

Dear reader,

Monetary policy in a broad sense can mean two things. First - in the common understanding - it is the set of tools used by a nation's central bank to control the money supply in a country to attain certain objectives such as price stability, low unemployment rate or economic growth. In a broader sense, it can also be a tool to attain wider, less precise objectives, such as to project power or gain diplomatic goals.

Probably, in the most recent times, the EURO is the best example as it has been created to serve a broader objective of unifying and harmonizing European economies. Despite some setbacks, notably the European Sovereign Debt crisis, it is a widely accepted and stable currency, facilitating trade between European countries and linking together the Eurozone's economies.

The United States Dollar has not been created to attain such objectives, but it was Washington which has used the Dollar for such purposes. The Dollar has been the dominant currency since the end of the Second World War. America was able to project its economic, military and diplomatic power onto the realms of monetary policy. The introduction of the EURO in 1999 has created a strong second-currency, but its adoption and importance has not come close to the dollar. Through the dollar the United States is able to project its monetary policy onto the world. The American financial system is crucial to the global economy. It is huge, free and has a robust regulatory system behind it. There were moments when trust in it was shaken, for example during the 2008 financial crisis, but it was able to come out of the crisis unscathed.

Through its currency, the United States is able to project its political will onto the world. Every major financial institution, corporation and country has ties to it. Washington can threaten or punish actors by cutting them off from the American financial system - a risk few are willing to take. However, in the last few years, a few challengers have emerged. First, cryptocurrency has been proposed as an alternative means of transacting between individuals. Its proponents have argued that being decentralized and regulated by any country could grant its holders greater freedom in transacting. Secondly, some countries have been able to evade American sanctions and create parallel systems to the current financial system. Russia, since its Invasion of Ukraine in 2022 has largely been able to continue to trade despite largely being barred from Western financial infrastructures and build out an economy which does not rely on the Dollar nor the Euro. China has developed its own proprietary payments systems to circumvent Western channels.

In this report, we will set out to explore how changes in the global financial system are playing out and what their implications are for the future.

This report came to be through the collaboration of students and young professionals from Europe and beyond, brought together by EPIS Thinktank. The variety of their views and skillsets is the fuel of the debates you will find in the pages of this report.

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Yours Sincerely,

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