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The Future of the Dollar and Competing Currencies
Fragmentation, Digital Innovation, and the International Monetary System to 2050

Highlighted sentence: The most plausible long-term outcome is not a sudden collapse of dollar dominance, but rather the emergence of a more fragmented and regionally differentiated financial architecture.

Executive Summary

The international monetary system is currently navigating a period of gradual but significant structural transformation. While the United States dollar remains the undisputed dominant currency for global reserves and financial transactions, a convergence of geopolitical tensions, technological innovation in payment systems, and strategic diversification by emerging economies is encouraging the development of alternative monetary infrastructures. These developments have intensified long-standing debates regarding whether the international financial system may eventually pivot away from its reliance on the dollar. This report evaluates the economic, technological, and geopolitical forces shaping currency competition and argues that the most plausible long-term outcome is not a sudden collapse of dollar dominance, but rather the emergence of a more fragmented and regionally differentiated financial architecture. By 2050, the global monetary system is likely to remain dollar-centred but will become increasingly multipolar, defined by parallel settlement systems and a greater role for regional currencies and digital payment technologies.

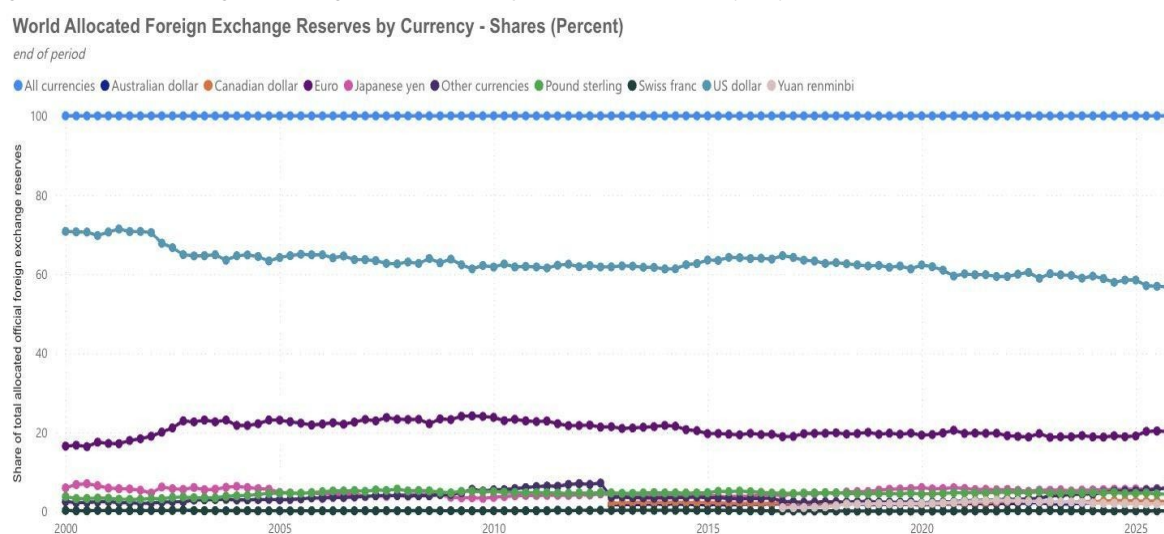
Historical Foundations and the Persistence of Monetary Dominance

The current hegemony of the US dollar is rooted in the institutional and geopolitical frameworks established in the wake of the Second World War. The Bretton Woods agreement of 1944 positioned the dollar as the anchor of the international monetary system, a role that was initially reinforced by the currency's convertibility to gold. Although this specific regime ended in 1971, the structural advantages underpinning US leadership persisted. Eichengreen (2011) describes this as an 'exorbitant privilege' where the US benefits from being able to borrow in its own currency while providing the world's primary reserve asset. Deep and liquid financial markets, institutional credibility, and global geopolitical influence are the three reinforcing pillars that continue to sustain this role.

The US possesses the largest and most liquid government bond market in the world, with US Treasury securities serving as the primary safe asset for global investors and central banks. The scale of these markets provides a reliable store of value that is difficult for alternative currencies to replicate. Furthermore, the US benefits from strong rule-of-law protections and a stable regulatory environment, which instill confidence in the long-term stability of the currency. These factors create powerful network effects because global trade and financial contracts are already denominated in dollars, the costs of switching to alternative infrastructures remain substantial (Gopinath, 2015). Evidence from the Bank for International Settlements (2022) confirms this persistence, noting that the dollar is involved in roughly 89% of global foreign-exchange transactions (Bank for International Settlements, 2022). While the IMF (2024) notes that the dollar's share of global reserves has declined from approximately 70% in 2000 to roughly 58% today, this shift has been gradual and has largely benefited a range of non-traditional reserve currencies rather than a single direct competitor (International Monetary Fund, 2024).

Recent data reinforces the persistence of dollar dominance across multiple dimensions of the global financial system. According to the International Monetary Fund's COFER database, the US dollar continues to account for approximately 56-58% of global foreign exchange reserves, a decline from earlier decades but still significantly ahead of any competitor. The Bank for International Settlements reports that the dollar is involved in nearly 89% of all foreign exchange transactions, underlining its central role in global liquidity provision. Beyond reserves and trading, the dollar also dominates international debt markets and trade invoicing, particularly in commodities such as oil, which remain overwhelmingly priced in dollars regardless of the trading partners involved (Gopinath, 2015; International Monetary Fund, 2024). This broad-based dominance highlights a critical point that the dollar's role is not confined to one function but spans reserves, transactions, and financial intermediation simultaneously, making displacement structurally difficult. This gradual and broad-based diversification is illustrated in Figure 1.

Figure 1: Global Foreign Exchange Reserve Composition, 2000-2025 (IMF)



The US dollar remains the dominant global reserve currency, although its share has gradually declined over time, reflecting diversification into a broader set of currencies rather than the rise of a single alternative (International Monetary Fund, 2024). As shown in Figure 1, the dollar's share of global reserves has declined gradually rather than abruptly, while the absence of a clear successor currency reinforces the argument that the system is evolving through diversification rather than displacement.

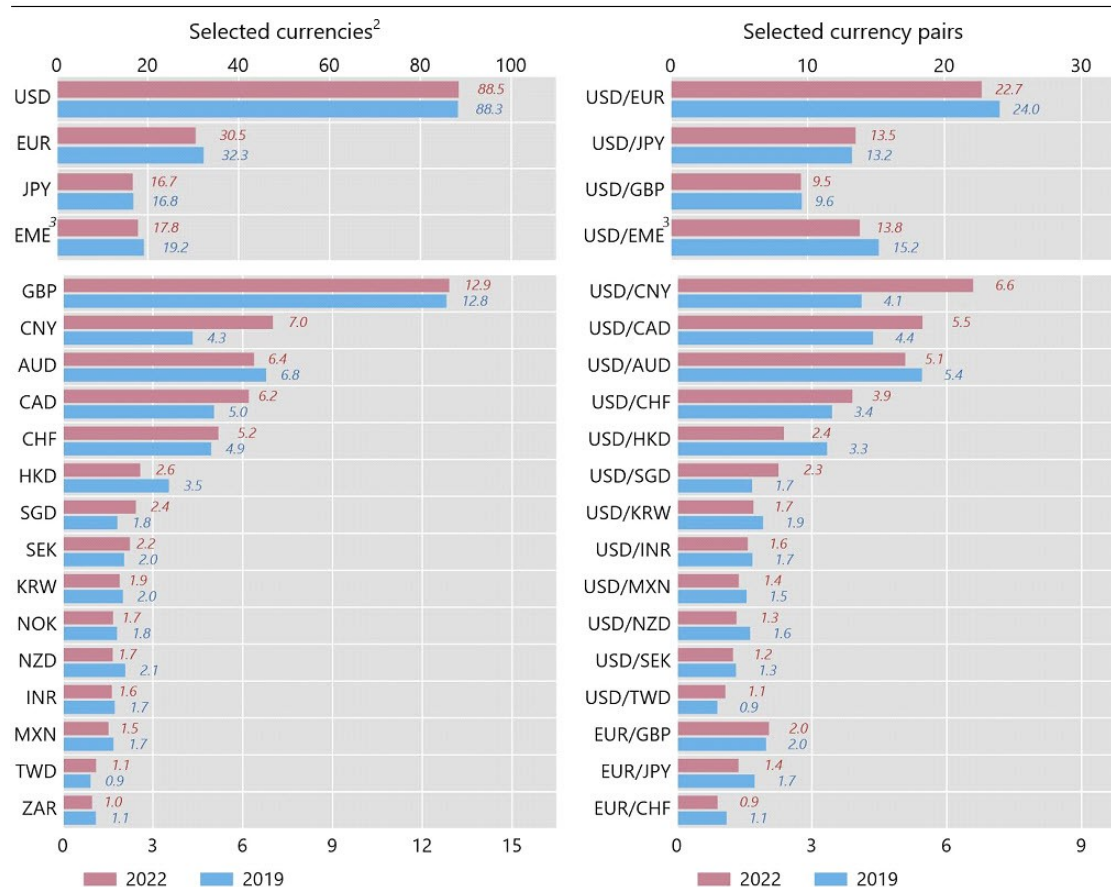
The Global Architecture of International Payments

The structural centrality of the dollar in global finance is not only reflected in reserve holdings, but also in its dominance in global currency markets. This is illustrated in Figure 2.

Foreign exchange market turnover by currency and currency pairs¹

Net-net basis, daily averages in April, as a percentage of total turnover

Graph 4



¹ Adjusted for local and cross-border inter-dealer double-counting, ie "net-net" basis. ² As two currencies are involved in each transaction, the sum of shares in individual currencies will total 200%. ³ Emerging market economy currencies excluding the Chinese renminbi and Russian rouble: AED, ARS, BGN, BHD, BRL, CLP, COP, CZK, HKD, HUF, IDR, ILS, INR, KRW, MXN, MYR, PEN, PHP, PLN, RON, SAR, SGD, THB, TRY, TWD and ZAR.

Source: BIS Triennial Central Bank Survey. For additional data by currency and currency pairs, see Tables 4 and 5. See our [Statistics Explorer](#) for access to the full set of published data.

Figure 2: Currency Distribution of Global Foreign Exchange Market Turnover The US dollar is involved in nearly 90% of global foreign exchange transactions, highlighting its central role in global liquidity provision (Bank for International Settlements, 2022). As shown in Figure 2, the dollar's dominance extends beyond reserves into the core functioning of global financial markets, reinforcing its central role in cross-border payments and liquidity provision.

Understanding potential shifts in the monetary system requires a detailed examination of the infrastructure facilitating cross-border payments. Most transactions currently rely on correspondent banking networks, where banks maintain accounts with one another in major financial centers to pass instructions through intermediaries. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) serves as the primary messaging system for these instructions, connecting over 11,000 financial institutions globally (SWIFT, 2024). While SWIFT does not move money itself, it provides the essential communication layer for banks to settle transactions.

Actual settlement often occurs through US-based systems like CHIPS or Fedwire because many international payments are denominated in dollars. Consequently, a significant portion of global

financial activity passes through US infrastructure even when the transacting parties are located outside the United States. This structural dependence reinforces the dollar's central role, as alternative systems must not only create messaging protocols but also provide the underlying liquidity and clearing capacity that the US currently offers. As Prasad (2021) notes, the digital revolution is transforming these processes, but the institutional weight of existing networks remains a formidable barrier to entry for new competitors (Prasad, 2021).

A key limitation in debates surrounding currency competition is the tendency to focus on currencies themselves rather than the infrastructures through which they operate. The dominance of the dollar reflects not only its widespread use as a medium of exchange, but its deep integration into the institutional architecture of global finance. This infrastructural centrality creates a form of power that is significantly more difficult to replicate than currency usage alone. Even where alternative currencies gain traction in specific contexts, they often continue to rely on elements of the existing system, such as SWIFT messaging or dollar-based clearing networks. Consequently, any meaningful shift in the international monetary system would require not only a change in currency preferences but a transformation of the underlying financial infrastructure, a process that is inherently slow and complex. However, it is important to note that infrastructures such as SWIFT are not inherently tied to the dollar itself. In principle, these systems could continue to operate under alternative currency configurations, facilitating transactions in euros, renminbi, or other currencies. The persistence of dollar dominance therefore reflects not only infrastructural centrality, but also the continued preference for dollar-denominated liquidity, assets, and financial contracts.

Geopolitical Tensions and the 'Weaponisation' of Finance

In recent years, geopolitical tensions have introduced political considerations into financial infrastructure previously perceived as neutral. Economic sanctions have increasingly focused on controlling payment networks and reserve assets. The freezing of Russian central bank reserves in 2022 and the removal of major Russian banks from SWIFT demonstrated the strategic power inherent in global financial infrastructure. These actions have prompted several governments to explore ways to reduce their dependence on Western-dominated systems and diversify their financial relationships to mitigate 'sanction risk'.

Strategic rivalry between the United States and China has also extended into financial technology and global standards. China has promoted alternative systems such as the Cross-Border Interbank Payment System (CIPS) to facilitate the international use of the renminbi. While CIPS is growing, Zhang and Chen (2023) highlight that it currently functions more as a supplementary infrastructure than a total replacement, as a large portion of its transactions still rely on SWIFT for messaging. The potential for a 'bifurcated' global financial system, one centered on the dollar and another on the renminbi, is a subject of intense academic and policy debate. Tooze (2018) observes that the legacy of the 2008 financial crisis already strained the global consensus on dollar-centric stability, and current geopolitical fragmentation is accelerating these fissures (International Monetary Fund, 2023).

Digital Innovation: CBDCs and the New Settlement Frontier

Technological innovation, particularly in Central Bank Digital Currencies (CBDCs), represents the most significant potential shift in how international payments are settled. CBDCs are digital versions of sovereign currencies issued directly by central banks, designed to improve settlement speed and reduce transaction costs. Beyond China's e-CNY, the European Central Bank (2023) is investigating a digital euro, and the Bank for International Settlements (2024) is coordinating cross-border settlement experiments like Project mBridge. These technologies could theoretically allow for 'atomic settlement', the near-instantaneous exchange of assets, without relying on traditional correspondent banking networks. If successful, multi-CBDC platforms could bypass the need for a single dominant

vehicle currency like the dollar for certain trade corridors. However, significant technological, regulatory, and interoperability challenges remain. As the BIS (2023) points out, the ‘unbundling’ of money and its traditional functions through digital means does not automatically translate into the displacement of the dollar’s role as a store of value. Digital innovations are more likely to coexist as alternative settlement mechanisms within a more complex, layered financial system rather than providing a singular replacement for the dollar.

The BRICS Bloc and the Limits of Monetary Cooperation

Discussions regarding a shared BRICS currency have gained political visibility, driven by a desire among emerging economies to reduce dollar reliance. However, such proposals face immense structural obstacles. Cohen (2015) argues that currency power is derived not just from economic size but from the quality of institutions and the ability to provide a ‘safe haven’ during crises. The BRICS nations differ significantly in their exchange-rate regimes, capital-control frameworks, and inflation histories. A successful international reserve currency requires deep financial markets and a vast supply of safe assets, criteria currently met only by the United States and, to a lesser extent, the Eurozone. Because of these constraints, a unified BRICS currency is unlikely in the medium term. Instead, cooperation is focusing on more realistic, incremental developments. This includes the increased use of local currencies in bilateral trade, the expansion of financing through the New Development Bank, and greater coordination between national payment systems. These efforts contribute to a more multipolar landscape but do not fundamentally challenge the dollar’s role as the primary global safe asset. The IMF (2023) suggests that while these regional initiatives are significant, they often complement rather than replace the broader global financial architecture (Eichengreen, Mehl and Chitu, 2018).

De-dollarisation: Limits and Misconceptions

The concept of ‘de-dollarisation’ has gained increasing prominence in both policy and academic debates in recent years. Despite increasing political rhetoric surrounding ‘de-dollarisation’, the concept often overstates the scale and speed of structural change within the international monetary system. While some countries have sought to reduce exposure to dollar-based systems, this has not translated into a systemic shift away from dollar usage. In practice, the dollar remains deeply embedded in global trade invoicing, financial contracts, and debt markets. Even economies advocating diversification, including China, continue to hold substantial dollar-denominated assets, reflecting the absence of viable alternatives at scale. Structural constraints further limit transition that competing currencies lack the liquidity, institutional credibility, and convertibility required to function as global safe assets. As a result, current trends are better understood as diversification within a dollar-centred system rather than a coherent move toward its replacement. The persistence of these structural barriers suggests that de-dollarisation is likely to remain partial, uneven, and politically driven rather than economically transformative. Even in the absence of a direct replacement, a gradual dilution of dollar usage could still have meaningful implications for global financial stability, particularly by reducing the efficiency of unified liquidity networks and increasing transaction costs across fragmented systems.

Macroeconomic Implications of Dollar Centrality

The dollar’s role as the global unit of account provides the United States with significant macroeconomic advantages, but it also creates vulnerabilities for the global economy. When the Federal Reserve adjusts interest rates, the effects are felt globally through changes in the cost of dollar-denominated debt and shifts in exchange rates. This ‘Global Financial Cycle’ means that many countries must align their domestic monetary policies with US conditions to maintain financial stability (Rey, 2013). Furthermore, the prevalence of dollar invoicing in international trade means that fluctuations in the dollar’s value have a disproportionate impact on global trade volumes and inflation.

Amiti, Redding, and Weinstein (2019) have shown how trade disruptions and policy uncertainty can lead to higher prices and reduced welfare, highlighting the risks inherent in a highly centralised system. As other economies grow and develop more sophisticated financial markets, the pressure to move toward a system that is less sensitive to US domestic policy is likely to increase.

Economic Consequences of Monetary Fragmentation

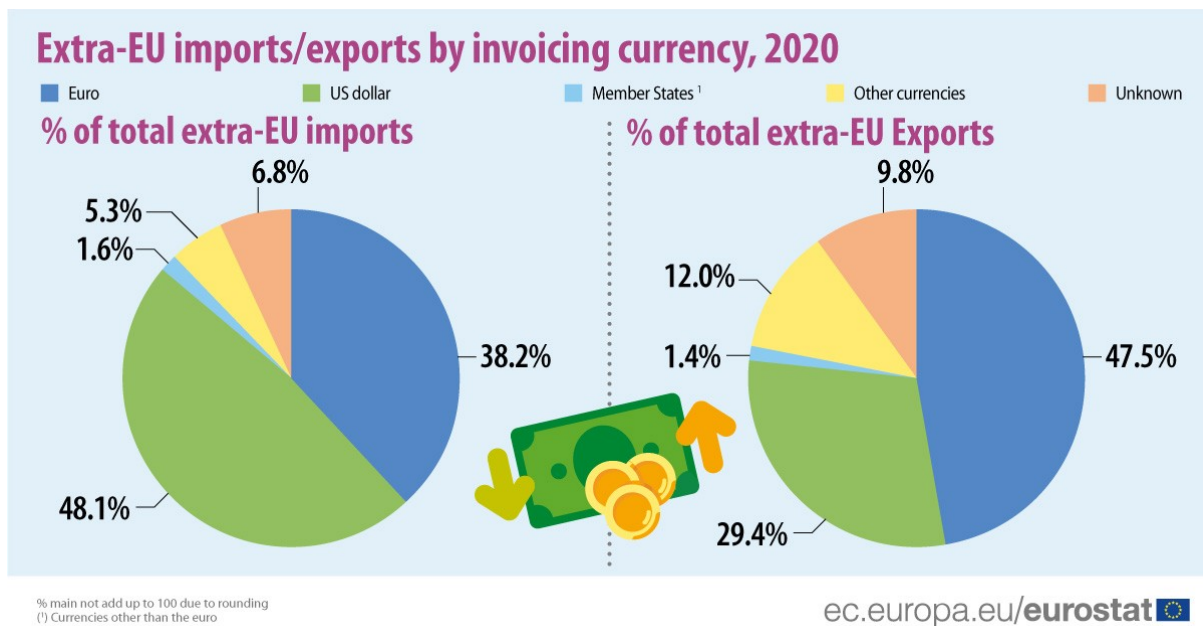
The trend toward a 'layered' monetary system, where alternative networks like CIPS or Russia's SPFS coexist with SWIFT, suggests a future of fragmentation. While this may increase resilience for specific nations by providing alternatives during geopolitical conflicts, it also carries economic costs. Segmented payment systems likely lead to higher transaction costs, as financial institutions may need to hold liquidity in multiple currencies and maintain access to various infrastructures. This duplication of effort increases operational burdens for both banks and multinational corporations. At the same time, large financial institutions may act as a stabilising force against excessive fragmentation. As segmentation increases operational complexity and cost, banks and multinational firms have strong incentives to preserve interoperability across payment systems, thereby reinforcing elements of the existing global financial architecture. Furthermore, fragmentation could lead to greater exchange-rate volatility and the regionalisation of capital flows. Investment patterns may increasingly align with geopolitical partnerships rather than purely economic considerations. The IMF (2024) warns that such fragmentation could reduce global economic growth by hindering the efficient allocation of capital across borders. The challenge for policymakers in the coming decades will be to manage these pressures while maintaining the benefits of a relatively integrated global financial system.

Recent developments provide concrete examples of how monetary fragmentation is unfolding in practice. Following the imposition of Western sanctions in 2022, Russia significantly increased its use of alternative currencies, particularly the Chinese renminbi, in trade settlements, while expanding reliance on domestic financial infrastructure such as SPFS. China, for its part, has promoted renminbi usage through bilateral agreements and initiatives linked to the Belt and Road Initiative, including limited experiments with yuan-denominated energy transactions. India has also explored rupee-based trade settlement mechanisms, particularly in transactions with sanctioned economies, reflecting a broader trend toward local-currency experimentation. Meanwhile, the European Union has renewed efforts to strengthen the international role of the euro, particularly in response to geopolitical vulnerabilities exposed by the Ukraine war. These cases illustrate that while alternative mechanisms are expanding, they remain regionally concentrated and function primarily as supplements rather than substitutes for the dollar-based system.

The Euro and the Renminbi: Regional Leaders or Global Contenders?

For a currency to challenge the dollar's global role, it must offer a comparable level of liquidity, stability, and institutional backing. The Euro remains the second most important currency globally, benefiting from a large integrated economy and high-quality institutions. However, the lack of a single unified safe asset, equivalent to the US Treasury bond, limits its ability to fully compete as a global reserve currency. The European Central Bank's work on the digital euro is partly aimed at bolstering the currency's international role in a digital age. The Renminbi's rise is driven by China's dominant role in global trade and the government's efforts to internationalise the currency. While its use in trade settlement is growing, its role as a reserve asset and financial currency is constrained by China's capital controls and less transparent financial markets. As Eichengreen, Mehl, and Chifu (2018) observe, the transition to a multipolar system is often slow and dependent on the willingness of the challenging nation to provide the necessary global public goods, such as open capital accounts.

Figure 3: Currency composition of trade invoicing illustrates the coexistence of regional currencies alongside continued dollar dominance (Eurostat, 2020).



Scenarios for 2050: A Multipolar Future

As the global monetary system evolves toward 2050, three primary scenarios emerge. The first is continued dollar centrality, where persistent network effects and unmatched market depth keep the dollar dominant despite the rise of digital and regional alternatives. In this scenario, the dollar remains the 'indispensable' currency, even if its relative share of transactions declines slightly. The second is a truly multipolar system where the euro and renminbi take on much larger roles in trade invoicing and reserve holdings, leading to a 'tripolar' arrangement. The third scenario involves the development of fragmented financial blocs with limited interoperability. This would represent a departure from the post-Cold War era of globalisation, with separate technological and regulatory standards governing Western and non-Western financial spheres. Current trends suggest a future that blends these scenarios into a system that remains anchored by the dollar for high-value finance and safe assets but is increasingly multipolar in trade settlement and technologically diversified through CBDCs and regional payment bridges.

Conclusion and Strategic Policy Implications

Predictions of an imminent dollar collapse often underestimate the structural foundations and network effects of the current system. Deep capital markets, strong legal institutions, and a history of transparency continue to support the dollar's central role. However, the period of 'uncontested' dominance is likely ending. Technological innovation and geopolitical competition are gradually reshaping the global financial infrastructure, providing nations with a broader range of available settlement mechanisms.

For the United States, maintaining the dollar's status will require a focus on institutional credibility, fiscal sustainability, and the strategic, rather than reflexive, application of financial sanctions. For the global community, the rise of alternative systems offers the promise of greater resilience but the risk of increased costs and reduced efficiency. By 2050, the global monetary system will likely be characterised by a complex balance: the dollar will remain the primary reserve currency, but it will operate within a much more diverse ecosystem of digital platforms and regional currencies, reflecting a world that is more economically multipolar and technologically advanced. The question is no longer whether the dollar will remain dominant, but how far fragmentation can proceed without undermining the efficiency of the global financial system itself.

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