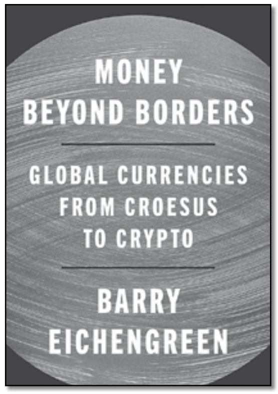
Eichengreen *on* Global Currencies



Money Beyond Borders: Global Currencies from Croesus to Crypto *by* ***Barry Eichengreen*** *(Princeton University Press, 2026)*

An exclusive interview with the author of a compelling new book on money.

A new book by Barry Eichengreen, chair and distinguished professor of economics and political science at the University of California, Berkeley, explores the rise and fall of dominant global currencies from ancient Greek coins to the U.S. dollar. *Money Beyond Borders: Global Currencies from Croesus to Crypto* explains the reasons currencies establish global reach and why they ultimately lose that status. *TIE* Founder, Editor and Publisher David Smick and Executive Editor Owen Ullmann interviewed Eichengreen about his analysis of the dollar's future as the reigning global currency and possible replacements.

TIE: **How do you explain the strength of the dollar during the Iran crisis, given the intense criticism of Trump's actions combined with a surprisingly weak GDP figure released during the second week of the war? Wouldn't a weaker dollar have been expected?**

Eichengreen: There's a history there, starting with Liberation Day (April 2, 2025, with the announcement of Trump's "reciprocal tariffs"). Instead of exhibiting its customary safe-haven behavior—strengthening in response to the spike in global uncertainty and volatility—the dollar weakened, reflecting new doubts about the competence of administration policy, and also, I think, the impact of ongoing administration threats to the independence of the Fed. In the autumn of last year, however, the customary correlation reasserted itself. This was due, in my view, to the "tariff truce" negotiated with China, together with indications that neither the U.S. Supreme Court nor Fed Chair Jay Powell would let U.S. Federal Reserve independence go down without a fight. So the dollar's

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220 I Street, N.E., Suite 200
Washington, D.C. 20002
Phone: 202-861-0791
Fax: 202-861-0790
www.international-economy.com
editor@international-economy.com

safe haven status may have been tarnished, but it was not yet lost entirely.

Thus, when the war broke out, the dollar strengthened by about 1.5 percent against the major currencies in the first two trading days. By the end of March, it had strengthened by another half of a percentage point. That strikes me as a small bump, given the massive nature of the shock to global energy markets and to the global economy generally. It's confirmation, I think, that the currency's safe haven status has been seriously dented, but not yet lost entirely.

Every time I go to China I offer the observation that every leading international currency in history has been the currency of a political democracy or political republic, where there is a division of powers and there are checks on arbitrary action by the executive. My Chinese audiences listen respectfully, but they don't respond to this provocation.

TIE: **Many financial experts attribute the rise in the price of gold to a large extent to Chinese or Chinese surrogate buying, the theory being that Beijing's goal is to develop a gold-backed Asian currency and trading bloc embraced by China's trading partners, including India. Do you agree with that analysis?**

Eichengreen: I don't buy the speculation that Beijing has in mind a gold-backed Chinese currency, much less a gold-backed Asian currency. But the People's Bank of China, like other central banks around the world, wants to trim its exposure to the dollar, given the currency's actual and potential weaponization and erratic U.S. policies. Replacing some of its U.S. Treasury securities with gold is one way of achieving this portfolio rebalancing. But so too is replacing some of their U.S. Treasury securities with nontraditional reserve currencies, from the Australian dollar to the Norwegian krone. These nontraditional currencies can't replace the dollar in central bank portfolios, but neither can gold. What we have to hope for is a gradual, orderly rebalancing away from the dollar.

Would China want closer trade and financial relations with other Asian countries? Absolutely. But here we're talking about further developing commercial, financial, and investment links with those countries, not just about currency politics.

TIE: **To what extent are the Chinese overestimating the global financial market's trust in the Communist Party's willingness to provide complete transparency and independence to its financial sector, without which a credible currency bloc is not possible?**

Eichengreen: Every time I go to China I offer the observation that every leading international currency in history has been the currency of a political democracy or political republic, where there is a division of powers and there are checks on arbitrary action by the executive. My Chinese audiences listen respectfully, but they don't respond to this provocation. The point extends to the nonexistent independence of the PBOC, something that would have to change in order for the renminbi to develop into a leading international currency, much less to become the anchor of an Asian currency area.

TIE: **You note at the outset that dominant currencies continued to last many decades even after they were headed for inevitable downfalls because rival global currencies had not yet been established. Do you believe that is where the dollar stands today?**

Eichengreen: Incumbency is a significant advantage in international currency competition. But incumbents can lose contests—equally when we're talking about elections or currency competitions. And the fact that there is as yet no serious rival to the dollar—not the euro, which is the currency of a euro area that lacks a common treasury and an adequate stock of safe assets, and not the

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renminbi, which is the currency of a political autocracy—doesn't guarantee the persistence of dollar dominance. Confidence in the dollar can still be lost. That confidence can still be eroded by erratic, perverse U.S. policies. If there is flight away from the dollar, the absence of an alternative puts us in a 1930s situation, where there is inadequate global liquidity to grease the wheels of cross-border trade and finance. This scenario would spell the end of twenty-first–century globalization as we know it. I'm not predicting, but I am worrying. I spell out this scenario at the very end of my book.

TIE: **If the dollar's days are numbered, how many are left?**

Eichengreen: Fewer every day.

TIE: **What are the biggest threats to the dollar's supremacy today and, conversely, the strengths that allow it to remain king of the currencies?**

Eichengreen: The dollar's strengths derive from the dynamism of the U.S. economy, the liquidity of U.S. financial markets, and the fact of incumbency. Its weaknesses are institutional and political: exploding public debts that a polarized Congress shows no ability to address, doubts about Federal Reserve independence, questions about the division of powers and rule of law in the United States, and the belief abroad that the United States is no longer a reliable alliance partner.

Confidence in the dollar can still be lost.

TIE: **What steps should policymakers take to ensure the dollar's survival as the global currency?**

Eichengreen: It follows from the last answer that the Congress should take steps to narrow the budget deficit—maybe someone should remind them that the federal government raises relatively less tax revenue than the governments of most other advanced countries.

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Policymakers should reaffirm the independence of the Fed. The Congress and the courts should demonstrate a readiness to support the division of powers and rule of law. The United States should rebuild relations with the country's alliance partners, given that central banks and governments prefer to buy, hold, and use the currencies of their trusty allies. Good luck with all this, one might say.

TIE: **You make a good argument for why the euro and renminbi have deep flaws that make them weak candidates to replace the dollar anytime soon, including the euro's lack of a huge, liquid bond market and China's untrustworthy manipulation of its currency. Do you see either Europe or China making fundamental changes so that their currencies receive greater acceptance and can rival the dollar's dominance?**

Eichengreen: European leaders, recognizing that the United States is no longer a trustworthy ally, are attempting to reduce their dependence on the country, financially and otherwise. That means reducing their dependence on the dollar and seeking to enhance the international role of the euro. I expect them to make progress in time, though how much time is yet to be seen. They need to complete their capital markets union to enhance the liquidity of euro markets. They need to build their common defense to give investors confidence that their euro investments are secure. And they need to increase the supply of safe euro assets, by slicing and dicing existing sovereign bonds into safe and risky tranches. This last step, unfortunately, will probably take a revision of the Treaty of European Union. One of the international currencies I look at in the book is the silver denarius of the Roman Republic and Empire. In the context of the euro area, one might recall that "Rome wasn't built in a day."

As for China, for the renminbi to truly rival the dollar would take internal political change. I do not expect that.

TIE: **You point out the limitations of combined currencies such as BRICS or a China-led coalition, but what about the creation of a truly global central bank and currency along the lines of the "bancor" proposed by John Maynard Keynes when the Bretton Woods System was established?**

Eichengreen: The rationale is sound, much like the rational for Esperanto. But no one speaks Esperanto. Alas, a truly global central bank and currency would require agreement among the major powers, who in reality are at loggerheads. Keynes's idea was unrealistic in 1944. It is even more unrealistic today.

TIE: **You suggest that President Donald Trump's economic and foreign policies threaten to undermine both the dollar's strength and its status as the preeminent global currency. Do you believe a new administration would have the ability to reverse that trend or would it be too late by 2029?**

Eichengreen: I think we have learned in the last year-plus that U.S. institutions are weaker than previously assumed—that rule of law and deference to the courts, separation of powers and deference to the Congress, control of corruption, and the independence of the Fed are not as robust as we were taught in school. This is not likely to be a lesson that can be unlearned in 2027, after the midterms, or in 2029, after the next presidential election. The negative implications for the dollar will persist. ◆

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