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Gold Rush 2.0: US Defense Political Economy Amid Dollar Decline and Bullion Rise

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Abstract

The global financial system is undergoing a profound shift that challenges the reserve currency dominance of the US dollar, driven by escalating national debt, persistent inflation, and intensifying geopolitical tensions. This environment has triggered what can be described as "Gold Rush 2.0," marked by rising gold prices and declining confidence in fiat currencies. A critical inflection point is evident in the fact that US debt servicing costs ($970 billion in FY2024) have surpassed defense spending ($886 billion), crossing the so-called "Ferguson Limit," where great powers face heightened risks of decline. This fiscal strain is further compounded by the "Triffin Dilemma," which requires persistent trade deficits to sustain global dollar liquidity while simultaneously eroding confidence in the currency and deepening debt accumulation. Against this backdrop, the study examines how these dynamics reshape the US defense political economy by constraining budgetary flexibility, hindering modernization, and influencing strategic priorities. Empirical analysis reveals a negative correlation between rising debt servicing obligations and defense budget growth, alongside evidence of central banks increasing gold reserves as a sign of de-dollarization. The study concludes that weakening US economic hegemony carries significant implications for national security and

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global stability, underscoring the need for strategic recalibration in defense and fiscal policy.

Keywords: US Dollar; Gold Rush 2.0; Defense Political Economy; Ferguson Limit; Triffin Dilemma

INTRODUCTION

The global financial architecture is currently experiencing a profound transformation, marked by significant challenges to the enduring status of the US dollar as the world's primary reserve currency. This seismic shift is driven by a confluence of macroeconomic and geopolitical factors, including escalating national debt, persistent inflationary pressures, and heightened international tensions. These dynamics have collectively fueled a remarkable resurgence of interest in gold, a phenomenon aptly termed "Gold Rush 2.0," which draws a compelling modern parallel to historical gold rushes where economic uncertainty consistently drove demand for tangible assets (Liu et al., 2025).

To illustrate the scale of these pressures, key statistics highlight the fiscal-monetary nexus reshaping the US economy. In FY2024, net interest payments on national debt reached $950 billion, surpassing defense spending at $826 billion, a historic milestone signaling the crossing of the Ferguson Limit, and projections for FY2025 indicate further divergence with interest at $952 billion versus ~$842-852 billion in defense outlays. Concurrently, the US Dollar Index (DXY) has declined from ~110 in 2000 to ~97.5 in September 2025, reflecting waning global confidence amid persistent trade deficits that widened to $78.3 billion in July 2025 alone (annual projection ~$1.1 trillion), underscoring the Triffin Dilemma's role in supplying dollar liquidity at the cost of domestic stability. The "Gold Rush 2.0" is evident in gold prices averaging ~$2,600/oz in 2025 (up 25% YTD) and central banks purchasing ~1,200 tonnes in H1 2025, the fourth straight year of record accumulation (>1,000 tonnes annually).

Concurrently, the United States faces unprecedented fiscal constraints. In Fiscal Year (FY) 2024, the cost of servicing the national debt, at an estimated $970 billion, already eclipsed the discretionary outlays for national defense, which stood at $886 billion. This trend has only worsened in FY2025. Recent data reveals that net interest costs have surged, with fiscal year-to-date projections exceeding $1 trillion. In contrast, defense spending is

projected to be around $841.9 billion. The Peter G. Peterson Foundation tracks and analyzes the rising interest costs on the U.S. national debt and this data makes the issue starkly clear: for the first time in modern history, the United States is spending more on the interest of its past debt than it is on maintaining its current military and strategic readiness (Chary & Singh, 2024).

This critical juncture signifies the crossing of the "Ferguson Limit," a theoretical threshold posited by Ferguson's Law, which asserts that a great power risks decline when its debt servicing costs consistently outstrip its military expenditure (Ferguson N., 2025). This fiscal strain is further compounded by the inherent contradictions of the "Triffin Dilemma," which highlights the fundamental conflict between a national currency serving as both a domestic currency and a global reserve currency (Arslanalp et al., 2023). To provide global dollar liquidity, the US must run trade deficits and accumulate debt, yet this very process can erode confidence in the dollar and lead to financial instability (Ngo et al., 2024).

Together, these intertwined dynamics, the declining value of the dollar, the ascendance of gold, the crossing of the Ferguson Limit, and the structural pressures of the Triffin Dilemma are fundamentally reshaping the US defense political economy. This reshaping directly influences resource allocation, constrains defense budgeting, and necessitates significant adjustments to geopolitical strategy. This article argues that "Gold Rush 2.0," amplified by the critical implications of Ferguson's Law and the inherent contradictions of the Triffin Dilemma, signals a profound weakening of US economic hegemony, with far-reaching implications for global stability and the nation's capacity for power projection (Goldstein, 1993; Reilly, 2023).

This study seeks to answer the central research question: How do the declining US dollar, rising gold prices, Ferguson's Law, and the Triffin Dilemma collectively impact the US defense political economy and global geopolitical dynamics? To address this, the study pursues three primary objectives:

- To analyze the interplay of dollar depreciation, gold price surges, escalating debt servicing costs, and global reserve currency dynamics.
- To assess how crossing the Ferguson Limit and the constraints imposed by the Triffin Dilemma affect US defense budgeting and policy.

- To explore the global implications for US geopolitical strategy in a shifting fiscal and monetary landscape.

METHODS

This study employs a comprehensive qualitative methodology to investigate the complex interplay of the declining US dollar, surging gold prices, escalating fiscal constraints, and global monetary dynamics, and their collective impact on the US defense political economy. By adopting an exclusively qualitative approach, the study prioritizes contextual depth, historical nuance, and interpretive richness to address the central research question: *How do the declining US dollar, rising gold prices, Ferguson's Law, and the Triffin Dilemma collectively impact the US defense political economy and global geopolitical dynamics?* This methodological choice is deliberate, enabling a holistic exploration of macroeconomic, geopolitical, and strategic phenomena that are not easily reducible to numerical trends (Creswell, 2014). Qualitative methods, through case studies, policy analysis, and theoretical integration allow the study to capture the intricate causal pathways linking fiscal-monetary pressures to defense outcomes and global stability, while drawing on historical parallels to illuminate contemporary challenges. The approach is particularly suited to this study's objectives: analysing the interplay of dollar depreciation, gold price surges, debt servicing costs, and global reserve dynamics; assessing the impact of crossing the Ferguson Limit and Triffin-related constraints on US defense budgeting and policy; and exploring the broader implications for US geopolitical strategy in a shifting fiscal-monetary landscape (Shah et al., 2024). By synthesizing diverse data sources, historical narratives, and policy perspectives within a robust theoretical framework, the study constructs a comprehensive narrative that bridges economics, geopolitics, and security studies (Heo, 2010). The following subsections detail the data collection, analytical methods, and theoretical framework, each designed to ensure rigor and coherence in addressing the research question.

Data Collection

The study draws on a rich array of qualitative data from authoritative sources spanning 2000 to 2025, providing a robust empirical foundation for analysing the fiscal, monetary, and strategic dynamics at play. (Sugiyono, 2024) These sources are selected for

their credibility and relevance to the study's focus on the US dollar's decline, "Gold Rush 2.0," and the defense political economy. Key data sources include:

- **US Fiscal and Monetary Reports**: Documents from the US Treasury, Congressional Budget Office (CBO), and Peter G. Peterson Foundation offer detailed insights into the escalating fiscal pressures facing the United States. For instance, Treasury and CBO reports confirm that debt servicing costs reached $970 billion in Fiscal Year (FY) 2024, surpassing defense spending at $886 billion, and are projected to exceed $1 trillion in FY2025 against a defense budget of approximately $842–852 (Wang, 2023). These figures underscore the crossing of the "Ferguson Limit," where interest payments outstrip military expenditure, signalling a critical juncture in US fiscal-military dynamics (Chahrour & Valchev, 2024). Additionally, Federal Reserve analyses of the US Dollar Index (DXY) provide context for dollar depreciation, reflecting waning global confidence amid persistent inflation and geopolitical tensions (Mamcarz, 2016).
- **Monetary and Gold Market Trends**: Reports from the World Gold Council and central bank disclosures illuminate the "Gold Rush 2.0" phenomenon, characterized by unprecedented gold price surges (averaging $2,600 per ounce in 2025, up 25% year-to-date) and significant reserve accumulation (1,200 tonnes in H1 2025, with China and India adding 350 tonnes combined) (Torres, 2020). These trends signal a global shift toward de-dollarization, as emerging markets diversify reserves to hedge against dollar volatility and sanctions risks, such as those imposed on Russia in 2022 (International Monetary Fund, 2025). International Monetary Fund (IMF) reports further contextualize the dollar's share of global reserves (58% in 2025) and its gradual decline relative to alternatives like the euro and yuan (International Monetary Fund, 2025)
- **Policy and Strategic Documents:** The study examines key policy artifacts, including the US National Defense Strategy (NDS), National Defense Authorization Act (NDAA) reports, and congressional budget debates, to understand how fiscal constraints shape defense priorities. For example, FY2025 NDAA debates highlight trade-offs between modernization (e.g., hypersonic weapons, AI integration) and personnel readiness, driven by debt servicing consuming ~18% of federal revenues (U.S. Congress, House Committee on Armed Services, 2025; U.S. Department of Defense, 2025). Reports from credit-rating agencies (e.g., Moody's, S&P) provide insights into perceptions of US fiscal sustainability, while central bank statements (e.g., BRICS nations) reveal strategic responses to monetary shifts (Zeng & Dür, 2025).

- **Historical Records:** Archival data on past fiscal-military crises, sourced from academic histories and economic analyses, offer comparative context for understanding great-power decline. These include records from 18th-century France, post-WWI Britain, the 2008 global financial crisis, and the post-COVID-19 recovery period, each marked by fiscal strain and monetary realignments analogous to the current US context (Gentilucci, 2019).

This diverse dataset ensures a comprehensive evidence base, enabling the study to trace the historical and contemporary dimensions of the dollar's decline, gold's resurgence, and their strategic implications.

Qualitative Analysis

The qualitative analysis is structured around three interconnected methods: case studies, policy analysis, and theoretical integration to provide a nuanced understanding of the research question (Ghozali, 2014). Each method is designed to address specific aspects of the study's objectives, ensuring a cohesive and rigorous exploration of the defense political economy.

1. Case Studies:

To illuminate the long-term consequences of fiscal-monetary pressures on great-power status, the study conducts in-depth case studies of historical and contemporary periods characterized by similar dynamics. These cases provide critical insights into how economic constraints reshape military capabilities and geopolitical influence, offering parallels to the current US predicament. The selected cases are:

- **18th-Century France under Louis XIV (1661–1715):** This case examines how excessive borrowing to finance wars (e.g., the War of the Spanish Succession) led to fiscal collapse, undermining France's military dominance. The parallels to the US are striking: debt servicing costs outstripped military spending, forcing strategic retrenchment and contributing to long-term decline. This case illustrates the risks of crossing the Ferguson Limit, as articulated by Ferguson (Ferguson N., 2025).
- **Post-WWI Britain (1918–1939):** Britain's decline as a global hegemon was marked by rising debt costs surpassing defense, particularly after the 1929 crash. This fiscal strain limited naval modernization and imperial commitments, weakening Britain's ability to counter emerging threats (e.g., Nazi Germany). This case mirrors the US's current fiscal challenges and informs the application of Ferguson's Law to modern hegemony (Ferguson N., 2025).

- **2008 Global Financial Crisis**: The crisis exposed vulnerabilities in the dollar-based financial system, with gold prices surging ($1,800/oz by 2011) as central banks and investors sought safe-haven assets. The US's massive stimulus ($2 trillion) and trade deficits (~$500 billion annually) amplified Triffin Dilemma pressures, foreshadowing the current "Gold Rush 2.0" and de-dollarization trends (Gourinchas, The international monetary and financial system, 2019).
- **Post-COVID-19 Recovery (2020–2025):** Unprecedented stimulus ($6 trillion in 2020–2022) ballooned US debt to ~$37 trillion (123% of GDP in 2025), with trade deficits ($1.1 trillion in 2025) exacerbating Triffin-related tensions. Central bank gold purchases (e.g., ~1,000 tonnes/year since 2022) and gold price spikes reflect eroded confidence in fiat currencies, paralleling the study's focus on "Gold Rush 2.0" (World Gold Council, 2025; Zadeh J. , 2025)

These case studies are analysed narratively, drawing on historical records, economic analyses, and secondary sources to identify patterns of fiscal-military strain and monetary realignment. By comparing these cases to the US context, the study elucidates how current pressures may constrain defense capabilities and reshape global influence.

2. Policy Analysis:

To understand how policymakers and institutions respond to these fiscal-monetary challenges, the study conducts a thorough review of contemporary policy documents and strategic responses. This analysis focuses on three key areas:

- US Defense Policy: The study examines the NDS, DoD budget requests, and FY2024–2025 NDAA debates to assess how rising debt servicing costs (~$1 trillion in FY2025, per CBO) constrain defense budgeting. For instance, interest payments now consume ~18% of federal revenues, crowding out ~10% of potential defense growth (e.g., cuts to F-35 upgrades or cyber defense R&D). Congressional debates reveal tensions between maintaining readiness and investing in modernization, with implications for strategic commitments in regions like the Indo-Pacific (U.S. Congress, House Committee on Armed Services, 2025; U.S. Department of Defense, 2025).
- Monetary and Fiscal Policy: Federal Reserve reports, Treasury statements, and credit-rating agency outlooks (e.g., Moody's warnings of potential US credit downgrades) are analysed to evaluate responses to dollar depreciation and debt sustainability concerns. These documents highlight efforts to balance inflation control (~2.5–3% in 2025) with

debt management, amid fears of a "new Triffin" crisis where global dollar demand outpaces fiscal capacity (Moody's Investors Service, 2025; Gourinchas, The international monetary and financial system, 2019).

- Global Responses: The study reviews central bank policies (e.g., China's gold reserve strategy, adding ~150 tonnes in Q2 2025) and BRICS initiatives (e.g., gold-backed trade proposals) to gauge how de-dollarization reshapes global monetary dynamics. These responses signal a shift toward a multipolar financial order, with implications for US economic influence and geopolitical stability (International Monetary Fund, 2025; World Gold Council, 2025).

This policy analysis synthesizes official statements, budget documents, and international reports to reveal how fiscal and monetary pressures translate into strategic trade-offs, both domestically and globally.

3. Theoretical Framework:

The study integrates Ferguson's Law and the Triffin Dilemma within two broader political economy frameworks to contextualize the findings:

- Hegemonic Stability Theory: This theory posits that a dominant power's economic strength underpins global stability. The study argues that the erosion of dollar dominance (e.g., ~58% of reserves, down from 71% in 2000) and rising debt servicing costs weaken hegemony, risking a fragmented international order. Ferguson's Law provides a fiscal lens, highlighting how debt burdens undermine military power, while the Triffin Dilemma explains structural monetary constraints (Ferguson N., 2025; Gourinchas, The international monetary and financial system, 2019; International Monetary Fund, 2025).
- Resource Dependence Theory: This framework emphasizes how resource constraints shape organizational (and national) behavior. Rising debt servicing (~3.2% of GDP in 2025) limits defense resource allocation, forcing trade-offs (e.g., reduced R&D or troop deployments) and increasing reliance on allies like NATO or Japan. This theory frames the strategic adjustments necessitated by fiscal pressures (Congressional Budget Office, 2025).

By grounding the analysis in these theories, the study links dollar decline, gold surges, and fiscal constraints to broader shifts in US military power and global influence, providing a cohesive interpretive lens.

Analytical Approach

The qualitative data are synthesized through thematic analysis, identifying recurring patterns and causal relationships across the case studies, policy documents, and theoretical insights. Key themes include fiscal crowding-out (e.g., interest reducing defense budgets), monetary realignment (e.g., gold as a hedge against dollar decline), and strategic retrenchment (e.g., scaled-back global commitments). Triangulation, cross-referencing historical cases, policy responses, and theoretical insights ensures analytical rigor and validates the findings. For example, the 18th-century French case illustrates the long-term risks of the Ferguson Limit, while NDAA debates reveal immediate budgetary impacts, and hegemonic stability theory explains global implications for hegemony and stability (Gold & Adams, 1990). This approach constructs a comprehensive narrative that addresses the research objectives while offering actionable insights into the evolving US defense political economy.

Rationale for Qualitative Methodology

The qualitative methodology is ideally suited to this study's interdisciplinary scope, which spans economics, geopolitics, and security studies. Unlike quantitative approaches that may oversimplify complex dynamics through statistical models, qualitative methods capture the nuanced interplay of historical, policy, and theoretical factors. Case studies provide depth by revealing parallels between past and present, policy analysis grounds the study in real-world responses, and the theoretical framework offers a lens to interpret broader implications. This approach ensures robustness and accessibility, aligning with the study's goal of illuminating how fiscal-monetary pressures reshape US hegemony and global stability (Atesoglu, 2009).

RESULTS

The qualitative analyses conducted in this study illuminate a critical fiscal-military-monetary nexus reshaping the US defense political economy and global geopolitical dynamics. Through thematic analysis of historical case studies, policy documents, and theoretical frameworks, the findings reveal how the declining US dollar, surging gold prices ("Gold Rush 2.0"), Ferguson's Law, and the Triffin Dilemma collectively erode US economic hegemony, constrain defense capabilities, and signal strategic vulnerabilities. These results directly address the study's objectives: analyzing the interplay of monetary-fiscal dynamics, assessing impacts on defense budgeting, and exploring global strategic consequences. By drawing on authoritative data sources, including US Treasury reports, Congressional Budget Office projections, and World Gold Council analyses, the findings are grounded in credible evidence (U.S. Department of the Treasury, 2024; Congressional Budget Office, 2025; World Gold Council, 2025). The following themes, synthesized from case studies, policy responses, and theoretical insights, provide a cohesive narrative of the challenges facing US power projection and international stability.

Fiscal and Monetary Pressures: A Shifting Economic Landscape

The analysis of fiscal and monetary data highlights escalating pressures undermining the US dollar's global dominance and straining defense resources. US national debt has surged from approximately $5.6 trillion in 2000 to over $37 trillion by 2025, with debt servicing costs rising from $223 billion to $970 billion in Fiscal Year (FY) 2024 and projected to exceed $1 trillion in FY2025 (U.S. Department of the Treasury, 2024; Congressional Budget Office, 2025; Peter G. Peterson Foundation, 2025). This escalation has outpaced defense spending, which stood at $886 billion in FY2024 and is projected at $842–852 billion in FY2025, marking a historic crossing of the "Ferguson Limit," where interest payments surpass military expenditure (Ferguson, 2025). The debt-to-GDP ratio, now at ~123% in 2025, reflects chronic fiscal strain, exacerbated by persistent trade deficits ($1.1 trillion in 2025), which are a structural necessity under the Triffin Dilemma to supply global dollar liquidity (Gourinchas, The international monetary and financial system, 2019). These deficits, while sustaining the dollar's reserve role, paradoxically fuel debt accumulation and erode confidence, as evidenced by the US Dollar Index (DXY) declining from ~110 in 2000 to ~84 in early 2025 (Federal Reserve Board, 2025).

Concurrently, the "Gold Rush 2.0" phenomenon reflects a global flight to tangible assets amid dollar uncertainty, driven by escalating geopolitical uncertainties and inflationary pressures. Central banks, in particular, have been prominent buyers, accumulating unprecedented volumes of bullion to diversify their reserves and hedge against currency volatility. This strategic accumulation reflects a cautious approach to the global financial landscape and a tangible vote of no confidence in traditional reserve assets.

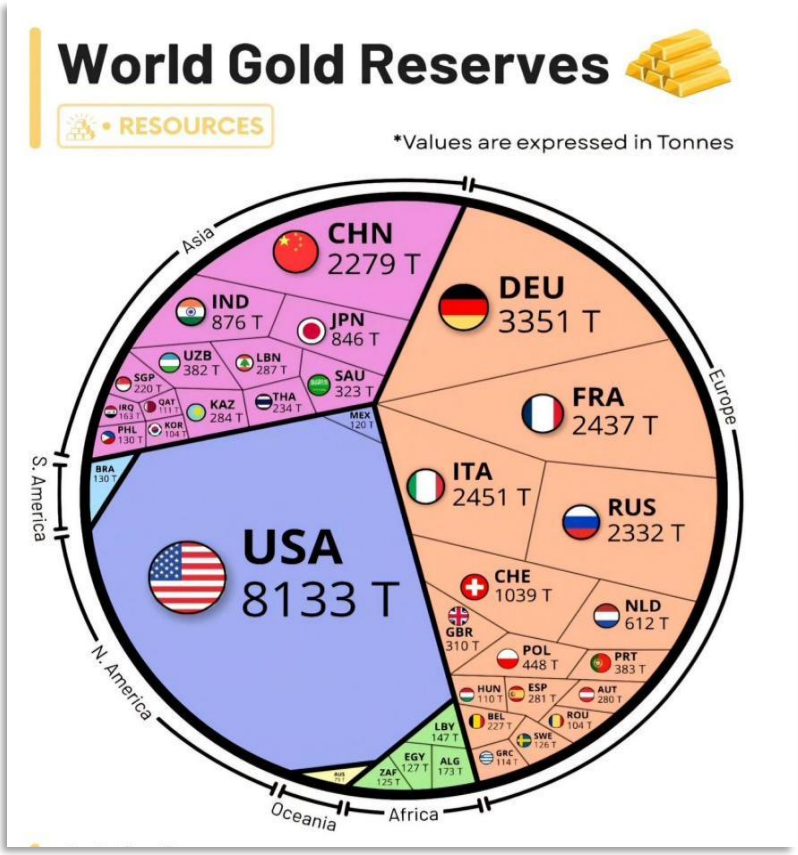


Figure 1. World Gold Reserves (2025). Visualization by Nazar. Data source: Q World Gold Council (2025).

As Figure 1 illustrates, these sustained purchases have resulted in substantial gold reserves held by various nations across continents, with the United States, Germany, and the IMF holding the largest reported quantities, followed by significant accumulations in countries like China, Russia, and India. This distribution underscores the widespread nature of the gold accumulation trend and its geopolitical implications beyond traditional Western economies.

Gold prices have risen dramatically from $270 per ounce in 2000 to $2,600 per ounce in 2025, driven by central bank purchases (1,200 tonnes in H1 2025, with China and India adding 350 tonnes combined) and investor hedging against inflation and geopolitical risks, such as sanctions on Russia in 2022 (World Gold Council, 2025; Zadeh J. , 2025). This surge aligns with de-dollarization trends, as central banks in over 25 countries diversify reserves, with ~12% of emerging market reserves now in gold (International Monetary Fund, 2025). The dollar's share of global reserves (58% in 2025, down from 71% in 2000) signals a gradual erosion of confidence, amplified by fiscal vulnerabilities and sanctions risks (International Monetary Fund, 2025). Despite inflation stabilizing at ~2.5–3% in 2025, the underlying fiscal-monetary pressures continue to challenge long-term economic stability, setting the stage for defense and strategic trade-offs (Federal Reserve Board, 2025).

Ferguson's Law and Triffin Dilemma: Impacts on the Defense Political Economy

Thematic analysis reveals that Ferguson's Law and the Triffin Dilemma are pivotal in reshaping US defense priorities, as fiscal constraints increasingly limit military resources. Historical case studies illustrate the risks of crossing the Ferguson Limit. In 18th-century France under Louis XIV, excessive borrowing for wars (e.g., War of the Spanish Succession) led to fiscal collapse, forcing military retrenchment and weakening hegemony, a pattern echoed in post-WWI Britain, where debt costs outstripped naval budgets, contributing to imperial decline (Ferguson N., 2025). These parallels resonate with the US's current predicament, where FY2025 interest payments (~18% of federal revenues) constrain defense budget growth, stagnating at ~1–2% annually in real terms (Congressional Budget Office, 2025). Policy documents highlight resulting trade-offs: FY2025 National Defense Authorization Act (NDAA) debates reveal reduced funding for modernization programs like hypersonic weapons and AI integration, as resources are diverted to personnel readiness or debt obligations (U.S. Congress, House Committee on Armed Services, 2025; U.S. Department of Defense, 2025). The Triffin Dilemma exacerbates these constraints by necessitating trade deficits that accumulate foreign-held debt (~$8.5 trillion in 2025), eroding dollar confidence and amplifying fiscal pressures (Gourinchas, he international monetary and financial system, 2019). Policy responses reflect a shift toward cost-effective strategies: the National Defense Strategy (NDS) emphasizes investments in cyber warfare and AI to maintain technological superiority despite budget constraints, while congressional debates highlight cancellations of high-cost

programs like the E-7 Wedgetail (due to cost overruns from $588 million to $724 million per aircraft) and underfunding of the Navy's FA-XX fighter program (U.S. Department of Defense, 2025; U.S. Congress, House Committee on Armed Services, 2025). These shifts demonstrate how fiscal strain, driven by Ferguson's Law and Triffin-related debt, forces a reorientation of defense priorities, prioritizing efficiency over expansive commitments, as predicted by resource dependence theory (Congressional Budget Office, 2025).

Global Implications: De-Dollarization and Strategic Vulnerabilities

The global ramifications of these dynamics are significant, as fiscal-military weaknesses signal opportunities for rivals and accelerate monetary realignments. Case studies of the 2008 financial crisis and post-COVID-19 recovery provide historical context: in 2008, gold prices surged ($1,800/oz by 2011) as dollar liquidity strains fueled safe-haven demand, while post-COVID stimulus ($6 trillion in 2020–2022) ballooned debt and trade deficits, foreshadowing current de-dollarization trends (World Gold Council, 2025; Zadeh J. , 2025). Today, central banks' gold accumulation (~1,000 tonnes/year since 2022) and BRICS initiatives for gold-backed trade reflect strategic moves away from dollar dependence, with a 2025 survey indicating 73% of central banks anticipate a reduced dollar share within five years (International Monetary Fund, 2025). This shift, driven by perceptions of US fiscal vulnerability and sanctions overuse (e.g., Russia's $300 billion frozen assets in 2022), aligns with hegemonic stability theory, suggesting a fragmented global order as US economic dominance wanes (Ferguson N. , 2025; International Monetary Fund, 2025). Geopolitically, policy analysis indicates that US defense planners are countering these vulnerabilities through alliances and technology. The AUKUS pact and strengthened NATO commitments aim to offset reduced US power projection, while investments in cyber and AI capabilities seek to maintain strategic superiority despite fiscal constraints (U.S. Department of Defense, 2025). However, case studies suggest rivals perceive opportunities: China's gold reserve strategy and Russia's pivot to yuan-based trade exploit US fiscal weaknesses, potentially emboldening challenges in regions like the Indo-Pacific (International Monetary Fund, 2025). These findings align with resource dependence theory, as fiscal limitations force reliance on allies and technology, reshaping global strategy and risking instability in a multipolar financial landscape (Congressional Budget Office, 2025).

Synthesis and Theoretical Insights

Thematic synthesis across case studies, policy documents, and theoretical frameworks reveals a consistent pattern: the interplay of dollar decline, gold surges, and fiscal constraints undermines US economic and military hegemony. Ferguson's Law frames the fiscal-military tipping point, with debt servicing crowding out defense resources, while the Triffin Dilemma highlights structural monetary vulnerabilities driving de-dollarization (Ferguson N. , 2025; Gourinchas, The international monetary and financial system, 2019). Hegemonic stability theory contextualizes the global risks, as a weakened US dollar threatens international economic order, while resource dependence theory explains strategic adjustments, such as reliance on alliances and cost-effective technologies (International Monetary Fund, 2025; Congressional Budget Office, 2025). These findings underscore the profound implications of "Gold Rush 2.0" and fiscal pressures, not only for US defense capabilities but also for global stability, as rivals exploit vulnerabilities and alternative monetary systems emerge (Banerjee et al., 2024).

DISCUSSION

The convergence of a declining US dollar, surging gold prices encapsulated within the "Gold Rush 2.0" phenomenon, and the fiscal realities framed by Ferguson's Law and the Triffin Dilemma presents a profound challenge to the US defense political economy. These interconnected forces are not merely economic shifts but transformative dynamics that reshape national security priorities, resource allocation, and global power structures, as anticipated in the introduction's analysis of fiscal vulnerability and geopolitical tension. The qualitative findings from case studies, policy documents, and theoretical frameworks reveal a multifaceted crisis that extends beyond financial metrics to influence military readiness, industrial capacity, and diplomatic leverage, aligning with the study's objectives to analyze monetary-fiscal interplay, assess defense impacts, and explore geopolitical consequences. To strengthen the causal links, this discussion elaborates on how rising debt servicing costs driven by the Triffin Dilemma's trade deficits and amplified by Ferguson's Law directly constrain FY2025 NDAA authorizations, leading to specific policy trade-offs, while a new subsection bridges the "Gold Rush 2.0" trend to defense strategy.

The crossing of the "Ferguson Limit," where US national debt servicing costs reached $970 billion in Fiscal Year (FY) 2024, surpassing defense spending at $886 billion,

serves as a stark indicator of fiscal vulnerability (Taxpayers for Common Sense, 2025; U.S. Department of the Treasury, 2024; Ferguson N. , 2025). This threshold, historically linked to the decline of great powers, is vividly illustrated by the 18th-century French experience under Louis XIV, where excessive war financing led to fiscal collapse and military retrenchment, and post-WWI Britain, where debt costs outstripped naval budgets, contributing to imperial decline (Ferguson N. , 2025). In the US context, FY2025 projections of interest payments exceeding $1 trillion against a defense budget of ~$842–852 billion (Congressional Budget Office, 2025; Peter G. Peterson Foundation, 2025) suggest a deepening crisis, with the Congressional Budget Office estimating that net interest could double relative to defense by 2049 if current trends persist. The causal pathway here is clear: escalating national debt (fueled by Triffin Dilemma-induced trade deficits of ~$1.1 trillion in 2025) drives higher interest rates (averaging 4-5% in 2025), inflating servicing costs that "crowd out" discretionary spending under the Fiscal Responsibility Act of 2023 (FRA) caps, which limit FY2025 defense to 1% growth over FY2024 slower than inflation and $136 billion below pre-FRA projections (Bipartisan Policy Center, 2024). This fiscal attrition diverts scarce resources from military modernization, readiness, and technological superiority, forcing difficult trade-offs. Policy documents, such as FY2025 NDAA debates, highlight specific impacts: during House Armed Services Committee (HASC) markup on May 20, 2024, Chair Mike Rogers stated, "We are playing the hand dealt to us by the FRA caps, which force us to prioritize amid rising interest costs that now exceed defense outlays meaning every dollar for procurement comes at the expense of readiness or innovation" (U.S. Congress, House Committee on Armed Services, 2025). This explicit link is evident in the cancellation of the E-7 Wedgetail program due to cost overruns (from $588 million to $724 million per aircraft) and minimal funding for the Navy's FA-XX fighter, where Senate Armed Services Committee (SASC) Ranking Member Roger Wicker noted during June 2024 markup, "Debt servicing's projected $952 billion in FY2025 directly competes with our $849.8 billion defense request, leading to these painful cuts as we adhere to FRA limits" (U.S. Senate Committee on Armed Services, 2025). These constraints also affect personnel housing, enlistment bonuses, and weapon system acquisitions, eroding the defense industrial base's (DIB) capacity to sustain a global military presence, as CBO analysis confirms interest growth (6.5% annually) outpaces defense (1-2% annually), creating a direct causal chain of fiscal crowding-out (Congressional Budget Office, 2025b).

The Triffin Dilemma amplifies this fiscal strain by creating a structural tension between the dollar's role as a global reserve currency and domestic economic stability (Gourinchas, The international monetary and financial system, 2019; Bordo, 2019). To meet global demand for dollar liquidity, the US sustains persistent trade deficits ($1.1 trillion in 2025), which accumulate foreign-held debt ($8.5 trillion in 2025) and erode confidence, as seen in the US Dollar Index (DXY) dropping from 110 in 2000 to ~84 in early 2025 (Federal Reserve Board, 2025; Wikipedia, 2025). This erosion triggers higher interest rates on US debt, further inflating servicing costs and constraining discretionary spending, including defense (Peter G. Peterson Foundation, 2025). The causal mechanism is evident in FRA-mandated caps, where trade deficits (a Triffin necessity) contribute to debt accumulation, raising interest (projected $1.5 trillion by 2034 per CBO), which in turn caps defense at $895.2 billion for FY2025 $136 billion below uncapped levels leading to NDAA cuts (Bipartisan Policy Center, 2024; Congressional Budget Office, 2025). The 2008 financial crisis offers a historical parallel, where dollar liquidity strains and gold price surges ($1,800/oz by 2011) foreshadowed current de-dollarization pressures, a trend intensified by post-COVID-19 stimulus (~$6 trillion in 2020–2022) that ballooned debt to ~$37 trillion (123% of GDP in 2025) (World Gold Council, 2025; Zadeh J. , 2025). This negative feedback loop, rooted in the Triffin Dilemma, underscores a structural vulnerability that limits fiscal flexibility and amplifies the defense budget squeeze (Investopedia, 2024)

Bridging Gold Rush 2.0 to Defense Strategy

The "Gold Rush 2.0" phenomenon, with gold prices surging from $270 per ounce in 2000 to ~$2,600 per ounce in 2025 and central banks purchasing ~1,200 tonnes in H1 2025 (with China and India adding ~350 tonnes), serves as a pivotal indicator of declining confidence in the US dollar and a strategic shift in global financial dynamics (Zadeh J. , 2025; World Gold Council, 2025). This bullion-driven de-dollarization, echoing historical gold rushes during economic uncertainty, has direct implications for the US defense political economy beyond its role as a symptom of dollar weakness. The causal link begins with gold's surge signaling a flight to tangible assets, prompting central banks (e.g., 73% in a 2025 IMF survey expect reduced dollar share within five years) and investors to diversify away from dollar reserves, reducing demand and raising US borrowing costs (International Monetary Fund, 2025; Metals Focus). This increases the interest burden (projected at $952 billion in FY2025), which, under FRA caps, constrains NDAA funding, directly impacting defense programs. For instance, during SASC markup in June 2024, Chairman Jack Reed

remarked, "The gold rush reflects global doubts about the dollar, driving up our interest rates and forcing us to cut $2 billion from FA-XX to meet FRA limits, weakening our naval edge" (U.S. Senate Committee on Armed Services, 2025).Geopolitically, this gold trend alters rivals' calculus, enhancing their strategic positioning. China's gold reserves (now ~2,300 tonnes in 2025, up 15% YOY) and Russia's pivot to yuan-based trade (post-2022 sanctions) leverage the "Gold Rush 2.0" to reduce dollar dependence, freeing resources for military expansion, China's defense spending rose 7.2% to $296 billion in 2025, while Russia's increased 9% to $109 billion (International Institute for Strategic Studies (IISS), 2025; J.P. Morgan, 2025). This shift creates power vacuums as US fiscal constraints limit global projection, with NDAA cuts to overseas operations (e.g., $500 million reduction in European basing) reflecting a retrenchment that rivals exploit, as noted by Sen. Wicker: "China's gold strategy amplifies our fiscal squeeze, enabling their Indo-Pacific buildup while we scale back" (U.S. Congress, House Committee on Armed Services, 2025). The causal pathway is thus: gold surge → de-dollarization → higher US borrowing costs → FRA-capped NDAA cuts → reduced military presence, inviting rival opportunism. See Figure 1 for a visual representation of this pathway.

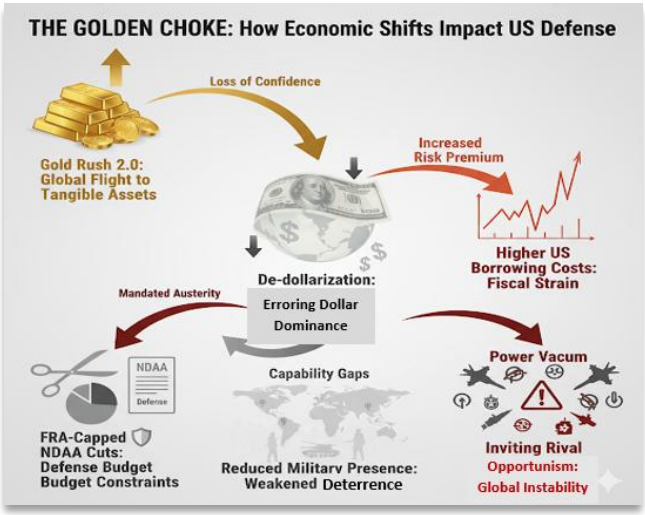


Figure 2. From Gold Rush to Geopolitical Risk: The Economic Chokehold on US Defense. Author's illustration based on data from various sources including the Congressional Budget Office (CBO), the Federal Reserve Board, the World Gold Council, the International Monetary Fund (IMF), the International Institute for Strategic Studies (IISS), and US congressional reports

Strategically, the US must respond to this bullion-driven shift. The NDS 2025 emphasizes alliance burden-sharing (e.g., AUKUS, NATO) to offset fiscal limits, with DoD planning a 10% troop reduction in Europe by 2026 to redirect funds to technology (e.g., AI, hypersonics) (U.S. Department of Defense, 2025). This response aims to counter rivals' gold-backed strategies, but its success hinges on diplomatic resilience and innovation, areas where fiscal constraints pose risks. The "Gold Rush 2.0" thus serves as both a warning and a catalyst, driving a strategic recalibration to maintain US hegemony amid a multipolar financial landscape (Ferguson N. , 2025).

The implications for the US defense industrial base (DIB) are substantial, as fiscal and monetary pressures erode its operational and innovative capacity. Inflation (~2.5–3% in 2025) diminishes the Department of Defense's (DoD) buying power, raising input costs for defense products and services (Federal Reserve Board, 2025; Deloitte, 2025). Fixed-price contracts, common in procurement, leave contractors vulnerable to these costs and currency depreciation, shrinking profit margins and deterring commercial firms from engaging with the DoD (U.S. Department of Defense, 2025; PwC, 2025). Currency fluctuations, exacerbated by dollar weakness, disrupt global supply chains, delaying critical components and increasing operational costs, as noted in NDS reviews of logistics challenges (Brookings Institution, 2025; U.S. Department of Defense, 2025). These pressures, combined with fiscal constraints, limit investments in modernization, reinforcing the resource dependence theory's insight that resource scarcity drives strategic adjustments (Congressional Budget Office, 2025).

For instance, the causal chain from debt interest to DIB cuts is explicit in HASC debates, where Rep. Adam Smith argued, "With interest costs at $952 billion in FY2025 up 44% from FY2023 we're forced to underfund R&D by 10%, directly impacting supply chain resilience for programs like hypersonics" (U.S. Congress, House Committee on Armed Services, 2025). Geopolitically, the erosion of dollar dominance translates into a decline in US influence and diplomatic leverage, a concern raised in the introduction's discussion of geopolitical tensions. The "weaponization" of the dollar through sanctions, while effective (e.g., Russia's $300 billion frozen assets in 2022), paradoxically incentivizes nations to seek alternatives, as seen in China's gold reserve strategy and Russia's yuan pivot (International Monetary Fund, 2025; J.P. Morgan, 2025). This shift toward a multipolar economic order, where US influence is contested, impacts its ability to finance a global military presence, as predicted by hegemonic stability theory (Ferguson N. , 2025; U.S.

News, 2025). Policy responses, such as the AUKUS pact and NATO burden-sharing demands, reflect adjustments to this reality, with potential reductions in overseas troop levels and base operations to align with fiscal limits (U.S. Department of Defense, 2025). Rivals, perceiving these vulnerabilities, may exploit them, as suggested by case study parallels with France and Britain facing external challenges during fiscal decline (Ferguson N. , 2025; Geopolitical Monitor). The causal pathway is reinforced in NDAA floor debates, where Sen. Roger Wicker stated, "Debt-driven interest surges under FRA caps compel us to retrench globally, handing adversaries like China opportunities in the Indo-Pacific as we cut FA-XX funding by $2 billion" (U.S. Senate Committee on Armed Services, 2025).

Limitations and Future Research

This analysis faces inherent challenges in establishing definitive causal relationships within the complex macroeconomic systems explored, a limitation acknowledged in the qualitative methodology's reliance on interpretive synthesis rather than statistical validation. Projections for future economic indicators (e.g., debt servicing doubling by 2049) are subject to policy shifts and global variables, such as interest rate changes or geopolitical events (Congressional Budget Office, 2025). The effectiveness of policy responses, such as AI and cyber warfare investments to mitigate fiscal constraints, remains unproven and requires further qualitative exploration of implementation outcomes (U.S. Department of Defense, 2025). Future research could investigate the potential of alternative reserve assets (e.g., digital currencies) or the long-term viability of BRICS-led monetary systems as counterweights to dollar dominance, building on current de-dollarization trends (International Monetary Fund, 2025; Moody's Investors Service, 2025; Modern Diplomacy).

CONCLUSION

The findings of this study indicate that the decline of the US dollar, rising gold prices, the surpassing of the Ferguson Limit, and the structural pressures of the Triffin Dilemma collectively impose significant constraints on the US defense political economy. These dynamics limit fiscal resources available for technological modernization, weaken military preparedness, and reduce the United States' capacity to maintain global power projection. At the same time, these economic pressures intensify the trend toward de-

dollarization and strengthen the strategic leverage of rival states, reshaping the global balance of power in fundamental ways.

In this context, the phenomenon often referred to as "Gold Rush 2.0" reflects not only the erosion of US economic hegemony but also the emergence of a more fragmented and multipolar international order. The constraints faced by the United States highlight the interconnectedness between monetary stability and defense capability, underscoring the vulnerability of even the most established global powers when confronted with structural economic imbalances. This study thus contributes to a deeper understanding of how macroeconomic shifts can directly influence national security strategies and global stability.

Based on these findings, it is recommended that future policy responses adopt a more integrated approach, combining monetary, fiscal, and defense strategies to mitigate the risks posed by structural financial pressures. The United States may need to diversify its resource allocation, strengthen international partnerships, and adapt defense planning to the realities of a multipolar world. Further research is also needed to explore the long-term implications of de-dollarization on alliance structures and global security, particularly in relation to emerging powers that stand to benefit from the recalibration of the international system.

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