch allocation of power in international finance with Garrard Winston, Under Secretary of the Treasury. See Letter from Benjamin Strong, first governor of the Fed. Rsrv. Bank of New York to Garrard Winston, under Secretary of Treasury (Dec. 8, 1925), *Benjamin Strong Papers*, *supra* note 34. (In the enclosed memo: "Provision of a responsible democratic authority for dealing with international credit problems (a) Bank of England credit and importance of cooperation in such matters by the United States

personal gravitas and his strategic exploitation of legal ambiguities. The precocious Fed's expansive monetary diplomacy came to a halt with the isolationist turn of American foreign policy and Strong's death in 1928. However, even as the Fed's role was temporarily curtailed, its embeddedness in the transnational central banking network endured—a network that would later move in and out of formal institutions like the BIS.¹⁶⁹

C. Act II: Contretemps and Recomposition, 1930–1944

After Benjamin Strong's death, George Harrison took over as the head of the New York Fed. Personal relationships had mattered greatly under Strong, and Harrison brought far less enthusiasm for London–New York cooperation. In response to another sterling crisis, Harrison informed Montagu Norman of the Bank of England that the Fed would hold only a limited amount of sterling and might raise interest rates if domestic credit demand declined.¹⁷⁰ The Federal Reserve Board in Washington, even less familiar with international finance, was even more resistant to adjusting U.S. interest rates to support the Bank of England.¹⁷¹

The nationalist turn of President Franklin D. Roosevelt's (FDR) administration deepened the break. After a fleeting attempt to coordinate international cooperation,¹⁷² FDR turned to an explicitly nationalist solution to the crisis: the administration

(b) impossibility of the Treasury's assuming these duties and inadequacy of private measures.”).

¹⁶⁹ The BIS creates an institution for central bankers to meet. However, it does not simply aggrandize central bank power. Instead, Norman disliked the BIS, given that the institution created a government-to-government channel of money transfers, stripping central banks of their exclusive control over money. See Kunz, *supra* note 147, at 36. During this era, the Fed did not have a clear mandate to participate in BIS meetings. Additionally, Strong's like-minded internationalist bankers such as Thomas Lamont and Russell Leffingwell regretted the turn to isolationist foreign policy and would opt to be active in the private and public channels of dollar diplomacy.

¹⁷⁰ Committee of Treasury, Minute Book 50 notes on January 28, 1925, November 19, 1930 and December 3, 1930, Committee of Treasury Minutes – 1924–1926 book, Bank of England, 136–39, 143 (n.d.) [<https://perma.cc/X8UT-29RT>] (on file with Bank of England Archive, Committee of Treasury Minutes 1779–1991).

¹⁷¹ EICHENGREEN, *supra* note 39, at 220.

¹⁷² The divergent national interests that hampered exchange rate cooperation was documented in Diary of Trip to London (June 1933), George Leslie Harrison, Diary of Trip to London (June 1933) [<https://perma.cc/N3AX-6QDP>] (on file with Federal Reserve Bank of New York). See generally James R. Moore, *Sources of New Deal Economic Policy: The International Dimension*, 61 J. AM. HIST. 728, 728 (1974).

abandoned the gold standard, devalued the dollar, and redefined monetary policy in explicitly political and nationalist terms.¹⁷³

In the 1930s, the Treasury—not the Fed—became the central architect of U.S. international financial policy. The Treasury also had a much larger role to play in domestic monetary policy, through its control of gold purchase and sterilization,¹⁷⁴ and the newly reformed Fed tried to reassert itself domestically through fiscal-monetary coordination to lift the country out of the Great Depression.¹⁷⁵

Through the Tripartite Agreement, the Treasury shaped currency stabilization among the major powers; through China's silver crisis, it wielded dollar diplomacy as a tool of geopolitical influence. This episode further severed the chain of settled authority that dates back to the Federal Reserve Act, as was claimed by former Fed Chairman Bernanke. This subsection first examines the domestic institutional shifts that sidelined the Fed, before turning to the Treasury's reassertion of financial statecraft abroad.

The consolidation of monetary authority unfolded across legislative, judicial, intellectual, and personnel dimensions. First, legislative reforms entrenched centralization within the Federal Reserve System and executive control over international monetary policy. The Banking Act of 1935 transferred power from regional Reserve Banks to the Washington-based Board of Governors, which was—at the time—seen as more accountable to the President, weakening the New York Fed's dominance.¹⁷⁶ While the Fed was relearning to redefine its institutional role, the Treasury gained direct control over international financial

¹⁷³ See generally Richardson, Komai & Gou, *supra* note 104; *Roosevelt's Gold Program*, FED. RSRV. HIST. (Nov. 22, 2013), <https://www.federalreservehistory.org/essays/roosevelts-gold-program> [<https://perma.cc/JPP8-SZYT>]. The devaluation of the dollar—from 25 grains of gold to 15 grains of gold per dollar—was part of FDR's strategy to rebuild the economy from the ashes of the Great Depression. FDR issued Executive Order 6102, which prohibited “the hoarding of gold coin, gold bullion, and gold certificates within the continental United States by individuals, partnerships, associations, and corporations.” *Executive Order 6102—Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates*, THE AM. PRESIDENCY PROJECT, <https://www.presidency.ucs.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates> [<https://perma.cc/7YM5-9J29>] (last visited Oct. 28, 2024).

¹⁷⁴ Though the Fed's new board chairman Marriner Eccles began attempting to claw back some monetary power. HETZEL, *supra* note 131, at 27.

¹⁷⁵ *Id.* CONTI-BROWN, *supra* note 26, at 32.

¹⁷⁶ Gary Richardson, Alejandro Komai & Michael Gou, *Banking Act of 1935*, FED. RSRV. HIST. (Nov. 22, 2013), <https://www.federalreservehistory.org/essays/banking-act-of-1935> [<https://perma.cc/K9DZ-7YV4>].

policy through the creation of the Exchange Stabilization Fund (ESF) in 1934.¹⁷⁷ Originally established to “stabilize the value of the dollar by buying and selling foreign currencies and gold,”¹⁷⁸ the ESF became a tool for Treasury-led financial rescues, later serving as the legal basis for sovereign lending, such as the \$20 billion loan to Mexico in 1995.¹⁷⁹ Second, the judiciary reinforced these changes. In the Gold Clause Cases, the Supreme Court upheld Roosevelt’s decision to nullify gold-backed contracts, an act done by the President, rather than the Fed, fortifying executive supremacy over monetary affairs.¹⁸⁰ Third, Keynesian economics displaced pre-Depression orthodoxy, legitimizing deficit spending and greater government intervention in macroeconomic management. John Maynard Keynes’s *The General Theory of Employment, Interest, and Money* drove this shift, quickly gaining traction in Washington and reshaping economic policy debates.¹⁸¹ Finally, Henry Morgenthau, serving as both the Treasury Secretary and later president of the Bretton Woods Conference, supplanted the Fed as the primary architect of global monetary arrangements.¹⁸² These transformations marked a decisive break from the Fed’s

¹⁷⁷ Anna J. Schwartz, *From Obscurity to Notoriety: A Biography of the Exchange Stabilization Fund* (Nat’l Bureau of Econ. Rsch., Working Paper No. 5699, 1996); *Exchange Stabilization Fund History*, U.S. DEP’T OF THE TREASURY, <https://home.treasury.gov/policy-issues/international/exchange-stabilization-fund/exchange-stabilization-fund-history> [<https://perma.cc/3RAG-EKQJ>] (last visited Nov. 3, 2024).

¹⁷⁸ Gold Reserve Act of 1934, Pub. L. No. 73–87, § 10(a), 48 Stat. 337, 341 (codified as amended at 31 U.S.C. § 5302). See also *Treasury’s Exchange Stabilization Fund and COVID-19*, CONG. RSCH. SERV., <https://crsreports.congress.gov/product/pdf/IF/IF11474> [<https://perma.cc/68DJ-8RW8>] (last visited Feb. 3, 2024).

¹⁷⁹ Russell Munk, *Exchange Stabilization Fund Loans to Sovereign Borrowers: 1982–2010*, 73 L. & CONTEMP. PROBS. 215, 216 (2010).

¹⁸⁰ *Norman v. Balt. & Ohio R.R. Co.*, 294 U.S. 240 (1935); *United States v. Bankers Trust Co.*, 294 U.S. 240 (1935); *Nortz v. United States*, 294 U.S. 317 (1935); *Perry v. United States*, 294 U.S. 330 (1935). For a reflection of the Gold Clause Cases from the IMF perspective, see the then General Counsel of the IMF Joseph Gold, *Floating Currencies, Gold, and SDR’s: Some Recent Legal Developments*, 19 INTERNATIONAL MONETARY FUND 64, 66–71 (1976). See Angus Maclean, who oversaw the Government’s court proceedings in all of the Gold Clause Cases, Angus D. MacLean, *Outline of the Gold Clause Cases*, 15 N.C. L. REV. 249 (1937). SEBASTIAN EDWARDS, *AMERICAN DEFAULT: THE UNTOLD STORY OF FDR, THE SUPREME COURT, AND THE BATTLE OVER GOLD* 123 (2018).

¹⁸¹ JOHN MAYNARD KEYNES, *THE GENERAL THEORY OF EMPLOYMENT, INTEREST, AND MONEY* (reprt. ed. 2015).

¹⁸² *Henry Morgan thau, Jr. (1934–1945)*, U.S. DEP’T OF THE TREASURY, <https://home.treasury.gov/about/history/prior-secretaries/henry-morgenthau-jr-1934-1945> [<https://perma.cc/6F5F-82PY>] (last visited Dec. 16, 2024).

formative era, ensuring that, for the next two decades, dollar diplomacy returned to the executive branch.

The Treasury's international dominance can be illustrated in two arenas: coordination among financial equals and imposition over weaker economies. Among the former, the Tripartite Agreement of 1936 signaled a shift in financial diplomacy.¹⁸³ Rather than restoring the gold standard, the U.S., Britain, and France established a reciprocal gold facility, pledging to buy and sell gold among themselves to stabilize exchange rates without binding themselves to formal convertibility.¹⁸⁴

The reciprocal gold facility is analogous to modern-day swap lines in two senses. First, in selective clubs, participating central banks sought to stabilize their currencies through agreed reserves. Second, the operation was essentially bilateral, which was operationally routed through the gold facility.

Charles Kindleberger, among the 20th century's most influential international economists, in fact identified the Tripartite Agreement as the precursor to modern swap lines and commented on the striking commitment:¹⁸⁵ "The agreement was the origin of the ultimate swaps, when the holdings of one another's currency, which in 1937 made Morgenthau break out into a cold sweat because it was like kiting a cheque, would be undertaken up to thousands of millions of dollars at a time."

Yet, unlike Benjamin Strong's collegial diplomacy with foreign central bank heads like Montagu Norman and Émile Moreau a decade earlier, Morgenthau's negotiations were far more transactional—even adversarial. Unlike Strong, Morgenthau was neither a member nor a subscriber to the internationalist agenda of the central bank club. His rebuke to a British financial attaché—"If we were at war with each other,

¹⁸³ See Gerhard Peters & John T. Woolley, *Franklin D. Roosevelt, Wireless to the London Conference*, THE AM. PRESIDENCY PROJECT, <https://www.presidency.ucsb.edu/node/208290> [<https://perma.cc/U6JS-RMRX>] (last visited Feb. 12, 2025); Sebastian Edwards, *The London Monetary and Economic Conference of 1933 and the End of the Great Depression: A "Change of Regime" Analysis* at 1 (Nat'l Bureau of Econ. Rsch., Working Paper No. 23204, 2017).

¹⁸⁴ Max Harris, *Gold, International Monetary Cooperation, and the Tripartite Agreement of 1936*, in KEYNES'S ECONOMIC CONSEQUENCES OF THE PEACE AFTER 100 YEARS: POLEMICS AND POLICY, 300, 300–24 (Patricia Clavin, Giancarlo Corsetti, Maurice Obstfeld, Adam Tooze & Catherine Piner eds., 2023). See also Barry Eichengreen, *Central Bank Co-operation and Exchange Rate Commitments: The Classical and Interwar Gold Standards Compared*, 2 FIN. HIST. REV. 99, 105 nn. 15–16 (1995).

¹⁸⁵ 4 CHARLES P. KINDLEBERGER, *THE WORLD IN DEPRESSION 1929–1939* at 260 (1973).

we could not be acting any differently”—captured the shift in tone and institutional structure.¹⁸⁶

Beyond stabilizing exchange rates among leading economies, the Treasury also resurrected explicit dollar diplomacy in weaker economies—most notably in China. This episode echoed earlier U.S. ambitions: just as John Hay’s gold standard diplomacy sought to integrate China into a U.S.-led monetary system in the early 1900s,¹⁸⁷ the silver crisis provided another opportunity for the U.S. to reshape China’s monetary system.

At first, the ensuing monetary upheaval was unintended. Neither Morgenthau nor FDR understood the economics or geopolitics of silver. For instance, in 1933, Morgenthau was puzzled by FDR’s vague concern: “I am worrying about silver.”¹⁸⁸ Despite Morgenthau’s economic reassurance that the silver price was rising at a similar rate as other commodities like wheat, FDR replied that “[w]e have entered into a gentlemen’s agreement to buy a certain proportion of the world’s supply of silver each year, and I have not the faintest idea what we have done about it.”¹⁸⁹ FDR then directed Morgenthau to speak with the Senator Key Pittman from the silver mining state of Nevada.¹⁹⁰

A year later, the Silver Purchase Act of 1934 was passed “in response to the economically small but politically potent silver bloc.”¹⁹¹ Section 3 of the Act directed the Treasury Secretary—not the Fed chair—to purchase silver in domestic and international markets.¹⁹² The goal was to expand the U.S. monetary supply by increasing its official silver holdings, with a quarter of reserves allocated to silver.¹⁹³ Surging U.S. silver demand

¹⁸⁶ Harris, *supra* note 184, at 301. Still, the Tripartite Agreement’s core principles—avoiding competitive depreciation, fostering exchange stability, and encouraging consultation—became an important sediment of the international monetary history and later institutionalized in the IMF’s Articles of Agreement (1944) and persist in modern economic coordination forums like the G20. Harris, *supra* note 184, at 334.

¹⁸⁷ See *infra* Part II.A.

¹⁸⁸ Henry Morgenthau Jr., *DIARIES OF HENRY MORGENTHAU, JR.*, Volume 1 Oct. 1933–June 30, 1934, 65–92, (Oct. 1933) [<https://perma.cc/268Q-TVYW>] (on file with the Franklin D. Roosevelt Presidential Library and Museum).

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ Milton Friedman, *Franklin D. Roosevelt, Silver, and China*, 100 J. POL. ECON. 62, 62 (1992).

¹⁹² Silver Purchase Act of 1934, Pub. L. No. 73-438, §§ 3–4, 48 Stat. 1178 (1934).

¹⁹³ *Id.*

fueled a matching supply boom—largely from China, which remained on the silver standard.¹⁹⁴ Worse, the price differential between domestic and international prices invited repeated speculation.¹⁹⁵ In 1935 alone, an estimated 140 million ounces of silver were smuggled out of China, draining its monetary reserves and ultimately forcing the country off its centuries-long silver standard.¹⁹⁶ Yet even after Chinese officials protested repeatedly, Roosevelt and Morgenthau refused to intervene, bowing to domestic political pressure from the silver bloc.¹⁹⁷

With silver no longer a viable anchor, the question of China's new monetary alignment became a geopolitical contest. Britain had already attempted to integrate China into the sterling bloc, offering a currency peg backed by a joint Anglo-Japanese loan.¹⁹⁸ Finally recognizing the geopolitical stakes, the Treasury moved to reorient China's financial system toward the dollar. Morgenthau countered with his own plan: The United States would provide financial assistance—but only if China pegged its new currency (法币, Fabi) to the dollar instead of the pound.¹⁹⁹ As Morgenthau told the silver senator Pittman, “they’d have to tie the yuan to the dollar.”²⁰⁰ The final U.S.-China currency agreement tied China's financial system to the dollar, securing America's monetary foothold in East Asia.²⁰¹

The excess of domestic politics and its attendant economic and political fallout was laid bare by Herbert Bratter, the

194 See The Associated Press., *Chinese Are Trapped in Silver Speculation*, N.Y. TIMES (Aug. 10, 1934), <https://www.nytimes.com/1934/08/10/archives/chinese-are-trapped-in-silver-speculation.html> [<https://perma.cc/E2MU-6WBj>].

195 SILBER, *supra* note 51 at 78–80.

196 *Id.* at 81.

197 *Id.*

198 SIR HENRY CLAY, LORD NORMAN 455 (1957).

199 Henry Morgenthau Jr., DIARIES OF HENRY MORGENTHAU, JR., Volume 11 Nov. 1–Nov. 14, 1935, 5–7 (Nov. 2, 1935) [<https://perma.cc/2QGS-BGM9>] (on file with the Franklin D. Roosevelt Presidential Library and Museum).

200 Henry Morgenthau Jr., DIARIES OF HENRY MORGENTHAU, JR., Volume 11 Nov. 1–Nov. 14, 1935, 28–42 (Nov. 7, 1935).

201 仇华飞, 1935年中国币制改革与中美金银交换, 8 学术研究 105, 109 (2004) (“Fabi was ostensibly linked to sterling but in fact controlled by the US.”); Hallett Abend, CHINESE ABANDON SILVER STANDARD; NOTE ISSUE UNIFIED; Controlled Paper Made Legal Tender in Drastic Move to Solve Monetary Troubles, N.Y. TIMES (Nov. 4, 1935), <https://www.nytimes.com/1935/11/04/archives/chinese-abandon-silver-standard-note-issue-unified-controlled-paper.html> [<https://perma.cc/EG3P-8VZ9>]. Austin Dean, *The United States, China, and the Money Question*, ORIGINS: CURRENT EVENTS IN HISTORICAL PERSPECTIVE (Oct. 2016), <https://origins.osu.edu/article/united-states-china-and-money-question> [<https://perma.cc/E89Y-W4PH>] (last visited Oct. 21, 2024).

silver czar.²⁰² Having extensively worked on silver in both the Treasury and the Commerce Department, Bratter indicted the Silver Purchase Act as a political capitulation to domestic silver interests with damaging consequences for both U.S. monetary stability and international influence.²⁰³ He complained bitterly about the Act to Thomas Lamont, criticizing the "subsidy to silver" as economically irrational and politically costly.²⁰⁴ Not only had it injected confusion into U.S. internal and external currency management, it had also strained trade relations with China and, more gravely, undermined Chinese resistance to Japanese military expansion:²⁰⁵

That the Silver Purchase Act of 1934 and the other measures to help silver could be enacted was due simply to the lack of public resistance to the agitation of the silver interests during the preceding years of the present depression But the cost to the public of the subsidy to silver was apparently spread out so thinly that practically no one was interested in looking into the facts And now our exporters are commencing to feel the pinch in our trade with China . . . [O]ur silver policy . . . has tended to make the Nanking Government yield more and more to outside military pressure.

Overall, throughout this tumultuous epoch, international monetary governance returned to the hands of the political branches. The Fed's international financial role was minor. It played the Treasury's second fiddle in the negotiation of the Tripartite Agreement and did not have a seat at the negotiating table during the U.S.—China currency alignment.²⁰⁶ Yet, the

²⁰² Bratter had authored multiple silver reports prior to the Silver Purchase Act. See HERBERT M. BRATTER & U.S. DEP'T OF COM. BUREAU OF FOREIGN AND DOMESTIC COM., *THE SILVER MARKET* (1932).

²⁰³ Letter from Herbert Bratter to Thomas Lamont (July 20, 1935), *Thomas Lamont Papers*, *supra* note 35.

²⁰⁴ *Id.*

²⁰⁵ *Id.* This sentiment was later echoed by Thomas Lamont in his letter to Nelson Johnson—Minister and Ambassador to China. Letter from Thomas Lamont to Nelson Johnson (May 19, 1936), *Thomas Lamont Papers*, *supra* note 35 ("I am sorry to see China under the control of Japan. . . . America's silver purchase, to my mind, been perfectly intolerable and inexcusable. . . . It is a sorry chapter in our history.")

²⁰⁶ See Henry Morgenthau Jr., *DIARIES OF HENRY MORGENTHAU, JR.*, Volume 11 November 1–November 14, 1935, (Nov. 1–Nov. 13, 1935); The Treasury and the State Department were primarily responsible for the agreement. See 23 *FED. RESV. BULL.*, FRASER 540–43 (June 1937) (Reproducing part of the BIS annual report). France had suffered extensive outflow of gold: as the New York Times reported in 1936, in a year and half, the Bank of France had lost gold that were equivalent to 2,297,000,000 in 1936 franc, see *Toward Stabilization*, N.Y. TIMES (Sep. 26, 1936),

historical motifs that recurred in this era—financial coordination among major economies and the use of currency stabilization as geopolitical leverage—would outlast the Treasury's dominance. When the Fed eventually reasserted itself in the following epoch, these same principles would condition its role in the postwar international monetary order.

D. Act III: The Fragile Harmony of Bretton Woods, 1945–1971

In the aftermath of World War II, the United States embraced a “managed economy,” with the president and the executive branch emerging as the primary architect of macroeconomic policy.²⁰⁷ Politically—led institutions were beginning to take shape, destabilizing the primacy of the BIS central bank club. In 1944, Treasury officials such as Harry Dexter White (Morgenthau's deputy) and John Maynard Keynes crafted the Bretton Woods system, establishing the dollar as the formal anchor of the international monetary system and committing the United States to redeem dollars for gold at \$35 per ounce.²⁰⁸ This ambitious gold—dollar peg ultimately depended on the credibility of U.S. gold reserves. Dollar dominance, through a legalized gold-dollar peg, was an explicit geopolitical strategy.

Institutional competition ensued. The wartime BIS head, Thomas McKittrick, had to walk a tightrope, at times unsuccessfully coordinating between the New York Fed and the Treasury over issues such as the use of dollar payments.²⁰⁹ In a blow to central bankers, a resolution at the Bretton Woods Conference called for the liquidation of the BIS due to its functional

<https://www.nytimes.com/1936/09/26/archives/toward-stabilization.html> [<https://perma.cc/Q59Y-TC39>]. See The Avalon Project, *Monetary Stabilization; September 25, 1936*, YALE LAW SCHOOL: LILLIAN GOLDMAN LAW LIBRARY, https://avalon.law.yale.edu/20th_century/usmu001.asp#2 [<https://perma.cc/8MB7-CC46>] (last visited Feb. 15, 2025).

²⁰⁷ JOHN T. WOOLLEY, *MONETARY POLITICS: THE FEDERAL RESERVE AND THE POLITICS OF MONETARY POLICY* 108 (1st paperback ed. 1985).

²⁰⁸ Sandra K. Ghizoni, *Creation of the Bretton Woods System*, FED. RSRV. HIST. (Nov. 22, 2013), <https://www.federalreservehistory.org/essays/bretton-woods-created> [<https://perma.cc/6L3F-QKTQ>] (last visited Nov. 29, 2024); Frieden, *supra* note 20, at 61.

²⁰⁹ Correspondence between Thomas McKittrick, President of the Bank of International Settlements and Allan Sproul, President Fed. Rsrv. Bank of New York (Apr. 4, 1941), (Oct. 1, 1941), (Apr. 17, 1941), (Dec. 6, 1941), and (Apr. 18, 1942) (on file with on file with Harvard Bus. Libr., Baker Libr. Special Collections and Archives, Carton 5, Folder 25, Reel 9 to Carton 6, Folder 1, Reel 9).

overlap with the IMF.²¹⁰ In practice, however, that resolution stalled as European central bankers lobbied against full abolition, while its mandate was significantly curtailed.²¹¹

Against this new institutional setting, in which central bankers and their BIS club played a diminished role, the conventional narrative of swap lines begins. Concern over the U.S. gold-dollar peg inadvertently prompted the “rediscovery of swaps.”²¹² To safeguard its gold reserves and defend the gold peg, the Fed established a swap network with mostly European central banks, enabling them to borrow in their own currencies and buy back dollars rather than redeeming them for gold. This “rediscovery” of swap lines, however, was not merely a technical tool.

Instead, swap lines were tightly woven into a broader political-economic constellation: linking currency defense to bilateral financial tools, Group of Ten diplomacy, and U.S. military alliances. The so-called Blessing Letter made this logic explicit. In 1967, with the backing of Chancellor Kiesinger, Deutsche Bundesbank President Karl Blessing wrote to Fed Chair William McChesney Martin pledging not to convert dollars into gold—a key support for the dollar’s credibility—in exchange for the continued stationing of U.S. troops in Europe,²¹³ an explicit *quid pro quo*—monetary restraint traded for security guarantees.

Unlike today’s largely one-way Fed swap lines, the 1960s arrangements were bilateral and embedded in a broader architecture. And importantly, the decision right over swap lines lay with the Treasury: in 1962, at the Treasury’s request, the Fed revived its swap facility to supplement the Exchange Stabilization Fund, pledging to work “in close and continuous consultation and cooperation with the United States Treasury.”²¹⁴

²¹⁰ BIS was fighting for its survival, as the establishment of the IMF made it potentially redundant, in addition to controversies around its Second World War policies. See *History – the BIS during the Second World War (1938–48)*, BANK FOR INT’L SETTLEMENTS, https://www.bis.org/about/history_2ww2.htm [<https://perma.cc/DJ9A-XA65>] (last visited Mar. 24, 2025).

²¹¹ *Id.*

²¹² ALAIN NAEF, AN EXCHANGE RATE HISTORY OF THE UNITED KINGDOM, 1945–1992 116–17 (Owen F. Humpage, Christopher M. Meissner, Kris J. Mitchener & David C. Wheelock 2022).

²¹³ Letter from Karl Blessing, president of Deutsche Bundesbank to William McC. Martin Jr., chairman of the Fed. Rsrv. Deutsche Bundesbank (Mar. 30, 1967) [<https://perma.cc/D3CC-DDHD>] (on file with Deutsche Bundesbank Historical Archive).

²¹⁴ *Task Force Report*, *supra* note 49 at 459; C. DOUGLAS DILLON & ROBERT V. ROOSA, ORAL HISTORY INTERVIEW (Jan. 25, 1965), <https://www.jfklibrary.org/as-set-viewer/archives/jfkoh-cdrr-01> [<https://perma.cc/JE6U-6WGP>].

Before these arrangements could operate, the Fed had to craft a legal foundation for foreign currency swaps—a foundation as improvised as it was consequential. As the Fed's General Counsel Howard Hackley conceded in 1961, "There is, of course, no provision of present law that specifically refers to foreign currency or foreign exchange operations . . . it cannot be said that there is explicit and clear authority for such operations."²¹⁵ Instead, Hackley stitched together a Frankenstein legal justification from three separate provisions of the Federal Reserve Act. First, he relied on Section 14, which permits the purchase and sale of "cable transfers"—a term he interpreted to imply foreign currency transactions.²¹⁶ Section 14 in fact authorizes the Fed's open-market operations, which allow the Fed to control liquidity by buying and selling securities such as Treasury bills or bonds in the secondary market. Second, he invoked Section 14(a), which allows Reserve Banks to make loans on gold.²¹⁷ Third, he pointed to Section 14(e), which authorizes the Fed to open and maintain accounts in foreign countries.²¹⁸ To bolster his broad reading of Section 14(e), Hackley leveraged the precedent of the 1925 gold credit arrangement between the New York Fed and the Bank of England, arguing that Congress's failure to amend the statute to prohibit such practices signaled tacit approval of the Fed's expansive foreign exchange authority.²¹⁹

The sterling stabilization efforts in this era illustrate this complex, multi-party choreography, in which the Fed's interventions were increasingly shaped—and sometimes constrained—by political imperatives. When sterling faced repeated crises, the response spanned multiple, overlapping channels: bilaterally, the New York Fed extended a déjà vu \$3 billion credit line to Britain—reviving the central bank cooperation that had characterized the Strong–Norman relationship in the 1920s.²²⁰

²¹⁵ HOWARD H. HACKLEY, LEGAL ASPECTS OF PROPOSED PLAN FOR FEDERAL RESERVE OPERATIONS IN FOREIGN CURRENCIES 156 (1961), [hereinafter *Hackley Memorandum*].

²¹⁶ 12 U.S.C. § 353. Part of original Federal Reserve Act; not amended.

²¹⁷ 12 U.S.C. § 354.

²¹⁸ 12 U.S.C. § 358. *Hackley Memorandum*, *supra* note 215 at 147.

²¹⁹ 12 U.S.C. § 358.

²²⁰ BARRY EICHENGREEN, GLOBALIZING CAPITAL 15 (2019). The talk of a return to the Tripartite Agreements were present during this time. See Naef, *supra* note 212, at 108 ("France suggested in a BIS meeting that they should 'coordinate central bank interventions on the gold market at the international level by means of a gentlemen's agreement, and to reactivate the 1936 Tripartite agreement'."). See also Michael Bordo, Eric Monnet & Alain Naef, *The Gold Pool (1961–1968) and the Fall of the Bretton Woods System: Lessons for Central Bank Cooperation*, 79 J. ECON. HIST. 1027 (2019).

Then, under the Fed-led swap line network, the FOMC increased the swap facility with the Bank of England from \$500 million to \$750 million in 1964.²²¹ Initially, the Bank of England joined this network as a goodwill gesture towards the Fed,²²² effectively rekindling the central bank club and establishing a vital lifeline. Meanwhile, the Fed and seven European central banks formed the Gold Pool to coordinate gold transactions,²²³ and the Treasury—through an 11-country assistance package—assembled another \$3 billion in support.²²⁴ Multilaterally, the United Kingdom also secured \$1 billion from the IMF, which coordinated with the Treasury as its principal U.S. counterpart.²²⁵

These moves briefly re-inserted the Fed into the transnational central banking club while leaving the Treasury in the political lead at the IMF and in high-level negotiations. This carefully balanced choreography did not last. Nixon's 1968 election marked a sharp break: authority over international monetary policy was again centralized in Washington, diminishing the budding rediscovery of the New York Fed's autonomy. The quiet era of central-bank-to-central-bank coordination gave way to more public, politically charged confrontations, as "secret loans among friends" were replaced by televised accusations against European partners.²²⁶

²²¹ BD. OF GOVERNORS OF THE FED. RESRV. SYS., FIFTY-FIRST ANNUAL REPORT 118 (1964).

²²² Naef, *supra* note 212, at 115, 157.

²²³ Bordo et al., *supra* note 220.

²²⁴ Naef, *supra* note 212, at 117. The Treasury collaborated with the Fed at this time. As the New York Times reported in 1964, the Treasury Under Secretary for monetary affairs Robert V. Roosa helped arrange the cooperation, while both the Fed and the Treasury shared the design and public announcement of the "unprecedented system of cooperation among the major central banks." See Edward Cowan, *11 Nations Raise \$3 Billion to Rescue British Pound in World Financial Crisis; System at Stake; U.S. Contributes Third of Funds in Speed Response to Plea*, N.Y. TIMES (Nov. 26, 1964), <https://www.nytimes.com/1964/11/26/archives/11-nations-raise-3-billion-to-rescue-british-pound-in-world.html> [<https://perma.cc/VY8L-2E5H>].

²²⁵ FED. OPEN MKT. COMM., *Transcript of the Federal Open Market Committee Meeting, December 15, 1964*, at 4 (Dec. 15, 1964), <https://www.federalreserve.gov/monetarypolicy/files/fomchistmin19641215.pdf> [<https://perma.cc/T55L-LJZH>]. Treasury's role was also formalized in swap increases, as seen in the authorization of Chairman Miller to negotiate an increase in the System's swap arrangement with the German Federal Bank. For a discussion, see OFF CORRESPONDENCE, FED. OPEN MKT. COMM., *Transcript of the Federal Open Market Committee Meeting, March 14, 1978* (Mar. 15, 1978) <https://www.federalreserve.gov/monetarypolicy/files/FOMC19780310Memo01.pdf> [<https://perma.cc/L752-66YH>].

²²⁶ FED. OPEN MKT. COMM., *Transcript of the Federal Open Market Committee Meeting, December 15, 1964*, at 4 (Dec. 15, 1964), <https://www.federalreserve.gov/monetarypolicy/files/fomchistmin19641215.pdf> [<https://perma.cc/>]

E. The Center Holds: 1971–2025

The politicization of exchange-rate diplomacy persisted through the 1970s and 1980s, when swap lines—still bilateral in structure—were explicitly wielded as negotiating leverage by both the United States and its partners. A contemporaneous Fed memo acknowledged that decisions to grant or withhold swap credit were integral to governmental bargaining, with creditors using them to press for specific policy outcomes.²²⁷ In the late 1970s, Germany withheld swap support to prod Washington toward alternative financing sources and domestic policy changes.²²⁸ The United States applied similar pressure in 1976, conditioning assistance to the United Kingdom on its acceptance of an IMF stabilization program, and again in 1982, tying support for Mexico to its adoption of balance-of-payments reforms.²²⁹

The mid-1980s offered a rare case in which major currency realignment was driven not by technocratic improvisation but by an explicit political bargain. That shift culminated in the 1985 Plaza Accord—a U.S.-brokered deal with Japan, West Germany, France, and the United Kingdom, negotiated directly by finance ministers and central bank governors under the watch of heads of state, making it a rare instance where exchange-rate diplomacy and trade adjustment were openly set at the highest political level.²³⁰ Yet the success of Plaza was not carried forward. The 1987 Louvre Accord, intended to stabilize exchange rates after the dollar's sharp depreciation, faltered partially because fiscal coordination proved elusive.²³¹

The upshot is that the end of Bretton Woods left the international monetary system without a clear political anchor, even as global demand for dollar liquidity surged. The collapse of the Bretton Woods system in 1971, triggered by Nixon's decision to close the gold window, transformed the dollar into a fiat currency and ushered in a floating exchange rate regime.²³²

T55L-LJZH], discussion OFF. CORRESPONDENCE, FED. OPEN MKT. COMM., *Transcript of the Federal Open Market Committee Meeting, March 14, 1978* (Mar. 15, 1978) <https://www.federalreserve.gov/monetarypolicy/files/FOMC19780310Memo01.pdf> [<https://perma.cc/L752-66YH>].

²²⁷ *Task Force Report*, *supra* note 49, at 459.

²²⁸ *Id.*

²²⁹ *Id.*

²³⁰ For a detailed description and analysis of the Plaza negotiation, see YOICHI FUNABASHI, *MANAGING THE DOLLAR: FROM THE PLAZA TO THE LOUVRE* (1989).

²³¹ *Id.* at 208.

²³² Frieden, *supra* note 20, at 87.

During this transition, the Eurodollar market—offshore pools of U.S. dollar deposits beyond U.S. regulatory reach—expanded dramatically, growing from \$65 billion to \$160 billion between 1970 and 1973 and reaching \$13 trillion by 2024.²³³ As one commentator observed, “[f]or every dollar that American banks lent from American soil, they were lending six or seven more from the offshore markets.”²³⁴ The resulting demand for a GLOLR went unmet through political negotiation: intergovernmental initiatives stalled, most notably Henry Kissinger’s failed bid to expand IMF resources.²³⁵

In 2008, at the beginning of the Global Financial Crisis, the Fed initiated its swap lines following the announcement by French bank BNP Paribas that it was suspending three of its funds.²³⁶ The swap line network quickly expanded as the crisis deepened. At the height of the Global Financial Crisis, swap line usage soared to \$580 billion—25 percent of the Fed’s balance sheet—and reached \$450 billion during the Covid-19 pandemic.²³⁷ For comparison, domestically, the credit outstanding under the Fed’s emergency lending authority peaked at \$710 billion in 2008 and \$197 billion in 2020.²³⁸

The upshot is that stalled diplomacy left the Fed’s swap lines as the system’s unplanned center—born of crisis, hardened through decades of use, and still scaffolding the international monetary system to this day.

* * *

Across more than a century, the mechanics of international financial rescue and central bank cooperation have shifted with

²³³ *Id.* at 85; Lydia Beyoud, Ed Ludlow & Caroline Hyde, *Gensler Sees Potential Peril in \$13 Trillion of Eurodollars*, BLOOMBERG (Oct. 22, 2024), <https://www.bloomberg.com/news/articles/2024-10-22/gensler-sees-potential-peril-in-13-trillion-eurodollar-market> [<https://perma.cc/E7AC-X9D3>].

²³⁴ Frieden, *supra* note 20, at 85.

²³⁵ ERIC HELLEINER, *STATES AND THE REEMERGENCE OF GLOBAL FINANCE: FROM BRETTON WOODS TO THE 1990s* 121 (1994). For Kissinger’s title at the time, see *Biographies of the Secretaries of State: Henry A. (Heinz Alfred) Kissinger (1923-2023)*, DEP’T OF STATE OFFICE OF THE HISTORIAN, <https://history.state.gov/departments/history/people/kissinger-henry-a> [<https://perma.cc/B7Z9-U4Z4>] (last visited Feb. 20, 2025). For more on the political-economy of the rise of the Eurodollar market, see Frieden, *supra* note 20, at 79–122.

²³⁶ See generally ADAM TOOZE, *CRASHED: HOW A DECADE OF FINANCIAL CRISES CHANGED THE WORLD* (2018).

²³⁷ See FRED, *supra* note 23; Fleming & Klagge, *supra* note 23 at 5.

²³⁸ MARC LABONTE, CONG. RSCH. SERV., *THE FEDERAL RESERVE’S RESPONSE TO COVID-19: POLICY ISSUES* 11 (2021).

the underlying monetary regime, the position of the Fed within the administrative state, and the prevailing economic ideas and policy frameworks. Under the classical gold standard of the late nineteenth century, as in the Baring Crisis of 1890, rescues meant mobilizing specie to defend the Bank of England's gold reserves to sustain sterling's fixed parity.²³⁹ In the reconstructed interwar gold standard of the 1920s, the New York Fed's 1925 gold credit to the Bank of England likewise aimed to uphold a fixed parity.²⁴⁰ By the mid-1930s, under the emerging gold exchange standard, the Tripartite Agreement created a gold pool in which subscribing nations bought and sold gold to stabilize exchange rates without binding themselves to full convertibility.²⁴¹ In the Bretton Woods gold-dollar system of the postwar decades, the dollar replaced gold as the formal anchor of the international monetary system, though its credibility still rested on convertibility at \$35 per ounce.²⁴² Within that system, 1960s-era swap lines—still nominally gold-backed—were designed to defend the dollar's peg through reciprocal currency exchanges rather than direct gold transfers. By the 1970s, with the collapse of Bretton Woods and the advent of a fiat dollar standard, gold convertibility disappeared entirely; the U.S. dollar itself became the anchor for global rescues.²⁴³ In this fiat era, the Fed's swap lines have increasingly become the infrastructure for *de facto* unilateral dollar liquidity provision, structured as *de jure* reciprocal currency swaps.

These shifting monetary regimes and mechanics of rescue have repeatedly opened up institutional space for the renegotiation of the boundary between political control and technocratic discretion over the dollar. Political collapse or deadlock created openings for technocratic substitution. When geopolitical alignments fractured or political authorities could not agree on a course, the Fed could step in as the least politically costly option—the path of least political resistance. As we have seen, in the 1920s, efforts to stabilize the sterling—through coordinated interest rate adjustments and the New York Fed's gold credit to the Bank of England—functioned as technocratic stopgaps that postponed harder political decisions on inflation, fiscal balance, and domestic adjustment. These interventions

²³⁹ See *infra* Part II.A.

²⁴⁰ See *infra* Part II.B.

²⁴¹ See *infra* Part II.C.

²⁴² See *infra* Part II.D.

²⁴³ See *infra* Part I.

bought time but failed to resolve underlying political disagreements, culminating in Britain's 1931 exit from the gold standard. A similar dynamic unfolded after Bretton Woods. In the 1950s and 1960s, as the Fed itself acknowledged, the Gold Pool and early swap lines masked widening macroeconomic imbalances, delaying the system's inevitable collapse.²⁴⁴

Later, as the dollar-gold link broke down, Henry Kissinger's push to expand IMF resources for crisis management stalled in the face of domestic political opposition, leaving a vacuum in international monetary governance.²⁴⁵ Subsequent proposals—such as former Governor of the People's Bank Zhou Xiaochuan's call to transform the IMF's Special Drawing Rights into a more robust super-sovereign reserve currency—have likewise foundered for lack of political consensus.²⁴⁶ Into that vacuum stepped the Fed, reviving and expanding the swap line network to stabilize global liquidity—no new congressional authorization, no contentious executive-legislative bargaining, no geopolitical fight to reform the IMF or the SDR. In these cases, the absence of a coherent political settlement effectively defaulted the function to the central bank, expanding technocratic discretion not through deliberate delegation, but through political inaction. On the other hand, the Plaza Accord stands as a counterpoint in the Fed's global ascent: an instance where political consensus dictated central bank action, rather than political fracture opening space for technocratic substitution.

With this historical foundation in place, the analysis now turns to the present. What does this all mean, geopolitically? Reflecting on this emerging responsibility, former Chairman Bernanke observed, "A swap line with a foreign central bank wouldn't be politically popular," a statement that foreshadows the geopolitical stakes that we now explore.²⁴⁷

III

THE STAKES OF THE WORLD'S UNOFFICIAL CENTRAL BANK

As the historical section shows, major financial rescues have long been entangled with geopolitical bargaining, whether

²⁴⁴ *Task Force Report*, *supra* note 49, at 459.

²⁴⁵ See *supra* Part II.D.

²⁴⁶ See Zhou Xiaochuan, *Reform the International Monetary System*, BANK FOR INT'L SETTLEMENTS, 2 (Mar. 23, 2009), <https://www.bis.org/review/r090402c.pdf> [<https://perma.cc/PFP4-MEEL>].

²⁴⁷ BEN S. BERNANKE, *THE COURAGE TO ACT: A MEMOIR OF A CRISIS AND ITS AFTERMATH* 157 (1st ed. 2015).

to stabilize allies, contain rivals, or shape the terms of economic adjustment. The Fed itself has acknowledged this dynamic. An internal memo candidly noted that “the decision to provide or not to provide swap credit becomes part of the governmental negotiating process,” with creditors using it to encourage, discourage, or extract policy changes.²⁴⁸ When swap lines were both de jure and de facto two-way arrangements, Germany, for example, withheld swap credit in the late 1970s to press the United States toward alternative financing and policy shifts, while the United States has used the same tactic—from conditioning 1976 credits to the UK on an IMF program to leveraging 1982 support to Mexico.²⁴⁹

Those geopolitical stakes persist today, but the balance of power has shifted decisively toward the Fed as swap lines are now de facto one-way. The Fed’s swap line decisions thus effectively make foreign policy—determining which nations gain access to the dollar lifeline—at a scale and with a degree of autonomy unmatched by other U.S. agencies.²⁵⁰ This reach implicates the foreign policy prerogatives of Congress and the executive branch,²⁵¹ while also raising unresolved administrative law questions about whether and how agencies may weigh international factors.²⁵² This section examines two dimensions

²⁴⁸ *Task Force Report*, *supra* note 49, at 459.

²⁴⁹ *Id.* at 460.

²⁵⁰ Conti-Brown & Zaring, *supra* note 7, at 667 (“The Fed’s international connections are not unique; rather it is the most extreme and important version of a phenomenon that can be observed at almost every federal agency outside the executive branch—almost every agency now has an international relations office and belongs to an organization of regulators that cross national boundaries.”).

²⁵¹ The Executive Branch bears “the primary responsibility for the conduct of foreign affairs.” *First Nat’l City Bank v. Banco Nacional de Cuba*, 406 U.S. 759, 759 (1972). More generally, presidential authority over foreign affairs stems from three sources. First, Congress has delegated substantial foreign affairs authority to the president, granting broad discretion in areas like economic sanctions and trade controls through statutes such as the International Emergency Economic Powers Act (IEEPA) and the Export Administration Act. Second, independently, Article II of the Constitution has vested significant foreign relations authority in the president. Third, the judiciary has often construed foreign affairs delegations broadly, as seen in *United States v. Curtiss-Wright Export Corp.*, 299 U.S. 304 (1936). Though recent lower courts have set up an outer fence of the IEEPA in relation to tariffs, those decisions have not reached the Supreme Court at this time.

²⁵² For an overview of the Fed’s balance of international and domestic factors, see generally Eichengreen, *supra* note 132. On agency’s incorporation of international factors, see Elena Chachko, *Toward Regulatory Isolationism? The International Elements of Agency Power*, 57 U.C. DAVIS L. REV. 57, 66 (2023) (“Neither the *West Virginia* [*v. EPA*] majority opinion nor the parties addressed the legal

of those stakes: the geopolitical logic shaping swap line access and the knock-on effects of rival liquidity networks as a contested arena of superpower competition.

A. Monetary Balls and Strikes?

Much as Chief Justice Roberts's claim that judges merely "call balls and strikes" masks the political choices embedded in judging, the Fed's portrayal of swap lines as a purely technical liquidity tool obscures the inherently geopolitical decision over which countries to rescue, a century-long continuity as the preceding section recovers.

Historically, that choice has fused economic and political factors in varying degrees. In 1890, the Banque de France's rescue of the Bank of England doubled as a geopolitical olive branch before their military alliance.²⁵³ In the 1920s, Benjamin Strong's stabilization efforts in Europe partially dovetailed with U.S. economic and diplomatic objectives of shoring up the international monetary system to facilitate overseas markets for American exporters.²⁵⁴ In the 1940s, U.S. support for China's monetary reform was conditioned on pegging its new currency to the dollar.²⁵⁵ And in 1967, Germany's "Blessing Letter" pledged to hold dollar reserves rather than demand gold, in return for U.S. military support.²⁵⁶

These episodes anticipate the distinction I draw between a "thin" overlay, where geopolitics reinforces economic fundamentals, and a "thick" overlay, where geopolitics tips the balance in borderline cases. Strong economic fundamentals—such as a country's economic size and credit rating—typically provide the baseline for swap line eligibility.²⁵⁷ A *thin overlay* occurs when economic fundamentals (e.g., creditworthiness and repayment capacity) already justify a swap line but geopolitics implicitly reinforces the case, as with the European Central Bank.²⁵⁸ Debates in such cases focus on operational details,

significance of the presence of international factors for the case. The case therefore does not add clarity in that respect.”).

²⁵³ See *supra* Part II.A.

²⁵⁴ See *supra* Part II.B.

²⁵⁵ See *supra* Part II.C.

²⁵⁶ See *supra* Part II.D.

²⁵⁷ See, e.g., Allen & Moessner, *supra* note 61, at 75; see generally Saleem Bahaj & Ricardo Reis, *The Economics of Liquidity Lines Between Central Banks*, 14 ANN. REV. FIN. ECON. 57 (2022).

²⁵⁸ Thomas Goda et al., *Cherry-Picking in Central Bank Currency Swaps: Empirical Insights into the Determinants and Income Bias in Swap Access During*

such as whether reserves must be tapped before accessing the Fed's dollar liquidity.²⁵⁹

A *thick overlay* arises when geopolitics tips the balance in favor of a country that might not meet strict economic thresholds. The 2008 extension of swap lines to Brazil, Mexico, Singapore, and South Korea illustrates the thick overlay. During FOMC deliberations, staff recommended swap lines for four emerging markets (Brazil, Mexico, Singapore, and South Korea) amid concerns over both economic risk of their inability to repay the dollars and the political fallout from granting additional emerging-market support.²⁶⁰ The FOMC transcripts also show debates over whether other economies with similar macroeconomic profiles—such as Chile, India, and South Africa—should instead be referred to the IMF.²⁶¹ Then-Dallas Fed President Richard Fisher, a former international trade negotiator, captured the essence of the thick overlay by noting the following:²⁶²

Mexico is obvious. It's a national security risk. . . . Singapore is unique. I doubt that Singapore would ever go to the IMF. It would be beneath Lee Kuan Yew's dignity. It is a vital link in terms of that sphere of the world. In terms of Brazil, I'd say that is the dodgiest of the lot . . . but I would say that it is a critical part of our hemisphere and that is the justification for including them in the package. Finally, we have been trying to negotiate a free trade agreement with Korea for some time. . . . I would argue that it is also a strong case to make.

These judgments show how a thick overlay can override purely economic criteria. Brazil, Mexico, Singapore, and Korea were admitted; Turkey and India were not. A leaked diplomatic cable revealed that at the height of the Global Financial Crisis, Turkey sought a swap line through informal channels—only to be steered to the IMF.²⁶³

Crises 23 (Glob. Econ. Governance Initiative Working Paper No. 064, 2024).

²⁵⁹ BERNANKE, *supra* note 247, at 73.

²⁶⁰ FED. OPEN MKT. COMM., *Transcript of the Federal Open Market Committee Meeting, October 28–29, 2008* at 11.

²⁶¹ *Id.* at 11, 17, 25, and 28.

²⁶² *Id.* at 17.

²⁶³ *Delivery of Demarche on Federal Reserve Swap Lines*, WIKILEAKS (2008), https://search.wikileaks.org/plusd/cables/08ANKARA1969_a.html [<https://perma.cc/9U57-3TQU>]. IMF has been a second-best option for many countries. See, e.g., Aykan Erdemir & John A. Lechner, *Why Erdogan Won't Ask the IMF for Help*, FOREIGN POL'Y (June 1, 2020), <https://foreignpolicy.com/2020/06/01/why-erdogan-wont-ask-the-imf-for-help/> [<https://perma.cc/K9LV-WV65>].

In these cases, the Fed recognizes the overlay of geopolitical content of its economic “balls and strikes” and consults informally with the State Department and the Treasury,²⁶⁴ even though the political branches lack a formal veto. This distribution of decision rights stands in sharp contrast to the 1930s or 1960s, when the Treasury—not the Fed—initiated and negotiated the Tripartite Agreement or modern-day swap lines and the Fed merely executed them, even though both relied on the same improvised statutory provision.²⁶⁵

A tempting explanation is that the Fed and the IMF simply serve different clienteles: the IMF handles cases that fall outside the Fed’s swap line network. That logic may fit recent decades, but it does not capture earlier history. In the 1960s, repeated sterling stabilization was not the province of a single institution; it was managed through overlapping efforts by the IMF, the Treasury, the BIS, and foreign central banks.²⁶⁶ What distinguished the Fed’s swap lines was not a formal grant of authority but their transaction costs: the Fed could mobilize large volumes of dollar liquidity quickly and on flexible terms. That capacity gave swap lines an evolutionary advantage over other arrangements, which often proved politically cumbersome or financially insufficient. As a result, central banks increasingly turned to the Fed, and swap lines became the *de facto* anchor of support.

B. Hegemonic Succession, Reprised?

The Fed’s ability to deliver vast liquidity at speed—and to ensure financial stability through standing swap lines—anchors its geopolitical influence and sustains dollar primacy.²⁶⁷ The unforgiving dynamics of financial panics amplify dependence on the Fed, the only GLOLR capable of injecting dollar liquidity at scale when markets seize up. This acute reliance creates economic and political dependencies potentially

²⁶⁴ FED. OPEN MKT. COMM., *supra* note 260, at 16 (“I spoke to Secretaries Paulson and Rice about this. There was an interesting confluence of agreement that, if you are going to do this, these are the right four countries and we probably shouldn’t do more, both from an economic perspective and a diplomatic perspective . . .”).

²⁶⁵ *See supra* Part II.D.

²⁶⁶ *Id.*

²⁶⁷ *See generally* COMM. ON THE GLOB. FIN. SYS., *supra* note 21. For a discussion of hegemony in international political economy, including the hegemonic stability theory in the monetary context, *see* KEOHANE, *supra* note 50.

deeper than those tied to trade or reserves.²⁶⁸ That very LOLR power—alongside trade invoicing, debt denomination, and reserve holdings—thus acts as the fourth pillar of dollar hegemony. It has invited both envy and emulation.

Yet the very structure that entrenches dollar primacy today also contains the seeds of a more contested future. The Fed's extensive use of swap lines during the 2008 Global Financial Crisis spurred other central banks to follow suit—some explicitly framing them as tools of geopolitical strategy. Most notably, the People's Bank of China has, over the past two decades, built a network of 41 bilateral swap agreements, with drawdowns reaching \$170 billion by 2023.²⁶⁹ These swaps are a central pillar of renminbi (RMB) internationalization and have two functions: LOLR and international trade finance.²⁷⁰

Figure 1 contrasts the U.S. and Chinese networks.²⁷¹ As we have seen,²⁷² the Fed's system is categorical, dividing agreements into standing versus temporary lines, and unlimited versus limited facilities. Unlimited, standing lines are reserved for top-tier partners—Canada, the euro area, Japan, the United Kingdom, and Switzerland—while temporary lines serve others, such as Brazil, South Korea, and Singapore; lower-tier economies rely on collateralized facilities or alternative arrangements. By contrast,

²⁶⁸ As one analyst observed, “the attractiveness of the dollar as a trading and investment currency has probably been enhanced by the Fed's actions.” Allen & Moessner, *supra* note 61, at 75.

²⁶⁹ 中国人民银行, 人民币国际化报告36–78 (2024). These swaps includes a high number of swap line rollovers. Sebastian Horn et al., *China as an International Lender of Last Resort 3* (Nat'l Bureau of Econ. Rsch., Working Paper No. 31105, 2023), <https://www.nber.org/papers/w31105> [<https://perma.cc/N33H-3WRD>]. For more extensive empirical discussions of Fed versus PBOC swap lines, see, e.g., Goda et al., *supra* note 258; McDowell, *supra* note 28 at 124–25. For Renminbi's minor advances in the conventional triad, see EICHENGREEN, MEHL & CHIȚU, *supra* note 105, at 181–94. On the topic of currency competition, see generally BARRY EICHENGREEN, *EXORBITANT PRIVILEGE: THE RISE AND FALL OF THE DOLLAR AND THE FUTURE OF THE INTERNATIONAL MONETARY SYSTEM* (2011).

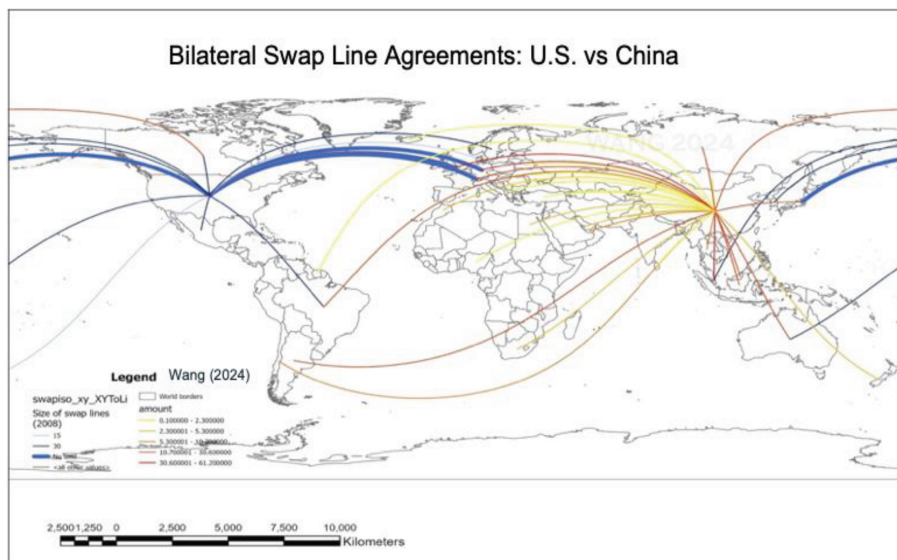
²⁷⁰ Horn et al., *supra* note 269, at 1–3, 6.

²⁷¹ A note on the similarities and differences of the nature of the swap lines. Chinese swap lines are comparable but not identical to the Fed's. They are comparable in two principal respects. First, structurally: all swap lines share the same contractual backbone—bilateral arrangements between central banks that allow each to create claims on the other's currency on demand. Second, in function: their primary operational use is liquidity provision, with secondary uses that can include strategic or geopolitical aims. ancillary strategic functions shaped by each country's broader political objectives. The Fed's swap lines function as a LOLR backstop, national security. and trade alliance as were the case with Brazil and Mexico.

²⁷² See *supra* Part II.A.

China's approach is more graduated: swap size (as indicated by the varying shades of color) and terms vary case-by-case, and some agreements permit direct use of RMB for sovereign debt repayment, as with Argentina.²⁷³ Both systems construct nested hierarchies of liquidity access, stabilizing their own markets while shaping the global monetary order.²⁷⁴

Figure 1. U.S.-China Swap Line Networks



Source: Author's Drawing (2024) (Data Compiled from Various Central Banks)

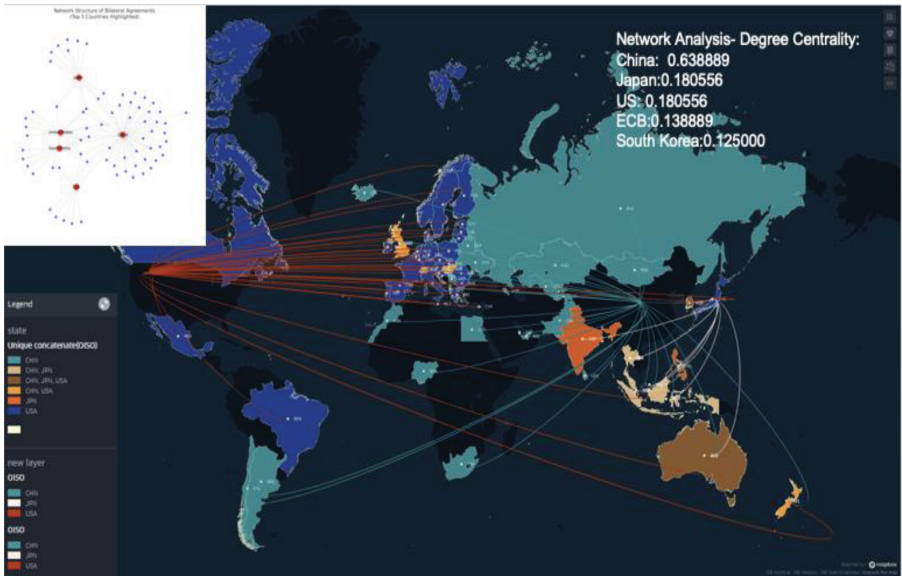
China is not alone in building this capacity. While the Fed still eclipses all rivals in pledged capacity—thanks to its five unlimited standing lines with major central banks—the number of agreements offers a different lens on network reach as an emergent infrastructure. Based on an original database of global swap lines, Figure 2 uses network analysis to visualize and compute the global swap architecture. In the inset diagram, node size reflects a country's degree of connectivity—the number of swap agreements

²⁷³ BCRA makes RMB 70 billion drawdown under currency swap agreement with PBOC in 2016, AIDDATA, <https://china.aiddata.org/projects/95682/> [<https://perma.cc/MU4L-JUNF>] (last visited Apr. 7, 2026).

²⁷⁴ From the demand side, potential swap line partners do sometimes perceive as though they can only choose one currency over another. See Siyao Li, Aditi Sahasrabudde & Scott Wingo, *The Limits of Financial Statecraft: China's Bilateral Swap Agreements and the External Security Environment* 2–3 (Dec. 16, 2024) (unpublished manuscript) (on file with author).

signed—while the larger map highlights the three most central actors: China, the United States, and Japan.

Figure 2. Global Swap Line Networks



Source: Author's Drawing (2024) (Data Obtained from Various Central Banks)

As the network analysis shows, the resulting multi-nodal emergency liquidity architecture begins to concretize a new form of “weaponized interdependence:”²⁷⁵ creating infrastructural chokepoints through which central nodes can extend liquidity as a geopolitical carrot, much as control over the SWIFT payment system has been used in sanctions as a geopolitical stick.²⁷⁶

²⁷⁵ Henry Farrell & Abraham L. Newman, *Weaponized Interdependence: How Global Economic Networks Shape State Coercion*, 44 INT’L SEC. 42, 45 (2019). The concept of “weaponized interdependence” has gained mainstream traction and is subject to some concept stretching. As recently reiterated by the originators of the term, “weaponized interdependence” refers to “emerging forms of economic coercion based in the network structures that comprise globalization.” Henry Farrell & Abraham L. Newman, *Weaponized Interdependence and Networked Coercion: A Research Agenda*, in THE USES AND ABUSES OF WEAPONIZED INTERDEPENDENCE 305, 306 (Abraham L. Newman, Henry Farrell & Daniel W. Drezner eds., 2021).

²⁷⁶ See Grégoire Mallard & Jin Sun, *Viral Governance: How Unilateral U.S. Sanctions Changed the Rules of Financial Capitalism*, 128 AM. J. SOCIO. 144, 147 (2022).

As the computed results in Figure 2 show, degree centrality—measuring the number of direct swap-line connections—places China now leading the network, followed by Japan, the United States and European Union, and then South Korea. This ranking highlights a shift toward a more plural topology, in which multiple well-connected hubs disperse economic influence rather than a single dominant hub.

C. Hegemonic Succession in the Mirror of Economic History

If the Fed has outstripped the IMF, has it also surpassed its historical predecessors in the role of the world's central banks? Earlier monetary orders were anchored by dominant powers whose currencies and monetary regimes shaped global flows. Imperial China's silver regime anchored global trade flows and constrained the monetary policies of distant polities.²⁷⁷ Centuries later, the British Empire's adoption of the gold standard prompted other states to follow suit, allowing the Bank of England to consolidate global monetary influence. Its discount rates were shadowed abroad, sterling balances were held as reserves; it at times acted as a de facto GLOLR during exchange crises.²⁷⁸

Yet the Fed's role today exceeds these antecedents. Operating within a fiat system, unconstrained by specie, and in a far more financialized, globally interdependent economy, it wields an unparalleled, discretionary form of monetary power—acting as both global backstop and informal coordinator. The preceding section traces how this position emerged—from sterling dominance to dollar dominance, from the Bank of England to the Fed.

Whether and how these emergent infrastructures will be actively deployed in geopolitical contestation remains to be seen. For now, it is important to reiterate that the Fed's dominance in terms of the amount pledged far outstrips any competitors, with unlimited lines with major allies.²⁷⁹ What is clear, however, is that the competitive element is explicit: Christine Lagarde, President of the European Central Bank,

²⁷⁷ See generally Dennis O. Flynn & Arturo Giráldez, *Cycles of Silver: Global Economic Unity through the Mid-Eighteenth Century*, 13 J. WORLD HIST. 391 (2002).

²⁷⁸ EICHENGREEN, *supra* note 39, at 207; Benjamin Cohen, *A Brief History of International Monetary Relations*, in INTERNATIONAL POLITICAL ECONOMY: PERSPECTIVES ON GLOBAL POWER AND WEALTH 245, 250 (Jeffrey A. Frieden & David Lake eds., 1987).

²⁷⁹ For network analysis, see generally Emilie M. Hafner-Burton, Miles Kahler & Alexander H. Montgomery, *Network Analysis for International Relations*, 63 INT'L ORG. 559 (2009); Mark Granovetter, *The Strength of Weak Ties: A Network Theory Revisited*, 1 SOCIO. THEORY 201 (1983).

has described euro-denominated swap lines as tools to enhance the euro's geopolitical credibility.²⁸⁰ Whether today's architecture evolves toward multipolarity, a duopoly, or renewed dollar dominance will depend on how these central nodes use the liquidity power embedded in their networks. There are two broad views of such networks and the strength of network effects: one holds that strong network effects naturally produce a single dominant node; the other sees scope for multiple powerful nodes to coexist.²⁸¹

Economic history contains examples of both—and, at different moments, all three possible configurations: oligopoly, duopoly, and monopoly-like dominance. At the turn of the twentieth century, sterling led, but the French franc and German mark ranked close behind in foreign-exchange trading, forming an oligopoly.²⁸² In the interwar period, reserve currency competition yielded a duopoly: the dollar overtook sterling in the mid-1920s, only for sterling to regain the lead after the dollar's 1933 devaluation.²⁸³ For much of that era, the two shared global leadership.²⁸⁴ The postwar decades brought something closer to monopoly, as the dollar's dominance solidified under Bretton Woods.²⁸⁵

To be sure, the existence of this rival architecture does not mean dollar hegemony is on the verge of collapse. Historically, transitions in monetary leadership—from the Bank of England to the Fed—did not occur in a single leap. Instead, that process can be long, policy-driven, and reversible.

The last hegemonic shift in global monetary leadership—from the Bank of England to the Fed—unfolded over more than a century. When that process began, the United States did not even have a central bank. The United States was born

²⁸⁰ Christine Lagarde, *This Is Europe's 'Global Euro' Moment*, FIN. TIMES (June 17, 2025), <https://www.ft.com/content/4d5dea18-bc4b-4ccf-94d3-1973fd1467cc> [<https://perma.cc/8NEB-7G2W>]. See also Eshe Nelson, *As the Dollar Slides, the Euro Is Picking Up Speed*, N.Y. TIMES (July 22, 2025), <https://www.nytimes.com/2025/07/22/business/euro-dollar-currency-tariffs.html> [<https://perma.cc/9Q87-HKNQ>].

²⁸¹ Barry Eichengreen, *International Currencies Past, Present and Future: Two Views from Economic History* 4 (Bank of Kor. Working Paper No. 2014-31, 2014).

²⁸² See BARRY J. EICHENGREEN, ARNAUD MEHL & LIVIA CHITU, *supra* note 105, at 24.

²⁸³ Barry Eichengreen & Marc Flandreau, *The Rise and Fall of the Dollar, or When Did the Dollar Replace Sterling as the Leading Reserve Currency?*, 13 EUR. REV. ECON. HIST. 377, 379–80 (2009).

²⁸⁴ *Id.*

²⁸⁵ *Id.*

a capital-hungry emerging economy, eager to attract foreign investment to modernize its financial system.²⁸⁶ By 1809, three-quarters of the stock in the First Bank of the United States was held by foreign investors.²⁸⁷ It took the First World War for the United States to move from an international debtor to creditor and the Second World War to consolidate its position as the world's financial leader.²⁸⁸

Seen in this light, China's RMB internationalization strategy fits a familiar pattern. While its swap lines have yet to fully function as a GLOLR and often serve as trade finance, they mirror the policy-driven strategies the Fed and New York banks pursued a century ago to secure the dollar's place alongside sterling.²⁸⁹ The Federal Reserve Act of 1913 was crafted in part to promote the dollar's use abroad, and the New York Fed in the 1910s and 1920s advanced that goal by championing dollar-denominated trade acceptances to replace sterling paper—globalizing the dollar through the very channels that had once entrenched British monetary leadership.²⁹⁰ Today, Beijing's swap lines finance trade settlement while giving it leverage over partner liquidity conditions. In both cases, trade finance doubled as a vehicle for monetary internationalization. Structural constraints—such as China's still-closed capital account—may limit RMB internationalization in the near term. But the U.S. precedent shows that transitions can span decades, shaped by policy choices whose long-term consequences were not always fully understood at the time.

IV

THE PATH FORWARD: POINTS TO CONSIDER

The century-long historical account revises the conventional story of the Fed's global role. It shows how the instruments of international financial rescue have evolved along with

²⁸⁶ Richard Sylla, *Financial Systems and Economic Modernization*, 62 J. ECON. HIST. 277, 285 (2002).

²⁸⁷ Frieden, *supra* note 20 at 16. The expiration of the bank charter meant that the shares, including those belong to foreign investors, had to be liquidated. See Proceedings of the Stockholders of the Bank of the United States Preparatory to the Creation of a Trust for Closing the Concerns of That Institution 4 (1811).

²⁸⁸ Robert Aliber, *Why Did the United States Evolve from the Largest International Creditor in 1980 to the Largest International Debtor in 1990?*, 48 ATL. ECON. J. 405, 406 (2021).

²⁸⁹ Eichengreen, *supra* note 132, at 88–90.

²⁹⁰ Moreau Memoir, *supra* note 37, at 78–81. See generally BROZ, *supra* note 132; BRIDGES, *supra* note 142.

the Fed's successive reforms and across the evolving international monetary regime, and how the decision rights over those instruments over time shifted away from the political branch and towards the Fed. This was largely owing to its self-reinforcing institutional features that repeatedly favored central-bank-led crisis management and made it easier to reproduce over time. As this long historical process enters its most recent iteration, we are seeing a GLOLR whose swap lines have set off a new venue of superpower competition. The history and the present stakes raise broader questions about whether we should break, keep, or alter the path-dependent outcome.

As we take stock and look ahead, this Part considers path-dependent features, systemic tensions, and foreclosed options as the object of analysis. The aim is not to prescribe solutions, but to clarify the institutional design questions raised by a self-reinforcing governance path as directions for future research. Leveraging the institutional alternatives and fundamental tensions seeded in the historical section, this section clarifies the interrelated questions that could lay the groundwork for future reforms.

A. Between Power and Constraint: A Diagnostic Baseline

The Fed's global authority has outgrown the textual basis of its legal architecture. Domestically, its powers have been carved through legal contestation and statutory compromise;²⁹¹ internationally, they have grown through gradual jurisdictional shifts from the political to the technocratic realm. This asymmetry has left the Fed's global role underexamined. To begin

²⁹¹ See generally Conti-Brown, *supra* note 6; Daniel K. Tarullo, *The Federal Reserve and the Constitution*, 97 S. CAL. L. REV. 1 (2024); Andrew T. Levin & Christina Parajon Skinner, *Central Bank Oversight: Assessing the Fed's Accountability to Congress*, 77 VAND. L. REV. 1769 (2024); *Trump v. Wilcox*, 145 S. Ct. 1415, 1421 (U.S. May 22, 2025) (Kagan, J., dissenting). This outcome has been bubbling up in recent cases: in *Seila Law LLC v. CFPB*, Justice Kagan's partial dissent revived the historical analogy to the Second Bank, noting that the Second Bank was "the first truly independent agency in the republic's history," 140 S. Ct. 2183, 2231 (2020) (Kagan, J., concurring in part and dissenting in part) (internal quotation omitted); while the majority opinion sidestepped the issue, *id.* at n.8 ("But even assuming financial institutions like the Second Bank and the Federal Reserve can claim a special historical status, the CFPB is in an entirely different league." (citation omitted)). Then Judge Kavanaugh described it as "an historical anomaly" in his dissent in *PHH Corp. v. CFPB*, 881 F.3d 75, 192 n.17 (D.C. Cir. 2018) (en banc) (Kavanaugh, J., dissenting). In his dissent in *CFPB v. Cmty. Fin. Servs. Ass'n of Am., Ltd.*, Justice Alito similarly views the Fed as a "a unique institution with a unique historical background." 144 S. Ct. 1474, 1504 n.16 (2024) (Alito, J., dissenting).

this examination, we need a clear picture of the institutional baseline: both formal and informal constraints on the Fed's international liquidity provision are weak, from budgetary oversight to transparency to litigation. Some of this weakness reflects deliberate political bargains. For instance, the Fed does not go through the congressional appropriations process and is not subject to GAO audits—mechanisms designed precisely to shield it from political interference.²⁹² That insulation, however, has carried over to foreign operations: Fed officials have resisted sharing records about their relationships with foreign central banks even under GAO scrutiny, protecting international operations from routine oversight.²⁹³

Judicial constraints are equally thin. Courts have long deferred to the Fed under a mix of legal doctrines and institutional posture. The most direct statutory limit is the scope of its mandate. Swap lines have been justified under § 14 of the Federal Reserve Act, a provision originally crafted to cover routine foreign exchange operations. When asked in 2008 how extending over half a trillion dollars in overseas liquidity squared with the Constitution's Appropriations Clause, Chairman Bernanke replied simply: "Congress approved it in the Federal Reserve Act . . . in 1913."²⁹⁴ Decades of improvisation hardened into precedent, culminating in the assertiveness of so-called "Doomsday Book"—a secretive collection of internal documents: "[s]ince cable transfers include forward and spot foreign exchange transactions, this section authorizes 'swap agreements' with foreign central banks."²⁹⁵

Even this tenuous footing has not been tested in court. In general, the Fed has rarely been hauled to court, and litigation itself is unlikely to be successful.²⁹⁶ Foreign central banks denied access—like the Reserve Bank of India or the Central Bank

²⁹² See Tarullo, *supra* note 291, at 7; Levin & Skinner, *supra* note 291, at 1772. An exception is the one-time audit mandated by the Dodd-Frank Act. U.S. GOV'T ACCOUNTABILITY OFF., GAO-11-696, FEDERAL RESERVE SYSTEM: OPPORTUNITIES EXIST TO STRENGTHEN POLICIES AND PROCESSES FOR MANAGING EMERGENCY ASSISTANCE 2 (2011).

²⁹³ Quoted in *Hackley Report*, *supra* note 161 at 130 ("[S]erious questions about whether the System would be able to maintain relationships such as those presently in effect with foreign central banks, which depend on our ability to assure others that we can maintain confidentiality when they request it.").

²⁹⁴ Grayson, *supra* note 32.

²⁹⁵ The Doomsday Book, oriented towards the Fed's crisis fighting power, became publicly available in response to FOIA requests. FED. RESRV. BANK OF N.Y., *supra* note 95.

²⁹⁶ See Steffi Ostrowski, Note, *Judging the Fed*, 131 YALE L.J. 726, 728 (2021).

of Turkey—have no cause of action under U.S. administrative law and are unlikely to meet Article III standing requirements.²⁹⁷ Downstream plaintiffs, like banks that might have benefited from dollar liquidity, would similarly struggle to establish standing.²⁹⁸

Beyond doctrinal bars, judicial deference to the Fed has become an institutional reflex. In *Raichle v. Federal Reserve Bank of New York*, the Second Circuit dismissed the idea of judicial intervention in monetary policy as “almost grotesque.”²⁹⁹ That stance endures. Even in transparency litigation, courts have reinforced and endogenized the Fed’s claims to opacity.³⁰⁰ A particularly revealing example is *Greenspan v. Board of Governors of the Federal Reserve System* (D.D.C. 2022),³⁰¹ where the court structured its ruling around the Fed’s asserted need for secrecy, opening with the observation: “One word from the mouth of a Federal Reserve Board Member can move markets. One word can determine whether investors gain or lose millions of dollars.”³⁰²

Taken together, legal doctrines and culture produce a permissive legal regime. Weak constraints carry benefits—most notably, enabling rapid, large-scale crisis response—but they also impose costs in accountability, transparency, and legitimacy. To address these concerns, the first institutional design choice is whether to harden the framework through measures such as swap ceilings, disclosure mandates, or statutory thickening.

B. Emergency Lending and Institutional Asymmetry

As we have seen, one of the Fed’s self-reinforcing institutional features is money creation, allowing it to expand its balance sheet autonomously in its GLOLR function and giving it a comparative advantage over the Treasury or the IMF. This advantage can be understood in transaction-cost terms: monetary operations minimize the frictions associated with liquidity provision by bypassing appropriation and allocation that

²⁹⁷ See Tarullo, *supra* note 291, at 50–67; *cf.* *Massachusetts v. EPA*, 549 U.S. 497 (2007) (holding that Massachusetts had standing to sue the EPA).

²⁹⁸ By extension, foreign governments will find it hard to establish standing though a MOHELA-style entity. See *Biden v. Nebraska*, 143 S. Ct. 2355, 2366 (2023) (“The plan’s harm to MOHELA is also a harm to Missouri. MOHELA is a ‘public instrumentality’ of the State.”).

²⁹⁹ *Raichle v. Fed. Rsrv. Bank of N.Y.*, 34 F.2d 910, 915 (2d Cir. 1929).

³⁰⁰ See *United States v. Weber Aircraft Corp.*, 465 U.S. 792, 799–800 (1984); *Junk v. Bd. of Governors of Fed. Rsrv. Sys.*, 404 F. Supp. 3d 794, 798–99 (S.D.N.Y. 2019).

³⁰¹ 643 F. Supp. 3d 176, 184 (D.D.C. 2022).

³⁰² *Id.*

structure fiscal action. In other institutional settings, decisions about who receives support, on what terms, and at whose expense must pass through processes that are slower, more visible, and more politically contested.

This dynamic gives rise to a legal and political asymmetry between fiscal and monetary forms of crisis intervention—an asymmetry the Fed is able to capitalize on in structuring and justifying its emergency lending authority. In particular, the Fed shapes how its emergency lending authority is narrated and classified: whether it is treated as a monetary function within the central bank's technocratic mandate or as a fiscal commitment that triggers political authorization and accountability.³⁰³ More specifically, the Federal Reserve Act provides two distinct legal pathways. § 13(3) embeds domestic crisis lending within a shared fiscal framework: it requires Treasury-Fed double sign-off and imposes substantive constraints tied to collateral, crisis temporality, and broad-based eligibility. The Fed's current swap lines, by contrast, have been framed as monetary operations under § 14 rather than as fiscal transfers, allowing the Fed to construct a parallel crisis-management system insulated from congressional authorization and political scrutiny. § 14 in fact authorizes open market operations, and the Fed has progressively interpreted the provision to justify both temporary and standing swap lines with far greater autonomy. After 2008, Congress tightened the Fed's domestic emergency powers under § 13(3) while leaving its international authority under § 14 virtually untouched.

While the historical process may have naturalized swap lines as a monetary function, there are two analogs at both the domestic and international levels that could put swap lines in the fiscal basket, showing the indeterminate boundary between the fiscal and the monetary. The first is the Treasury's use of swap lines through the Exchange Stabilization Fund, a fiscal emergency fund established in the 1930s and most recently used to provide highly visible swap lines in Argentina.³⁰⁴ The second analog concerns the international lending through the IMF: U.S. funding of IMF lending has historically been treated as a fiscal commitment requiring explicit

³⁰³ Christine Desan & Nadav Orian Peer, *The Constitution and the Fed After the COVID-19 Crisis*, JUST MONEY (June 10, 2020), <https://justmoney.org/the-constitution-and-the-fed-after-the-covid-19-crisis-2/> [<https://perma.cc/LN2R-PPTM>].

³⁰⁴ See *infra* Part II.C.

congressional authorization. The Treasury—not the Fed—is the United States’ designated liaison to the IMF,³⁰⁵ and increases in IMF resources have repeatedly triggered legislative bargaining.³⁰⁶

The institutional design concerns how responsibility for cross-border emergency lending is classified. If such interventions are understood as fiscal commitments, a Treasury veto that parallels domestic emergency lending under § 13(3) may be desirable even though experience with shared authority shows the risk of opacity. Even where Treasury approval is required under § 13(3), it has been unclear—such as when certain Main Street facilities were blocked during the Covid-19 pandemic—whether the Fed or the Treasury exercised a veto. Any formal Treasury role would therefore need to be accompanied by a statutory requirement to disclose which actor exercised the veto.

C. Domestic Mandate and Global Money

The Fed operates under a domestically articulated mandate, yet it governs a monetary system whose operation and effects are irreducibly international. As this Article has shown, monetary governance is international in two analytically distinct registers that the Fed’s statutory mandate does not capture. One concerns the operation of money creation itself. The other concerns the political and geopolitical consequences that monetary decisions generate and interact with. Conventional accounts of the Fed’s international role—especially those centered on swap lines—privilege the first register while largely bracketing the second. The Article has united the two registers historically, and this section briefly summarizes them and shows why their separation obscures a growing mismatch between the Fed’s mandate and function.³⁰⁷

From the outset, U.S. monetary creation was embedded in international systems of money creation. Under the classical gold

³⁰⁵ *International Monetary Fund*, U.S. DEP’T OF THE TREASURY, <https://home.treasury.gov/policy-issues/international/international-monetary-fund> [<https://perma.cc/9TZV-MHPH>] (last visited Feb. 3, 2025).

³⁰⁶ J. Lawrence Broz & Michael Brewster Hawes, *Congressional Politics of Financing the International Monetary Fund*, 60 INT’L ORG. 367, 367 (2006).

³⁰⁷ A rich literature has also united the separation of economic, social, and political aspects of money and finance. See, e.g., KRIPPNER, *supra* note 13; Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (2001); Neil Fligstein, Jason Stuart Brundage & Michael Schultz, *Seeing Like the Fed: Culture, Cognition, and Framing in the Failure to Anticipate the Financial Crisis of 2008*, 82 AM. SOCIO. REV. 879 (2017).

standard, domestic currency issuance depended on global gold production, and the Federal Reserve Act itself grafted a national central banking system onto an international metallic regime.³⁰⁸ This operational reality underwrites the technocratic framing that dominates contemporary accounts of the Fed's international role. On this view, the Fed's global activities follow from integrated financial markets: the rise of the Eurodollar market in the 1960s and the subsequent expansion of swap lines are often presented as natural responses to market integration—mechanisms for stabilizing a system that exceeds national boundaries.³⁰⁹

Framed this way, the Fed's international actions appear technical, apolitical, and largely inevitable. As we have seen, this logic extends beyond the GLOLR function to areas such as monetary policy coordination, regulatory cooperation, and participation in international forums like the Financial Stability Board.³¹⁰ This framing, however, masks an important institutional choice. The internationalization of money creation does not itself determine which institution should manage international money. Historically, that role has shifted among domestic actors such as the Treasury and international bodies such as the IMF and the BIS. Thus, even at the level of monetary plumbing, the Fed's contemporary dominance is contingent rather than inevitable.

Monetary policy is international not only in operation but also in consequence. As we have seen, even before the Fed existed, international financial crises had already generated a global script in which monetary stabilization, diplomatic alignment, and security commitments moved together. The Baring Crisis of 1890 showed how central bank cooperation under the gold standard could merge liquidity provision with great-power diplomacy, as the Bank of England coordinated gold support from France and Russia in ways that reinforced emerging political alignments and foreshadowed later practices of monetary diplomacy.³¹¹ Within the United States, in 1811, Congress's refusal to renew the charter of the First Bank of the United States—on the eve of war with Britain—complicated financing for the War of 1812 and contributed to postwar financial instability, helping to generate political support for

³⁰⁸ See *supra* Part II.B.

³⁰⁹ See *supra* Part II.D.

³¹⁰ See *supra* Part I.B.

³¹¹ See *supra* Part II.A.

the Second Bank.³¹² In the 1890s, William Jennings Bryan's "Cross of Gold" debate similarly framed a domestic distributive conflict that was also a choice about international trade alignment: whether to anchor the United States to Europe's gold bloc or preserve monetary compatibility with silver-standard trading partners such as China and Mexico.³¹³ After the Fed's founding, as the United States emerged as a financial power in the twentieth century, these tensions intensified. In the 1920s, Benjamin Strong's decision to keep U.S. interest rates low in order to support sterling tied domestic monetary policy to Britain's postwar stabilization, provoking domestic backlash and recasting international coordination as a politically contested choice at home.³¹⁴ In the 1930s, the Silver Purchase Act—enacted to appease domestic silver interests—generated one of the clearest cases of unintended monetary geopolitics: by draining silver from China, it forced the country off the silver standard, destabilized the Nationalist government in Nanjing, and reshaped the balance of power in East Asia.³¹⁵ And in the Bretton Woods era, the political content became explicit: the 1967 Blessing Letter linked Bundesbank restraint on dollar conversion to the continued stationing of U.S. troops in Europe, making monetary cooperation an instrument of alliance politics rather than a mere liquidity operation.³¹⁶

Across these episodes, the Fed's expanding international role was marked by episodic oscillations between autonomy and subordination, as nationalist and internationalist priorities—and the relative weight of domestic versus international objectives—shifted over time.³¹⁷ In the 1920s, international monetary coordination was politically contested precisely because it was perceived as autonomous: Herbert Hoover blamed Benjamin Strong's low-interest-rate policy—aimed at supporting sterling—for the Great Crash and the Great Depression, reframing central bank cooperation as technocratic overreach.³¹⁸ By contrast, during the Great

³¹² See Jeffrey Frieden, *Lessons for the Euro from Early American Monetary and Financial History*, in BRUEGEL ESSAY & LECTURE SERIES, 1, 17 (Stephen Gardner ed., Bruegel 2016); see generally BRAY HAMMOND, *BANKS AND POLITICS IN AMERICA FROM THE REVOLUTION TO THE CIVIL WAR* (1957).

³¹³ See *supra* Part II.A.

³¹⁴ See *supra* Part II.B.

³¹⁵ See *supra* Part II.C. See also Friedman, *supra* note 191 at 63.

³¹⁶ See *supra* Part II.D.

³¹⁷ See Conti-Brown & Zaring, *supra* note 7; Eichengreen, *supra* note 155.

³¹⁸ Barry Eichengreen, *Before the Plaza: The Exchange Rate Stabilization Attempts of 1925, 1933, 1936 and 1971*, 5 (James A. Baker III Inst. for Pub. Pol'y, Working Paper, 2015). See *supra* Part II.B.

Depression and early Bretton Woods period, the Fed operated largely as the Treasury's fiscal agent, implementing politically led stabilization efforts such as the Tripartite Agreement.³¹⁹ That pattern carried into the 1960s, when the "rediscovery" of swap lines occurred at the Treasury's request and within a broader political-security architecture to stabilize the sterling.³²⁰

This oscillation between autonomy and subordination reshapes where monetary politics is contested. When the Fed operated in a subordinate position—during the Tripartite Agreement and early Bretton Woods—international monetary action was openly political and routed through the Treasury and diplomatic channels. When the Fed acted autonomously, by contrast, it framed international interventions as exercises of domestic monetary authority—focused on managing financial spillbacks—thereby claiming epistemic authority and displacing foreign-policy actors within the U.S. state. That domestic framing may secure legal authority and technocratic legitimacy at home, but it does not determine how foreign governments interpret the distributional and strategic effects of U.S. monetary intervention. The expansion of the swap-line network has prompted explicit geopolitical responses from the European Union and China,³²¹ while post-crisis quantitative easing generated diplomatic conflict over alleged currency manipulation and export advantage.³²²

As the Fed's global role expands over time, the relevant part of the Federal Reserve Act has remained unchanged since 1913. Taken together, across both registers, a widening mandate mismatch emerges. A domestically written mandate governs a structurally global monetary system, while the Fed exercises exceptional foreign-relations authority through monetary interventions that reorder alliance relations and crisis hierarchies without being legally recognized as such.³²³ The design question, then, is whether Congress will continue to leave this international authority implicit or instead confront it directly by clarifying how global monetary governance and foreign-relations functions are to be allocated, constrained, and made accountable.

³¹⁹ See *supra* Part II.C.

³²⁰ See *supra* Part II.D.

³²¹ See *supra* Part III.B.

³²² See Conti-Brown & Zaring, *supra* note 7, at 699.

³²³ ANNELESE RILES, FINANCIAL CITIZENSHIP: EXPERTS, PUBLICS, AND THE POLITICS OF CENTRAL BANKING 12 (2018); see Conti-Brown & Zaring, *supra* note 7.

D. Central Bank Independence as a Transnational Concept

This section complicates conventional debates over central bank independence (CBI) by placing it in a transnational context and reexamining its relationship to the Fed's international role. CBI is conventionally understood as a nationally bounded concept, and debates over independence focus on insulation from domestic politics—most recently through highly legalized discourse centered on removal protections.³²⁴ On this view, independence is a problem of internal constitutional design: how to shield monetary policy from short-term political pressure while preserving democratic accountability. The history traced here points to a broader account. CBI has also been transnationally constructed, validated, and deployed. It is a governance norm, an exceptional form of agency independence, that has for over a century enabled central banks to act across borders without being treated as foreign-policy actors, reinforcing the Fed's rise.

Twentieth-century practitioners of international monetary policy confronted this problem directly, and their responses crystallized into two diametrically opposed models of how domestic independence should relate to international monetary governance. The first, exemplified by Strong and Norman, treats domestic autonomy and international cooperation as mutually reinforcing. Cross-border coordination among central banks, in this view, entrenches independence by shielding monetary policy from domestic political interference. Skeptical of the League's intergovernmental approach,³²⁵ Norman circulated an intra-central bank memorandum emphasizing “[t]he need to secure and/or maintain complete autonomy and freedom from political control.”³²⁶ Strong likewise

³²⁴ See, e.g., BINDER & SPINDEL, *supra* note 6; Conti-Brown, *supra* note 6; Thomas Drechsel, *Estimating the Effects of Political Pressure on the Fed: A Narrative Approach with New Data*, (Nat'l Bureau of Econ. Rsch., Working Paper No. 32461, 2024); PAUL TUCKER, *UNELECTED POWER: THE QUEST FOR LEGITIMACY IN CENTRAL BANKING AND THE REGULATORY STATE* (2018).

³²⁵ Pierre-Hugues Clement, *Institutionalizing Central Bank Cooperation: The Norman-Schacht Vision and Early Experience of the Bank for International Settlements, 1929–1933*, in *THE SPREAD OF THE MODERN CENTRAL BANK AND GLOBAL COOPERATION: 1919–1939* 80, 83 (Barry Eichengreen & Andreas Kakridis eds., 2023). Strong also quibbled with the League's potential critique of the role of the elite club of central banks during the Great Depression. See Letter from Benjamin Strong, first governor of the Fed. Rsrv. Bank of New York, to Owen D. Young (Aug. 17, 1928).

³²⁶ This memo was enclosed in Strong Letter to Norman (May 7, 1925), in Benjamin Strong Papers, *supra* note 34, at 87.

conditioned U.S. support for French monetary stabilization on the Banque de France achieving "complete independence" from its government, as recorded in Governor Émile Moreau's memoir.³²⁷ This Anglo-American nucleus thus hardened the nascent transnational central bank network born before the Fed's existence³²⁸—cooperative across borders, yet deliberately insulated from domestic and intergovernmental political oversight.

This logic did not remain confined to the interwar circle of Strong and Norman. By the postwar period, and increasingly into the 1960s, expectations of confidentiality and operational autonomy in dealings with foreign central banks had diffused across the Federal Reserve System, rather than remaining localized practices of the New York Fed. As Vice Chairman James Robertson of the Board of Governors warned in 1967, proposals to expand congressional audit authority raised "serious questions" about whether the System could sustain relationships with foreign central banks, which depended on assurances of confidentiality and insulation from congressional scrutiny as necessary conditions of international cooperation.³²⁹

Later scholarly accounts would generalize this practitioner logic into a broader theory of independence as a transnational governance norm. While the period since 1980 saw an unprecedented global rise in *de jure* CBI,³³⁰ the first transnational

³²⁷ See Moreau *Memoir*, *supra* note 37, at 137 ("Sa grande idée serait la suivante. L'organisation économique et financière du monde paraît au [G]ouverneur de la Banque d'Angleterre devoir être l'œuvre du XXe siècle. Les hommes et les institutions politiques lui semblent hors d'état de mener avec la compétence et la continuité nécessaires cette tâche d'organisation qu'il voudrait voir entreprendre par les banques d'émission indépendantes à la fois des Gouvernements et des finances privés. D'où sa campagne en faveur des banques d'émission tout à fait autonomes vis-à-vis de l'Etat et maîtresses de leur marché financier. De telles Banques tireraient leur pouvoir de leur accord entre elles. Elles réussiraient à faire sortir du domaine politique les problèmes essentiels pour le développement et la prospérité des nations : la sécurité monétaire, la distribution du crédit, et le mouvement des prix. Elles empêcheraient ainsi les luttes politiques intérieures de nuire à la richesse des nations et à leurs progrès économiques. . . M. Norman et les gens qu'il a plus ou moins acquis à ses idées : Strong, Schacht, Vissering, etc."); *id.* at 35 ("Strong insiste sur la nécessité absolue de l'indépendance de la Banque vis-à-vis de l'État," July 20, 1926); *id.* at 92 ("[I]ndépendance complète de la Banque de France," Aug. 31, 1926).

³²⁸ See *supra* Part II.A.

³²⁹ Quoted in *Hackley Report*, *supra* note 161 at 130, ("[S]erious questions about whether the System would be able to maintain relationships such as those presently in effect with foreign central banks, which depend on our ability to assure others that we can maintain confidentiality when they request it.").

³³⁰ These were often embedded in IMF conditionality and systematically indexed in legal surveys. See, e.g., Tobias Adrian, Ashraf Khan & Lev Menand, A

uptick emerged in the 1920s and 1930s³³¹—driven by political responses to the Great Depression, the rise of the “international money doctor,” the shared ambitions of Benjamin Strong and Montagu Norman, and the institutional backing of the League of Nations.³³² Sociological accounts of policy diffusion show that independence spread globally not simply through functional learning, but through international organizations, professional networks, and legal templates that framed CBI as a marker of credibility and modern statehood.³³³ IMF conditionality, model central banking laws, and peer review among central bankers promoted independence as a prerequisite for legitimacy in global finance.³³⁴ This diffusion involved an active project of depoliticization—reallocating authority from elected institutions to technocratic ones in order to reassure external audiences.³³⁵

A century later, this logic of peer validation persists. When President Trump attacked Fed Chair Jerome Powell in 2025, Christine Lagarde—President of the European Central Bank—hailed Powell as “the standard of the courageous central banker” before a room of peers who rose in ovation.³³⁶ Then as now, central bankers defended one another not just as colleagues, but as stewards of a shared institutional norm. International validation became a mechanism for reinforcing domestic autonomy, with challenges to the Fed’s independence framed as threats to the stability of the global central banking system itself.³³⁷

The second model, associated with Henry Morgenthau, draws a hard boundary between monetary technocracy and

New Measure of Central Bank Independence (Int’l Monetary Fund Working Paper, WP/24/35, 2024).

³³¹ See Nergiz Dincer, Barry Eichengreen & Joan J. Martinez, *Central Bank Independence: Views from History and Machine Learning*, 16 ANN. REV. ECON. 393, 394 (2024).

³³² See *id.*; Fourcade, *supra* note 52 at 178; Eichengreen & Kakridis, *supra* note 38, at 6–10.

³³³ Most prominently, Simone Polillo & Mauro F. Guillén, *Globalization Pressures and the State: The Worldwide Spread of Central Bank Independence*, 110 AM. J. SOC. 1764 (2005).

³³⁴ *Id.*

³³⁵ *Id.*

³³⁶ Nelson, *supra* note 24.

³³⁷ Then as now, central bank cooperation has unfolded largely through the transnational central bank network, an intra-elite movement often beyond the reach of democratic oversight. See, e.g., Anne-Marie Slaughter, *The Accountability of Government Networks*, 8 IND. J. GLOB. LEGAL STUD. 347 (2001); Pierre-Hugues Verdier, *Transnational Regulatory Networks and Their Limits*, 34 YALE J. INT’L L. 113 (2009).

foreign affairs. Recall that Morgenthau led U.S. financial diplomacy in the 1930s and 1940s while the Fed remained focused on domestic affairs.³³⁸ Morgenthau testified before Congress in support of the establishment of a maximally independent Federal Reserve Board as part of the Banking Act of 1935. He rejected any Treasury control over the Fed's monetary policy—especially its open market operations.³³⁹ More broadly, Morgenthau wanted the Fed to be independent “of all outside influences—just as independent as you can make it.”³⁴⁰ He even likened the Fed's independence to that of the Supreme Court, arguing that the President should have no power to remove its board members except through impeachment.³⁴¹ In Morgenthau's vision, monetary technocracy belonged at home; diplomacy belonged to elected officials.

Other actors moved between these poles. In some moments, struggles over international monetary authority supplied pressure for greater domestic autonomy; in others, weak domestic independence kept international monetary governance routed through elected institutions. Marriner S. Eccles's Fed illustrates the instability of the relationship between domestic CBI and international monetary authority during the transition from Treasury-led Bretton Woods design to a more autonomous post-Accord Fed. Initially, at Bretton Woods, the Fed remained subordinated to Treasury-led debt management, with interest-rate policy tied to wartime and postwar financing needs.³⁴² International monetary governance was therefore routed through Treasury-led, intergovernmental institutions rather than central-bank networks. Eccles's later conflicts with the political branches over Korean War finance—culminating in the Treasury–Fed Accord of 1951—resolved the domestic side of this struggle by securing greater operational autonomy for the Fed.³⁴³ While the Accord did not settle the Fed's international role, it changed the domestic institutional conditions under which that role could later expand.

³³⁸ See *supra* Part II.C.

³³⁹ *Banking Act of 1935: Hearing on S. 1715 Before a Subcomm. of the S. Comm. on Banking & Currency, 74th Cong. 505 (1935)* (statement of Sec'y Morgenthau).

³⁴⁰ *Id.* at 506.

³⁴¹ *Id.*

³⁴² Marriner S. Eccles, FED. RSRV. HIST., <https://www.federalreservehistory.org/essays/feds-formative-years> [<https://perma.cc/XB9Z-AK26>] (last visited Oct. 14, 2025).

³⁴³ *Id.*

These models embody competing institutional logics. One treats international coordination as a means of entrenching technocratic autonomy; the other insists on a strict separation between monetary independence and foreign affairs, assigning responsibility for international monetary policy to elected branches. The unresolved design question is whether the Fed's international role should be exercised through a transnational technocratic network or routed through domestically accountable foreign-policy institutions.

E. The Historical Rhymes of the International Monetary System

The Fed's role as the GLOLR reprises two centuries-old challenges that have patterned the international monetary system.³⁴⁴ The first is how to manage cross-border monetary crises without a centralized global authority—governance without government. The second is the recurring search for alternatives to a system anchored in a single dominant state.³⁴⁵ Successive historical periods experimented with iterative currency-institution pairings that link a monetary anchor to a specific governance arrangement. These pairings recur in three broad modes: hegemonic coordination, non-hegemonic cooperation, and market-based alternatives, each carrying distinct tradeoffs. This section examines them in turn.

Under the hegemonic coordination mode, a dominant state supplies international liquidity through its central bank, anchoring the system even without formal delegation of global authority. Historically, this role has shifted with monetary leadership: under the classical gold standard, it fell to the Bank of England;³⁴⁶ during the interwar reconstruction of the gold standard, increasingly to the Fed;³⁴⁷ and after a period of retreat post Bretton Woods, it reemerged in the contemporary dollar system through the Fed's swap-line network.

The normative appeal of hegemonic coordination lies in its capacity to resolve a familiar collective-action problem. Hegemonic systems overcome the chronic under-provision of

³⁴⁴ This Part draws on Jim Hawley, *The Internationalization of Capital: Banks, Eurocurrency and the Instability of the World Monetary System*, 11 REV. RADICAL POL. ECON. 78, 84 (1979); Jeffrey Frieden, *The Political Economy of Adjustment and Rebalancing*, 52 J. INT'L MONEY & FIN. 4 (2015).

³⁴⁵ This is a slight rephrasing of Eichengreen, *supra* note 18, at 243–45.

³⁴⁶ See *supra* Part II.A.

³⁴⁷ See *supra* Part II.B.

global liquidity in moments of crisis. In this sense, the Fed's swap lines have functioned as a global public good: financial stabilization is largely non-rivalrous and generates positive spillovers beyond the immediate recipient.³⁴⁸ Like classic public goods such as clean air or national defense, their benefits extend to all. Ireland's financial stability, for instance, did not come at India's expense. Stabilizing core funding markets benefits peripheral economies as well, reducing contagion even where access is indirect. For participating central banks, swap lines also enhance efficiency. Absent access to dollar liquidity, states must self-insure by accumulating large foreign exchange reserves, tying up capital that could otherwise be deployed domestically. Swap lines therefore substitute contingent access for costly hoarding, lowering the global demand for precautionary reserves.³⁴⁹ From this perspective, hegemonic coordination appears both effective and welfare-enhancing.

Hegemonic coordination, however, carries structural pathologies.³⁵⁰ The same concentration of authority that enables rapid crisis response also produces hierarchy and rests on political contingency.

On hierarchy, the Fed tightly controls membership in an exclusive dollar liquidity club, granting access on a case-by-case basis according to economic and geopolitical factors.³⁵¹ By selectively providing financial support, the Fed has constructed a hierarchy of liquidity that stratifies nations by their access to dollars.³⁵² At the top are countries whose currencies are deemed worthy of direct exchange for dollars through swap lines, backed only by their own currencies as collateral.

³⁴⁸ Jeffry Frieden, *The Governance of International Finance*, 19 ANN. REV. POL. SCI. 33 (2016).

³⁴⁹ EMMANUEL FARHI, PIERRE-OLIVIER GOURINCHAS & HÉLÈNE REY, REFORMING THE INTERNATIONAL MONETARY SYSTEM 32 (2011).

³⁵⁰ This departs from the original Hegemonic Stability Theory formulated by Charles Kindleberger.

³⁵¹ I borrow the theoretical insights of international cooperation through exclusive clubs from CHRISTINA L. DAVIS, DISCRIMINATORY CLUBS: THE GEOPOLITICS OF INTERNATIONAL ORGANIZATIONS (2023).

³⁵² I borrow this hierarchical framing from Perry Mehrling, *Elasticity and Discipline in the Global Swap Network* (Inst. for New Econ. Thinking, Working Paper No. 27, 2015); Perry Mehrling, "Where's My Swap Line?" *A Money View of International Lender of Last Resort*, at 2 (Glob. Dev. Pol'y Ctr., GEGI Working Paper No. 053, 2021) ("The past two decades has thus seen the construction of a tiered system of international liquidity provision: the first tier including those whose credit is sufficient for a swap line, the second tier including those who can offer acceptable collateral, and the third tier including everyone else.").

Returning to our earlier example, these are the 14 Country Bs. Below them are Country Cs, which lack direct swap lines with the Fed and must instead rely on the Foreign and International Monetary Authorities (FIMA) lending facility.³⁵³ Here, access to dollars comes at a higher cost. Unlike Country Bs, which pledge their own currencies as collateral, Country Cs must pledge U.S. Treasury securities. This means they must have already accumulated U.S. financial assets before a crisis hits. At the bottom are nations excluded entirely from both mechanisms, left to scramble for liquidity from alternative sources or institutions—as was the case with Turkey.

Hegemonic coordination is also politically contingent. Swap lines are unilateral facilities whose credibility depends on confidence in the hegemon's willingness to act across electoral cycles. Recent international debate makes this vulnerability explicit. European officials have privately questioned whether dollar liquidity would remain available under adverse U.S. political conditions, prompting renewed discussion of self-insurance and alternative arrangements.³⁵⁴ One proposal—a “dollar coalition of the willing,” in which foreign central banks pool dollar reserves—aims to reduce dependence on the Fed's discretion without abandoning the dollar itself.³⁵⁵

Precisely because hegemonic coordination concentrates discretionary authority and reproduces monetary hierarchy, it has repeatedly generated efforts to construct non-hegemonic alternatives. A second mode therefore seeks to manage international liquidity through multilateral or rule-based arrangements rather than unilateral discretion. As the historical section illustrates, across the twentieth century, these efforts have taken varied currency-institutional forms—including the Special Drawing Rights (SDRs), the

³⁵³ This is another facility that requires the use of U.S. Treasury securities as the collateral to exchange for dollar, in contrast to national currencies used as collaterals in swap lines. See *Foreign and International Monetary Authorities (FIMA) Repo Facility*, Bd. of GOVERNORS of THE FED. RSRV. SYS., <https://www.federalreserve.gov/monetarypolicy/fima-repo-facility.htm> [<https://perma.cc/UK6N-Y442>] (last visited Jan. 25, 2025).

³⁵⁴ Elisa Martinuzzi et al., *Exclusive: Some European Officials Weigh If They Can Rely on Fed for Dollars Under Trump*, REUTERS (Mar. 24, 2025), <https://www.reuters.com/markets/some-european-officials-weigh-if-they-can-rely-fed-dollars-under-trump-2025-03-22/> [<https://perma.cc/MFW3-FUMU>].

³⁵⁵ Robert N. McCauley, *Avoiding Kindleberger's Trap: A Dollar Coalition of the Willing*, CEPR's VOXEU.ORG (May 5, 2025), <https://cepr.org/voxeu/columns/avoiding-kindlebergers-trap-dollar-coalition-willing> [<https://perma.cc/ML5G-Z2Y7>].

Gold Pool of the 1960s, the Tripartite Agreement, regional reserve arrangements, and more recent proposals for pooled dollar reserves.

The appeal of non-hegemonic coordination is well established. International organizations such as the IMF or the BIS can sustain cooperation by lowering transaction costs, stabilizing expectations, and embedding commitments in formal procedures.³⁵⁶ In normal times, these features are advantages: discretion is constrained, distributional conflict is muted, and legitimacy is enhanced.³⁵⁷ The Bretton Woods system briefly operated under such conditions. Their weakness emerges in crisis. When distributional conflict intensifies, and rapid, elastic liquidity is required, rule-based mechanisms prove slow and politically brittle. It is in these moments that institutional authority erodes as powerful states bypass or sideline them.³⁵⁸ When multilateral consensus breaks down—or when the institutional machinery is too slow—liquidity provision tends to revert to hegemonic coordination centered on the Fed.

This recurrent failure has kept alive proposals to strengthen non-hegemonic alternatives rather than abandon them. As Zhou Xiaochuan, former Governor of the People's Bank of China, has argued, reliance on bilateral swap lines reflects a missed opportunity to build a more inclusive and rule-based global liquidity framework.³⁵⁹ Proposals to elevate SDRs into a genuine super-sovereign reserve asset echo earlier visions advanced by John Maynard Keynes and Charles Kindleberger, who sought to decouple global liquidity provision from any single national balance sheet.³⁶⁰ Yet these

³⁵⁶ See Kenneth W. Abbott & Duncan Snidal, *Why States Act through Formal International Organizations*, 42 J. CONFLICT RESOL. 3 (1998); ROBERT O. KEOHANE, *AFTER HEGEMONY* (1984).

³⁵⁷ RANDALL W. STONE, *CONTROLLING INSTITUTIONS: INTERNATIONAL ORGANIZATIONS AND THE GLOBAL ECONOMY* 19 (2011).

³⁵⁸ See Abbott & Snidal, *supra* note 356; see KEOHANE, *supra* note 50.

³⁵⁹ See Zhou Xiaochuan, *supra* note 246.

³⁶⁰ These two thinkers differ, however, in terms of what the world currency should be. While Keynes proposed "Bancor," a currency detached from national governments, Kindleberger favored using dollar as the world currency while giving other economies more say over how dollar liquidity is managed. See Paramore, *supra* note 76 ("[Charles Kindleberger] was interested in expanding the dollar system to the globe and bringing in other voices, adding European voices to the Open Market Committee, or maybe transitioning to have the BIS [Bank for International Settlements] be the world central bank instead of the Fed."). For a thorough review of Charles Kindleberger's view of the dollar and the international monetary system, see MEHRLING, *supra* note 76. Others have suggested multi-lateralizing existing swap lines under the auspices of the IMF. See FARHI, GOURINCHAS &

alternatives have consistently faltered. Despite incremental expansion of SDRs, regional reserve arrangements, and the internationalization of currencies such as the euro and the renminbi, none has matched the scale, elasticity, or credibility of the dollar-centered system in moments of crisis.³⁶¹ The result has been a recurrent reversion to hegemonic coordination.

A third mode relies on private actors and markets to supply international liquidity. As we saw, from J.P. Morgan's ad hoc stabilization of the Panic of 1907, to its supplemental credit to the Bank of England alongside the New York Fed in the 1920s, and to the growth of offshore Eurodollar markets, private actors have intermittently filled gaps in monetary governance. Private provision has also operated through hybrid public-private arrangements. More than a century ago, during the Baring Crisis of 1890, the Bank of England organized a syndicate of private banks to guarantee Barings' liabilities, supplying leadership and implicit public backing. In 2008, the rescue of Bear Stearns combined private acquisition by JPMorgan Chase with the Fed's special purpose vehicle (Maiden Lane LLC),³⁶² illustrating the continued reliance on public backstops even where private actors play an operational role. Market-based liquidity, however, is procyclical: it expands with confidence and contracts under stress. Because private actors then have reason to hoard liquidity or withdraw credit, private provision generates a collective-action problem that ultimately requires a public backstop—and, in cross-border dollar markets, a GLOLR.

The unresolved design problem is therefore how to pair an international currency with an institution capable of mobilizing it in crisis. Across regimes, stability has depended on matching a widely accepted monetary anchor—gold, sterling,

REY, *supra* note 349, at 39 ("An alternative, more multilateral approach would be to centralise the organisation of swap lines at the IMF. Doing so would replace a complex network of bilateral swaps with a star-shaped structure. The IMF would be at the centre of this system and would enter into swap agreements with the central banks of participating countries. The IMF could then redistribute the liquidity to countries in need during crisis periods by simultaneously entering into swap agreements with a liquidity-issuing country and with a country in need of liquidity.").

³⁶¹ The literature on this subject is vast. See, e.g., EICHENGREEN, *supra* note 220, at 231–43; PRASAD, *supra* note 50 at 211–28; Crawford, *supra* note 26, at 193–212.

³⁶² See Bear Stearns, JPMorgan Chase, and Maiden Lane LLC, Bd. of Governors of the Fed. Rsr. Sys. (Feb. 12, 2016), <https://www.federalreserve.gov/regreform/reform-bearstearns.htm> [<https://perma.cc/QVA4-EVD6>].

or the dollar—with an authority able to expand liquidity at scale and on short notice. Hegemonic arrangements concentrate that capacity in a single balance sheet; non-hegemonic and market-based designs attempt to disperse it across institutions or actors, trading scale and speed for institutional pluralism. The international monetary system continues to oscillate between these pairings because no alternative has yet combined currency acceptance with crisis-time institutional capacity.

* * *

This Part has identified the fundamental tensions and, through a variety of historical institutional alternatives, sharpened the institutional design choices for evaluating the Fed's dominant role in the global financial order going forward. Financial crises erupt with striking regularity—often every decade—and, as we have seen, their recurrence tends to reward existing defaults rather than prompt systemic redesign. That very pattern makes now the moment to confront these institutional choices, rather than allowing the next crisis to make defaults even stickier.

CONCLUSION

This Article has shown how a domestic central bank came to function as the world's unofficial central bank—not through deliberate legal design or formal delegation, but through a path-dependent process in which crisis management authority migrated away from political institutions. Recovering this longer history challenges the functionalist account that treats the Fed's global role as a natural outgrowth of dollar dominance, and instead reveals a contingent institutional equilibrium sustained and reinforced by the Fed's comparative advantages over its institutional alternatives. Recasting the Fed's global role within a longer arc of monetary governance, and foregrounding the geopolitical stakes it carries, sharpens the institutional choices now facing the administrative state and international monetary order.