

Trends in the Global Use of Major Currencies

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USD Dominance and Policy proposals

USD Dominance

- From the traditional functions of money; unit of account, medium of exchange, and store of value
- Despite the nuanced view, USD is going to be the **most dominant as store of value**
 - Dominant depth and liquidity
 - Trust backed by institutional framework – checks and balances, the rule of law, and a trusted central bank (Prasad, 2014)

Related Policy Discussions

- USD Dominance creates stronger international spill-overs from the monetary policy in the US
- New safe havens (or store of value)?
 - Global stable-coins, Synthetic hegemonic currency (Carney, 2019), or IMF SDRs?
 - Regional or global safe assets (Brunnermeier, Merkel and Sannikov, 2020)

Will the advent of Cryptocurrencies affect the USD dominance?

Optimistic view

- *A global stable-coin may be a contender for the Iron Throne of the dollar* – Benoît Cœuré (2019)
 - Network effects from dominant reserve currency is lower in the case of retail payments
 - Easier to connect a new currency to an existing network than to build a new network on an existing currency

Pessimistic view

- *The dollar is least likely to be hurt* – Prasad (2023)
 - Stable-coins are tightly linked (or pegged) to the dollar
 - It is not an alternative store of value, but a medium to the trusted store of value

Thank you