Istituto Affari Internazionali

A New Monetary Order by Creating a New Global Reserve Currency

by Angelo Federico Arcelli and Paul Samson

ABSTRACT

The US dollar has been at the centre of the international financial system for nearly a century, being the reference currency for global trade, the pricing of commodities and monetary policy coordination. Despite the growing pressure on US debt sustainability and current Administration positions, which have made the dollar less attractive, no credible alternative to the dollar has yet emerged. To help improve financial stability even with a reduced role of the US dollar, an approach could be built on a tried-and-tested approach of a pooled, managed currency. This approach was used in the original Bretton Woods agreement of 1944 with its soft peg to the US dollar (until 1971) and then re-utilised by the European system with a soft peg to the German Mark from 1973 until the establishment of the euro in 1999.

Reserve currency | US dollar | Transatlantic relations

keywords

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A New Monetary Order by Creating a New Global Reserve Currency

by Angelo Federico Arcelli and Paul Samson*

Introduction

The US dollar has been dominant in the global financial system for nearly a century. The American currency is central for international trade settlements and international financial transactions while, critically, the US Treasury bonds serve as a pre-eminent global "safe asset" for markets. Given the new landscape of the global economy and the growing role for developing economies, and particularly the emergent financial power of China, the role for the dollar has been expected to diminish gradually over the past fifteen years and give way to alternatives, which have not materialised.

Nevertheless, the new US Administration's tariff policy, the threat to leverage Treasuries held by foreigners and the potential introduction of private sector-managed dollar stablecoins could trigger unexpected scenarios and a more rapid change in the international financial system. Without any credible alternative, such moves could be highly disruptive.

There are clear historical reasons for the current dollar dominance. Any possible alternative theorised in the past have failed to materialise as a credible substitute, nor has any innovative approach that could help a new monetary order evolve more smoothly been any more successful. Not even the various bouts of turmoil in global financial markets experienced in the past two decades have forced change.

One idea that is still worth exploring is the creation of a new reserve currency to diminish the oversized role of the dollar in the monetary system and, also, create a new vehicle for shared transatlantic interests. It could help relieve pressure on the US capital account by partially reducing excessive global demand to hold dollars as reserves. New US monetary tools, including stablecoins, will likely bolster the dollar's position and so a new global reserve currency could be complementary.

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1. Transition from the Gold Standard to the modern financial system[1]

The Gold Standard can be defined as a monetary system under which a country fixes the price of its currency to gold at a certain rate and mints its currency accordingly.[2] In this system, the foreign exchange rate becomes quasi-fixed, as the adoption of Gold Standard narrows the fluctuations of the currency down to the so called "gold points", the rate at which it is profitable to import or export gold. Under Gold Standard, this meant that trade settlement was broadly balanced through the importing and exporting of gold. This is not to say that there were no problems: the relative volatility of gold prices engendered a degree of structural price instability in global markets, and the management of physical gold reserves was always challenging.

The Gold Standard was at the core of the monetary system since the dawn of history, and often it was paired with a defined rule of conversion for silver minted in less precious coins. Unexpected events, however, often complicated the functioning of a bimetallic system. For example, in case of large gold discoveries, this would increase the supply of gold, decreasing price of it and concomitantly increasing the relative price of silver. The same happened with silver. When silver prices rose or fell, this put pressure on the exchange rate system, and, over time, silver convertibility was no longer possible and shifted to banknotes. This is what happen in the first half of the 20th century to China, which had long followed a Silver Standard, but had no choice but to move away from coins to paper money in 1935 when the international market price of silver rose dramatically and led to rapid silver outflows and deflation.

Although the Gold Standard dates to 1821[3] – when the British Parliament resumed its practice of exchanging currency notes for gold on demand at a fixed rate – it was only after 1871 that countries gradually abandoned silver in favour of the monometallic Gold Standard. In 1868, only Britain, and several of its dominions, were on the Gold Standard. In the United States the Gold Standard Act of 1900

[1] Sections 1 and 2 expand upon on chapter 1 (p. 1-7) by Angelo Federico Arcelli, from the book of Giovanni Tria and Angelo Federico Arcelli: *Towards a Renewed Bretton Woods Agreement*, Washington, Transatlantic Leadership Network, 2020, https://www.transatlantic.org/wp-content/uploads/2021/01/Bretton-Woods-Tria-Arcelli.pdf.

[2] See Michael D. Bordo, Robert D. Dittmar & William T. Gavin, "Gold, Fiat Money, and Price Stability", in *NBER Working Papers*, No. 10171 (December 2003), https://www.nber.org/papers/w10171.

[3] After the 17th century, it became a customary practice for commercial banks and central banks to issue tender banknotes convertible in gold, at the defined rate, immediately at the bearer. This created for the first time a circulation in paper money aside from minted coins, which paved the way for the possibility of a different system, the "Gold Exchange Standard". The latter was largely adopted by the late 19th century, allowing central banks to redeem a banknote at its discretion either by returning gold to the bearer or any other convertible banknote. See Barry Eichengreen and Jeffrey Sachs, "Exchange Rates and Economic Recovery in the 1930s", in *The Journal of Economic History*, Vol. 45, No. 4 (December 1985), p. 925-946, https://www.earth.columbia.edu/sitefiles/file/Sachs%20Writing/1985/EconHistory_1985_ExchangeRatesandEconomicRecovery_Dec1985.PDF.

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set the base for the US dollar being pegged to gold. This remained, with changes overtime, the legal basis for the dollar convertibility until August 1971.

At the 1944 Bretton Woods Conference (New Hampshire, USA), the pillars of a new monetary order emerged. This order was an advanced form of Gold Exchange Standard,[4] defined as a scheme of parity for convertible currencies with the US dollar at the centre and the other main ones fluctuating in bands of plus or minus 2.25 per cent (for stronger, mature economies) and 6.25 per cent (for emerging ones). The system was strengthened by the creation of an institution in charge of ensuring stability and dialogue, the International Monetary Fund (IMF). This system managed and controlled gold transfers and stability (including trade rules) and, some adjustments in 1963 and 1968 aside, lasted until 1971-1973. After the US dollar de-pegged from gold in August 1971 under the Nixon Administration (1969-74), a measure initially supposed to be temporary, other currencies had to follow to avoid their national gold reserves being depleted through the conversion of their banknotes. The fact that the dollar was not convertible but still used internationally would have allowed the owners of dollars to buy other convertible currencies and ask to redeem them at the issuing central banks. As the Fed was in the position to be able to expand money supply without the need to ensure a gold reserve backup, this scenario was not theoretical.

The rationale for the Bretton Woods system was the creation of a mechanism to govern monetary, commercial and financial relations amongst members,[5] aiming to be a worldwide monetary order. The scheme mirrored the preferred option of US negotiator Harry Dexter White and prevailed over British economist John Maynard Keynes' idea for the multilateral currency, the "Bancor", which never saw the light of day. The predominance of the United States determined was an obvious consequence of the role and size of the US economy at the end of World War II. But the return of West European countries to pre-war GDP levels and rapid growth rates in the 1960s gradually reduced the relative weight of the United States economy in the world GDP[6] and created conditions for a growing pressure for change.

This shift not only reduced American economic hegemony but created the conditions for several changes of the original system, including the abandoning of gold convertibility on 13 August 1971. The US dollar central position within

[4] See Angelo Federico Arcelli, Rainer Stefano Masera and Giovanni Tria, "Da Versailles a Bretton Woods: errori storici e modelli ancora attuali per un sistema monetario internazionale sostenibile", in *Moneta e Credito*, Vol. 74, No. 296 (December 2021), p. 249-273, https://doi.org/10.13133/2037-3651/17675.

[5] Originally the group of countries which were participating to the system were few, and basically the United States, with the dollar at the centre, and the other 43 participants to the agreement, including Canada, Australia and all the main European economies, such as the United Kingdom, France, Italy, West Germany.

[6] This part takes stock and elaborates part of chapter 1 (p. 5-7) by Angelo Federico Arcelli of the book by Giovanni Tria and Angelo Federico Arcelli: *A New Bretton Woods for a New World. Reflections on the Future 80 Years After the Bretton Woods Conference*, Washington, Transatlantic Leadership Network, 2024.

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the Bretton Woods system facilitated the accumulation of large current account deficits in the United States, which in turn created either the need for Washington to depreciate its currency or return gold to exporting nations. This situation was the likely primary cause of the end of the original Bretton Woods scheme.[7]

Western European countries were forced to give up the gold convertibility of their currencies, and exchange rates started to float. In the wake of such a change, financial and monetary stability experienced new dynamics and risks. Europe reacted with the so-called 'Werner plan' in the early 1970s, which paved the groundwork for the monetary integration of the European Economic Community (EEC). The birth of the European Monetary System (EMS) centred on the German Mark seemed to create potential stability. It developed a new figurative currency, the European Currency Unit (ECU), which remained used as a market reference until 1998. In fact, the system showed the same stability as the original, US dollar-based Bretton Woods agreement. In the 1980s the parities amongst the European members had to be realigned often, and normally in favour of the German Mark (as Germany was usually in a trade surplus position) and devaluating the weaker currencies (such as the Italian lira or the French franc).

The euro, established in 1998 building on the stability scheme created by the Maastricht Treaty (1992), which upgraded the EEC into the larger European Union and created the Economic and Monetary Union (EMU), was not meant to be a work in progress. In theory, its governance architecture centred on the supranational European Central Bank (ECB) and the intergovernmental coordination amongst eurozone members, was supposed to be long term. Nevertheless, it was clear from the outset that the absence of a single political entity empowered with comprehensive fiscal capacity behind the new currency would be a flaw. It is no surprise that, initially, international markets perceived the euro as being an irreversible step towards future fiscal, and political integration member states, which however never took place.

The 2008 financial crisis unveiled the limits of the euro's governance and sparked the subsequent European sovereign debt crisis of 2009-2012. The euro eventually survived after the ECB made it clear it was willing to act as lender of last resort, but

[7] In the early Sixties of the 20th century, Jacques Rueff, the economic adviser to President de Gaulle of France, had suggested the famous "tailor paradox" to highlight the risks of a system where trade was permanently unbalanced, and the only way to sustain it was the continuing on-lending of new financial assets (loan or currency purchases) by the exporting countries to the one (the United States) which was the main importer of goods. Basically, his idea was that if one is the client of a tailor and, having received the delivery of the demanded suit, offers the tailor to place a new order if he would lend him the money for, this becomes a positive driver in the beginning (it allows re-industrialisation), but a vicious circle after a certain time. The limit was the point where the trust on the customer's capacity to honour his debt came to an end, triggering (for Gold Standard rules) the interest in getting back gold in exchange of dollar bills. Clearly the Bretton Woods system, particularly as it was centred on the US dollar, was only going to remain sustainable as long as trust in the US currency remained unaltered and high, so that exporters were satisfied with detaining an increasing amount of dollars. But this was precisely what caused the crisis of the Sixties and the end of the system in 1971.

even today international markets do not seem to have a clear long-term vision of the potential of the euro. At the end of the day, the euro has many core elements of a supranational currency, including the ECB, but still lacks a corresponding single authority over fiscal policy.

2. Parallels between the past and today: Risks and opportunities

In 2025, there are several step changes in the US attitude towards the financial markets and the positioning of the US dollar that might precipitate a possible sudden change in the international monetary system. There is a widespread perception that the dollar may have just started a downward trajectory, greatly accelerated by the Trump Administration's fierce tariff and America first policies. But the last time the US dollar's role was in a perceived crisis, in 1971-73, the result was anything but a weakening of the greenback. In less than two years after August 1971, all the other main international currencies had to be de-pegged from convertibility into gold and forced into a floating exchange rate regime, whereby they gained no advantage from President Nixon's decision.

It was not the first time in history that currencies were de-pegged from gold, although previous cases were related to wartime consequences. What became clear in 1971-73 was that the end of the Bretton Woods system as a mechanism centred on gold was the result of systemic trends rather than contingencies and was therefore irreversible. Paradoxical as it seems at first sight, Nixon's move away from the Gold Standard ultimately reinforced the role of the United States and the dollar, creating further dependency on the US currency for all free economies. As a result, the end of the original Bretton Woods mechanism paved the way to a reinforced "extraordinary privilege" for the dollar.[8] But how did this happen?

One reason was that during the Cold War financial stability was paramount, and stability could only be provided for by a US dollar-centred system. Furthermore, the amount of US dollars held by oil exporting countries, especially the Organisation of Petroleum Exporting Countries (OPEC) members, grew substantially in the 1970s because of the sudden trade surplus from oil sales. In fact, the combination of their deep USD reserves and dominant position in international oil markets persuaded the OPEC cartel that they could raise oil prices by 600 per cent in 1973, causing the first oil crisis and forcing European countries and Japan to hold significant dollar reserves to cope with their needs, whilst the United States had the opportunity to increase the international money supply for domestic reasons without prejudice to the international role of the dollar, which also reinforced its global reserve status

[8] Henry M. Paulson Jr., Secretary of the Treasury during the George W. Bush administration, stated: "the privilege conferred on the US dollar as the global reserve currency was hardly preordained. The dollar's pre-eminence came about only through a combination of historical happenstance, geopolitical conditions after World War II, US Federal Reserve policies and the sheer size and dynamism of the US economy." See Henry M. Paulson Jr., "China and the Future of the Dollar", in *Foreign Affairs*, 19 May 2020, https://www.foreignaffairs.com/united-states/future-dollar.

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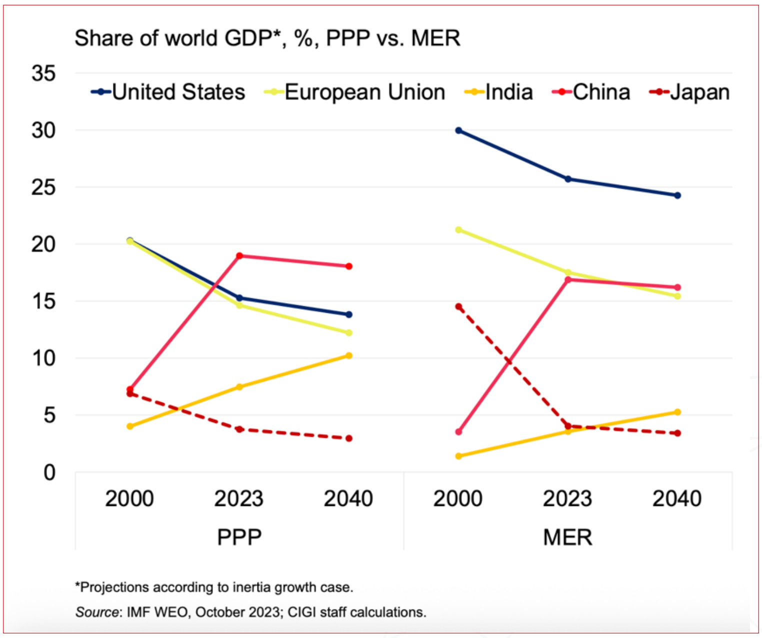
through its worldwide use in oil transactions.

The dollar's centrality was further reinforced after the end of the Cold War, when the United States 'reigned' supreme as the world's uncontested superpower and hinge of the global. But recently, the geopolitical landscape has been undergoing a profound transformation. The transatlantic alliance and other US partnerships are under stress, forcing countries around the world to explore diversification options and alternative frameworks. Chief among these developments is the accelerating appetite for de-dollarisation, led by China and supported by a growing number of emerging economies. Bilateral agreements to settle trade – especially in oil and key commodities – in non-dollar currencies are gaining momentum, reflecting a concerted effort to reduce dependence on the dollar-based financial system. But while the US economy is slowly shrinking in size (when measured in purchasing power parity, PPP) as a share of the global economy, it is nevertheless projected to remain the world's largest economy based on market exchange rates until 2040 or beyond under most scenarios.[9]



Source: Paul Samson et al., *Global Economic Scenarios: Projections and Trends*, cit., p. 22.

In this evolving order, the replication of a system akin to the petrodollar model appears unlikely. Instead, what is emerging is a fragmented and contested global monetary environment, in which digital assets – and perhaps very centrally, stablecoins,[10] are poised to play a pivotal role. The new US Administration supports

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[9] Paul Samson et al., *Global Economic Scenarios: Projections and Trends*, Centre for International Governance Innovation (CIGI), 2024, p. 22, https://www.cigionline.org/static/documents/Global_Scenarios_Model_-_Phase_1_final.pdf.

[10] Stablecoins are a kind of private money whose value is determined upon a declared basket of legal convertible currencies or other assets like gold. There can be different use cases, although the

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the proliferation of private US dollar-pegged stablecoins while halting exploration of a US central bank digital currency (CBDC) and warning against those launched by geopolitical rivals, like China's Digital Yuan. New legislation on stablecoins may be passed by the US Congress in 2025, with the goal creating ways for leading private companies like Tether and Circle and large traditional financial institutions like JP Morgan to ramp up the use of the dollar-backed stablecoins or other tokens across the globe. The Trump team's strategy overall is to encourage the global adoption of these stablecoins to reinforce the dollar's international role, especially in countries plagued by inflation, capital controls or weak banking infrastructure, of which there are many.

Stablecoins could give a large proportion of the world population currently with sporadic or no access to the banking system a reliable tool for transferring money (even from Western countries to emerging economies). And, if the new US Administration manages to significantly increase dollar-based stablecoins globally, this may drive continuity in the international circulation of US dollars. As with the paradox of 1971 and the end of the Gold Standard reinforcing the US dollar's international role, the reduction of the role of the traditional "paper" money may not, in the end, damage the standing of the greenback, which would be needed to support the global issuance of stablecoins at scale by private companies.

In this sense, the proliferation of US dollar stablecoins may be a way to maintain and even grow the pool of US Treasury holders. In a world of shrinking appetite for Treasuries from many of the world's central banks, in May 2025, Tether (the largest US dollar stablecoin), became the 19th largest global holder of US Treasuries. With 120 billion, it overtook Germany.[11]

On the other hand, widespread offshore use of privately issued dollar-backed stablecoins risks diminishing the Federal Reserve's ability to regulate the money supply and reduces control over monetary policy. If stablecoin ecosystems are governed primarily by transnational private firms – including those headquartered beyond the reach of US jurisdiction – then oversight gaps could emerge, creating new forms of regulatory arbitrage, financial instability and monetary fragmentation.

The US Administration is pushing for the new legislation in Congress to include some provisions to reduce risks, mainly through reserve transparency, licensing, auditability and clear custodianship, but if the stablecoin market becomes very large, the risk of undermining Fed controls would grow anyway.

current regime remains dominated by American companies and US dollar backed. The principle is that the issuer (a legal vehicle, normally a corporation) needs to segregate liquid assets denominated in dollars or convertible currencies on its balance sheet and issues titles which represent a certain share of the portfolio ("basket") used as underlying security. The clients who buy such titles can use them as transferrable rights (basically, a money equivalent role).

[11] US Department of the Treasury website: *Securities (B): Portfolio Holdings of U.S. and Foreign Securities*, https://home.treasury.gov/data/treasury-international-capital-tic-system-home-page/tic-forms-instructions/securities-b-portfolio-holdings-of-us-and-foreign-securities.

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The possible role of the stablecoins in reinforcing dollar primacy may follow the same pattern seen with the dominance of dollar-traded oil: if one needs to trade a certain commodity in a specific currency, that person or entity will need to hold reserves in that currency. If US dollar stablecoins become the easiest tool around the inefficiencies of the international banking system in de-banked or poorly served areas, they will be held by the ones using them and will be redeemed against private balance sheets, not central banks, and they will be likely traded against dollars. All this would have a centralising effect on the US currency.

Growing pressure to diminish the dollar's role and a reduced appetite for Treasury bonds looks to already be a certainty following recent developments such as tariffs, in example. But a true competitor or complement for the US dollar can only be another new reserve currency, which would need a huge and stable public debt, and a comparably sized economy. Currently there are only two possible areas of the world that may satisfy such conditions: China and Europe.

On the surface, the case for China may seem stronger, but in fact there is little evidence pointing to the renminbi challenging the US dollar, at least in the foreseeable future. To be a global reserve, a currency must be convertible, liquid and be widely accepted to perform trade settlements. The Chinese yuan is not convertible, and even Chinese companies and institutions still use dollars and euros for many of their trade payments and some debt instruments. Why can China not simply lift barriers to capital transfers and make the renminbi convertible? If it did so, it is very likely that Chinese yuan holders would try to diversify their portfolios to reduce risks, including potential future freezes in convertibility and restrictions on capital transfers. This would carry a high risk of creating the conditions for a massive outflow of capital from China, which would destabilise Chinese and global economies.

While the US dollar is losing ground in the international payments space, especially to the yuan, this is true only when China is a significant export and import partner, as the yuan is not significantly growing as a reserve currency internationally, given all its constraints. Whether or not US dollar stablecoins could reverse this trend remains to be seen. The US bond market faces risks, including internal ones, and external alternatives are not yet convincing. A resurgent dollar in the monetary system has an outside chance, but we are more likely near a tipping point in its relative decline. China and the other BRICS (Russia, India, Brazil and South Africa), as well as their new members, continue to try to find a new international system which better reflects their role.

The approach here is to prepare potential alternatives that could build a new equilibrium. One option is to imagine a path to a new global currency, but not one backed by a single state entity, and mirroring the old Bretton Woods scheme: a basket of currencies centred on the euro, and including a core group other main "free economies" other than the dollar, and potentially including other key free-floating currencies, including from developing economies. Importantly, the idea

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is not to reduce the role of the dollar, but rather to make a cooperative effort to maintain financial market stability. Financial stability is in the interest of America as well.

3. Conclusion: Is there a credible case for a kind of "Bancor" approach in parallel to the dollar?

At Bretton Woods in 1944, the US negotiator White and British economist Keynes had different views. White, who eventually prevailed, insisted on making the US dollar the anchor of global trade, while Keynes backed a multilateral currency, the "Bancor". Bancor never saw the light of day, but it remains an idea for potential use by the IMF.[12] The deterioration of the Bretton Woods system and the rise of China as large international player has long fuelled a growing debate amongst scholars,[13] about the possible reform of this institution.

A key passage in the debate came in the wake of the 2008 financial crisis shock, when, at the 2009 G20 meeting in London, the internationally respected Peoples' Bank of China Governor, Zhou Xiaochuan, made a public statement in favour of the establishment of a supranational international reserve currency, explicitly recalling the international currency unit Keynes had proposed in 1944.[14] Zhou's proposal was to derive from the existing Special Drawing Rights (SDR) scheme, which has been in place at the IMF since 1969.[15] Zhou proposed to allow SDRs to be used beyond their current limited application to the financial transactions of governments and authorised financial institutions. But this idea, even if it has gained support, could not be implemented given the linkage to the politically intractable issue of IMF reform itself.[16] Currently SDRs have very limited usage beyond a small group of central banks and a dozen international financial institutions.

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[12] John Maynard Keynes, "Proposals for an International Clearing Union (April 1943)", in J. Keith Horsefield (ed.), *The International Monetary Fund 1945-1965: Twenty Years of International Monetary Cooperation, Vol. III: Documents*, Washington, International Monetary Fund, 1969, p. 19-36, https://doi.org/10.5089/9781451972511.071.

[13] See Michel Camdessus, *An Agenda for the IMF at the Start of the 21st Century, Remarks at the Council on Foreign Relations*, New York, 1 February 2000, https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp020100.

[14] See John Maynard Keynes, *The Collected Writings, Vol. 26: Activities, 1941-1946: Shaping the Post-War World: Bretton Woods and Reparations*, edited by Donald Moggridge, London, Macmillan, 1980.

[15] International Monetary Fund, "Considerations on the Role of the SDR", in *IMF Policy Papers*, April 2018, https://doi.org/10.5089/9781498307390.007.

[16] The 15 "prescribed holders" allowed to hold SDRs are the European Central Bank (ECB), the Bank of Central African States, the Central Bank of West African States, and the Eastern Caribbean Central Bank; the BIS, the Arab Monetary Fund, the Latin American Reserve Fund and eight development institutions: the African Development Bank, the African Development Fund, the Asian Development Bank, the International Bank for Reconstruction and Development and the International Development Association, the Islamic Development Bank, Nordic Investment Bank and the International Fund for Agricultural Development.

In 2019, Mark Carney, then outgoing Governor of the Bank of England, gave a forward-looking speech on the evolution of the international monetary and financial system, and concluded that:

> When change comes, it shouldn't be to swap one currency hegemon for another. Any unipolar system is unsuited to a multi-polar world. We would do well to think through every opportunity, including those presented by new technologies, to create a more balanced and effective system.[17]

Since these observations were made, the world has become even more multipolar and technological pressures for change have accelerated.

In 2025, emerging disenchantment among the closest US allies is very significant and is also prompting reflections on the risks of dollar dependence. The euro constitutes about 20 per cent of the world's foreign exchange reserves, and there could be renewed interest of key market players and free market economies to diversify reserves and settlement tools. The approach explored here is for the establishment of a basket of free-floating currencies with the objective of building some form of a new reserve currency, including the euro, as a centre of the new system, and, in example, other free floating convertible currencies, such as the British pound, Canadian and Australian dollars, and possibly others.

Uncertainty about the medium-term stability of the dollar comes from the recent turmoil in the markets and general uncertainty about the future of US economic and trade policy. There is therefore a demand for an additional credible reserve currency. The euro already has credibility as a reserve asset. And if UK, Canada and Australia considered linking their currencies to the euro, markets might perceive this new pool as an attractive, stable complement to the dollar, likely even better for long term settlement purposes and potentially less volatile given the inflation mandate of the ECB.

The proposed new currency, that could perhaps be managed by the ECB itself, would follow the original Bretton Woods concept of 1944. It would entail an agreement between central banks[18] to peg a group of convertible currencies to the euro in a quasi-fixed exchange rate system, floating at + or – 2.25 / 6.25 per cent), including Canadian dollar, British pound, Australian dollar and potentially others. A possible roadmap would be to imagine a possible pathway to a stability mechanism or agreement, based on what happened in Europe after Nixon de-

[17] Mark Carney, *The Growing Challenges for Monetary Policy in the Current International Monetary and Financial System*, speech at "Challenges for Monetary Policy", a symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming, 23 August 2019, https://www.bis.org/review/r190827b.htm.

[18] Clearly this is possible also as a decision from the central banks, acting within their mandate in full independence, whilst for the ECB the peg on inflation remains the rule. Nevertheless, it is unlikely that a decision like this could be made without the full support, or at least the "nihil obstat" from the governments.

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pegged the US dollar from gold, when the German Mark became the centre of the system until the euro was established.

Under this new regime, currencies pegged to the euro would be allowed to float within a certain bandwidth compared to the euro itself. The new reserve scheme could serve to lessen pressure on the oversized role of the US dollar in the monetary system and create a new vehicle for shared transatlantic interests, or to ensure a stable situation on financial markets and reduce the extent of the possible impacts of a dollar crisis.[19] It could help relieve pressure on the US capital account by partially reducing excessive global demand for US dollars as reserves, which in the past tended to push upwards the dollar's value, even when the US economy could have benefitted from a lower value.

This idea would basically represent a new monetary system at least roughly comparable in size with the US dollar and perhaps less risky, given current swings in US policy. It could be perceived by markets as trustworthy and credible, given the reputation of its members, but also be seen as a work in progress that could further strengthen itself, including the possible addition of some convertible currencies from developing economies.

A key weakness in the idea is that there would not be a large common debt as a safe asset. However, this might in fact be its strength: on one hand, the United States might see the new euro-centred scheme as a stability tool and not a competitive currency and accept the idea, as the dollar would retain an advantage. In addition, markets might decide that certain countries in the new currency scheme could provide attractive national debt, like German Bunds.

This new scheme might have a credible, positive appeal for markets if used international, thereby putting pressure on US dollar to remain stable and on the Chinese authorities either to adopt it or to open their economy. The system proposed has already worked globally and in Europe. So it would be, by definition, not a "jump into the uncharted" and could potentially serve as a stabilising force in the international monetary system as the world heads into new phases of multipolarity.

Updated 12 June 2025

[19] Some hints may come from one of the White House economic advisers, Stephen Miran, who expressed his views in the paper *A User's Guide to Restructuring the Global Trading System*, Hudson Bay Capital, November 2024, https://www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf.

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