

CCMR STAFF REPORT: BENEFITS OF THE U.S. DOLLAR AS THE INTERNATIONAL CURRENCY



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Introduction

This staff report by the Committee on Capital Markets Regulation (“CCMR”)¹ describes the current role of the U.S. dollar as the dominant international currency of choice, including public and private roles. We then describe the major benefits to the United States from the role of the U.S. dollar as the dominant international currency in global financial markets, including macroeconomic, financial and geopolitical benefits. Given these substantial advantages, U.S. policymakers should consider the importance of the dollar’s preeminent international role when designing and implementing economic policy.

Part I: What is an International Currency? Global Reserves and Beyond

The U.S. dollar is widely described as the global reserve currency, reflecting its outsized role in official foreign exchange holdings around the world. As of the second quarter of 2025, the dollar represented nearly 58% of global foreign exchange reserves.² Yet while the dollar’s use in central bank reserve holdings is a critical aspect of its global role, the dollar’s preeminence as an international currency encompasses a broader set of functions beyond central bank reserves that provide important benefits to the United States beyond the dollar’s reserve currency status. For example, the U.S. dollar is also used by private sector firms and financial institutions in cross-border trade and financial transactions on a global scale. Thus, beyond the narrower notion of a “reserve currency,” the designation of the dollar as the “international currency,” generally refers to its use in performing the traditional functions of money beyond U.S. domestic borders, which includes roles in both the public and private sectors.³ Importantly, the dollar’s role as a reserve currency along with its private sector usage are mutually reinforcing.

The role of the dollar as an international currency can generally be grouped into either (i) official public sector roles or (ii) private market roles. Official public sector roles entail the dollar’s use as a central bank reserve currency, an anchor or peg currency for exchange rates, and an intervention currency in official foreign exchange operations. Private market roles include its use as a denomination currency for financial transactions, an invoicing currency in global trade, a vehicle currency in foreign exchange markets, and a global investment currency. The dollar serves as the dominant international currency with respect to each of these several functions.

¹ CCMR staff reports represent the work and views of CCMR staff and do not necessarily represent the views of CCMR members. This CCMR staff report was co-authored by Jeffrey A. Frankel, James W. Harpel Professor of Capital Formation and Growth, Harvard Kennedy School.

² Exchange-rate adjusted.

INTERNATIONAL MONETARY FUND [“IMF”], *Data Brief: Currency Composition of Official Foreign Exchange Reserves* (Oct. 2, 2025), <https://data.imf.org/en/news/october%201%202025%20cofer>.

³ See e.g., Alan S. Blinder, *The Role of the Dollar as an International Currency*, FEDERAL RESERVE BANK OF DALLAS (Sept. 14, 1995), <https://fraser.stlouisfed.org/title/statements-speeches-alan-s-blinder-906/role-dollar-international-currency-35253>.

A. Public Sector Roles

International currencies, including the U.S. dollar, serve crucial functions for central banks and governments globally.

Reserve currency. The most discussed official role of an international currency is its functioning as a central bank reserve currency. Central banks hold international currencies as part of their foreign exchange reserves, which represent the stock of liquid assets available to the central bank and government for official purposes. While the motives for holding foreign exchange reserves vary and change over time,⁴ they generally include (i) precautionary motives, whereby reserves are held as emergency liquidity to buffer against external shocks (e.g., sudden stops to capital inflows),⁵ (ii) mercantilist motives, whereby reserves are accumulated to resist currency appreciation, thereby promoting trade competitiveness,⁶ (iii) confidence motives, whereby large reserve holdings can bolster confidence in a country’s domestic currency,⁷ or (iv) diversification motives, whereby reserves can be used to diversify national balance sheets.⁸

As previously noted, according to the IMF’s 2025 data on foreign exchange reserves, the U.S. dollar accounts for roughly 58% of disclosed global reserves, compared to 20% for the euro and smaller shares for the yen, sterling, and renminbi.⁹ The IMF data only shows total reserves at the currency level and not a breakdown of the currency composition by instrument (e.g., U.S. Treasuries). However, the Federal Reserve notes that the “bulk of official U.S. dollar reserves are held in the form of U.S. Treasury Securities.”¹⁰ It is also important to note that the IMF data is merely an estimate of global reserve holdings, given that disclosure to the IMF by global monetary authorities is voluntary.¹¹

Anchor or peg currency. International currencies also operate as *anchor or peg currencies* for smaller economies. Many countries maintain exchange rate pegs, whereby the country’s currency is valued at a fixed exchange rate relative to the currency of another country (“peg”). This is often

⁴ See e.g. Liva Chitu, Joaquim Gomes, and Rolf Pauli, *Trends in Central Banks’ Foreign Currency Reserves and the Case of the ECB*, EUROPEAN CENTRAL BANK [“ECB”] ECONOMIC BULLETIN (Jul. 2019), https://www.ecb.europa.eu/press/economic-bulletin/articles/2019/html/ecb.ebart201907_01~c2ae75e217.en.html; see also Kathryn M.E. Dominguez, Yuko Hashimoto, and Takatoshi Ito, *International Reserves and the Global Financial Crisis*, 88(2) JOURNAL OF INTERNATIONAL ECONOMICS 388 (2012) [noting the large body of academic literature exploring the various motivations for foreign exchange interventions].

⁵ See e.g., Joshua Aizenman and Jaewoo Lee, *International Reserves: Precautionary versus Mercantilist Views, Theory and Evidence*, 18(2) OPEN ECONOMIES REVIEW 191 (2007).

⁶ *Id.*; see also e.g., Michael P. Dooley, David Folkerts-Landau and Peter Garber, *An Essay on the Revived Bretton Woods System*, NBER Working Paper (2003), <https://www.nber.org/papers/w9971>.

⁷ See e.g., Chitu, Gomes, and Pauli, *supra* note 4.

⁸ *Id.*

⁹ Exchange-rate adjusted.

IMF, *supra* note 2.

¹⁰ Carol Bertaut, Bastian von Beschwitz, and Stephanie Curcuru, *The International Role of the U.S. Dollar – 2025 Edition*, FEDS NOTES (Jul. 18, 2025), <https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html>.

¹¹ See Notes in IMF, *supra* note 2.

employed for the purpose of stabilizing the exchange rate, promoting trade and investment confidence, and managing inflation.

The specific nature of a currency anchor (i.e., peg) can range along a broad spectrum of exchange rate arrangements by monetary authorities. The IMF classifies “exchange rate anchors” as cases in which a monetary authority buys or sells foreign currency to maintain an exchange rate at a fixed level or within a range.¹² The most narrow currency anchor is a “hard peg,” constituting cases in which a country has no separate legal tender but rather utilizes the currency of another country as the sole legal tender.¹³ Hard pegs also entail exchange rate arrangements in which a country enacts explicit legislation with a commitment to exchange domestic currency for a specific foreign currency at a fixed exchange rate.¹⁴ The IMF also recognizes “soft pegs,” which generally entail exchange rate arrangements in which a currency is formally pegged to another currency but with a higher degree of flexibility that allows the exchange rate to fluctuate within a narrow range. Overall, according to the IMF (2024), the U.S. dollar is the most common currency used as an exchange rate anchor, serving as the anchor currency for 38 countries (15 hard pegs and 23 soft pegs) among the 190 IMF member countries and territories.¹⁵

A study by Ilzetzi, Reinhart, and Rogoff (2022) employs an algorithm for classifying currency anchors beyond the IMF classifications.¹⁶ Under their methodology, which includes currencies with both explicit pegs (similar to those identified by the IMF) as well as those with prices that move in step with the U.S. dollar even absent a formal arrangement, half of the world’s currencies are anchored to the dollar.¹⁷

Intervention currency. A closely related but conceptually distinct role from that of a reserve currency is an intervention currency, which reflects the operational use of a currency in foreign exchange markets.¹⁸ Central banks intervene by buying or selling a dominant international currency to influence their exchange rate or manage exchange rate volatility.¹⁹ While reserve currencies often fulfill this function, the reserve and intervention roles are analytically distinct and highlight the difference between balance-sheet holdings (reserves) and operational use (intervention). Historically the distinction has mattered, as the sterling accounted for a large share

¹² IMF, *Annual Report on Exchange Arrangements and Exchange Restrictions 2023* (Dec. 19, 2024), <https://www.imf.org/en/publications/annual-report-on-exchange-arrangements-and-exchange-restrictions/issues/2024/12/19/annual-report-on-exchange-arrangements-and-exchange-restrictions-2023-541890>.

¹³ *Id.*

¹⁴ *Id.* [the IMF classifies this type of arrangement as a “currency board”].

¹⁵ *Id.* at Table 4.

¹⁶ Ethan Ilzetzi, Carmen M. Reinhart, and Kenneth S. Rogoff, *Rethinking Exchange Rate Regimes*, HANDBOOK OF INTERNATIONAL ECONOMICS 6, ed. Gita Gopinath, Elhanan Helpman, and Kenneth S. Rogoff, 91-145 (2022).

¹⁷ *Id.* [including currencies with explicit pegs as well as those that move less than 2 percent against the dollar eighty percent of the time]; see also Bertaut, von Beschwitz and Curcuro, *supra* note 10.

¹⁸ Paul Krugman, *The International Role of the Dollar: Theory and Prospect*, EXCHANGE RATE THEORY AND PRACTICE, ed. John Bilson and Richard Marston, 261-278 (1984).

¹⁹ See e.g. BANK FOR INTERNATIONAL SETTLEMENTS [“BIS”] Markets Committee Paper, *FX Interventions* (May 17, 2022), https://www.bis.org/publ/mc_insights_fxinterventions.htm.

of global reserves in the 1950s and 1960s, but the dollar was the primary currency used in central bank interventions, given its superior liquidity.²⁰

In practice, intervention is now overwhelmingly conducted in dollars because of the unrivaled depth and liquidity of dollar markets. During crises, coordinated central bank interventions—such as the dollar swap lines extended by the Federal Reserve during 2008 and again in 2020—underscore the preeminence of the dollar as the global intervention currency.²¹

B. Private Market Roles

Denominating financial transactions. A core private-sector role of an international currency is denominating cross-border financial transactions. International loans, bonds, and other securities are often issued in a widely used common currency to reduce currency risks and transaction costs, while also enhancing secondary market liquidity and attracting a broader base of investors. Importantly, once a critical mass of borrowers and investors coordinates on a particular currency, network externalities come into play and reinforce its continued use, as switching from the established currency becomes costly. Thus, denominating financial transactions is one of the most persistent private-sector roles of an international currency.²²

The U.S. dollar overwhelmingly dominates the denomination of international financial transactions. According to the Federal Reserve, approximately 55% of cross-border debt securities and loans and 60% of cross-border deposit liabilities are denominated in U.S. dollars.²³ In addition, approximately 60% of foreign currency debt, which is debt issued in a currency other than the issuer's home currency, is denominated in U.S. dollars.²⁴

Invoicing trade. Another key private-sector function of an international currency is serving as the invoicing unit for global trade. Exporters and importers often choose to denominate trade contracts in a widely used currency, even when neither party is located in the issuing country. This practice reduces transaction costs, since trade counterparties only need to exchange their domestic currency for dollars rather than a more thinly traded currency pair that likely entails higher costs. It also facilitates price comparability across markets and mitigates exchange rate risk by anchoring prices in a stable currency. Like financial denomination, strong network externalities apply, as once a critical share of international trade is invoiced in a particular currency, counterparties have a strong

²⁰ See e.g., Barry Eichengreen, Livia Chitu, and Arnaud Mehl, *Stability or Upheaval? The Currency Composition of International Reserves in the Long Run*, 64(2) IMF ECONOMIC REVIEW 354 (2016).

²¹ See e.g., Rohan Kekre and Moritz Lenel, *The High Frequency of Dollar Swap Lines*, 7(1) AMERICAN ECONOMIC REVIEW:INSIGHTS 107 (2025).

²² See Eichengreen, Chitu, and Mehl, *supra* note 20.

²³ Bertaut, von Beschwitz, and Curcuro, *supra* note 10.

²⁴ *Id.*

incentive to follow suit, reinforcing its dominance. Thus, the invoicing role of international currencies also tends to be highly persistent.²⁵

The U.S. dollar serves as the dominant invoicing currency in world trade. The most recent data from the IMF shows that the share of total global exports invoiced in dollars was 40% in 2023.²⁶ The U.S. share of international payments on SWIFT, which includes payments related to global trade, was approximately 47% in 2024, which is the highest level over the past 15 years.²⁷ SWIFT is a Belgium-based messaging system that facilitates secure communications between banks and financial institutions and is the leading interbank network for cross-border payments.²⁸ Finally, most commodities, including oil, metals and agricultural products, are priced in U.S. dollars.²⁹

Vehicle currency in foreign exchange. One of the most visible roles of an international currency is its use as a vehicle currency in foreign exchange markets. Instead of transacting directly between two thinly traded currencies, market participants typically route trades through a liquid intermediary. For example, a Brazilian importer purchasing Thai goods may first exchange Brazilian reais for U.S. dollars and then exchange those dollars for Thai baht, rather than exchanging reais for baht directly. This practice reflects the microstructure of foreign exchange markets in which liquidity is concentrated in certain dominant currencies, such as the U.S. dollar, which reduces bid-ask spreads and minimizes transaction costs.³⁰ The most recent data from the BIS shows the U.S. dollar represented in nearly 90% of global foreign exchange transactions, highlighting its dominance as the global vehicle currency in foreign exchange markets.³¹

Investment currency. Another important private-sector role of an international currency is to serve as an investment currency, serving as the currency in which cross-border assets are issued and held by private investors. Global portfolio managers, banks, and corporations prefer to invest in assets denominated in currencies that are liquid, backed by deep financial markets, and perceived as safe. The investment currency role is distinct from the denomination of trade or debt contracts, as it reflects the use of a currency as a store of value and medium for portfolio diversification in international financial markets. Currencies that can provide investors with access

²⁵ See e.g., Emine Boz et al., *Patterns of Invoicing Currency in Global Trade in a Fragmenting World Economy*, IMF Working Paper (Sep. 12, 2025), <https://www.imf.org/en/publications/wp/issues/2025/09/12/patterns-of-invoicing-currency-in-global-trade-in-a-fragmenting-world-economy-570297>.

²⁶ Anja Brüggem, Georgios Georgiadis, and Arnaud Mehl, *Global Trade Invoicing Patterns: New Insights and the Influence of Geopolitics*, ECB (Jun. 2025), https://www.ecb.europa.eu/press/other-publications/ire/article/html/ecb.ireart202506_02~a8e66f5ea3.en.html.

²⁷ Bertaut, von Beschwitz, and Curcuro, *supra* note 10, at Figure 8.

²⁸ Zennon Kapron, *How Swift is Staying Dominant in Cross-Border Payments*, FORBES (Mar. 7, 2024), <https://www.forbes.com/sites/zennonkapron/2024/03/07/how-swift-is-staying-dominant-in-cross-border-payments/>.

²⁹ See Daniel Rees, *Commodity Prices and the US Dollar*, BIS Working Paper (Mar. 15, 2023), <https://www.bis.org/publ/work1083.htm>.

³⁰ See Krugman, *supra* note 18; see also Richard K. Lyons and Michael J. Moore, *An Information Approach to International Currencies*, 79(2) JOURNAL OF INTERNATIONAL ECONOMICS 211 (2009).

³¹ BIS, *Triennial Central Bank Survey* (Sept. 30, 2025), https://www.bis.org/statistics/rpfx25_fx.htm.

to a broad range of high-quality, low-risk securities, supported by stable institutions and the rule of law, are more likely to emerge as leading investment currencies.³²

The U.S. dollar dominates this investment function, as the dollar is the predominant safe haven asset, particularly when investors are seeking to reduce the risk of their portfolios.³³ Moreover, as noted above, cross-border securities are predominantly denominated in dollars, while global commodity trading is also conducted in dollars, giving the dollar substantial global significance as a unit of account in investment portfolios in addition to its role as a safe asset (i.e., serving as a store of value). The dollar's preeminence as an investment currency reflects the unrivaled depth and liquidity of U.S. Treasury and corporate bond markets, as well as the global role of U.S. equity markets and the perception of U.S. assets as safe havens in times of stress.³⁴

³² Barry Eichengreen, Arnaud Mehl, and Livia Chitu, *How Global Currencies Work: Past, Present, and Future*, PRINCETON UNIVERSITY PRESS (Nov. 7, 2017).

³³ See e.g., Maurice Obstfeld and Haonan Zhou, *The Global Dollar Cycle*, NBER Working Paper (2023), <https://www.nber.org/papers/w31004>.

³⁴ See e.g., Ricardo J. Caballero, Emmanuel Farhi, and Pierre-Oliver Gourinchas, *The Safe Assets Shortage Conundrum*, 31(3) JOURNAL OF ECONOMIC PERSPECTIVES 29 (2017).

Part II: Benefits of the U.S. Dollar as the Dominant International Currency

The status of a currency as the dominant international currency confers a range of macroeconomic, financial, and geopolitical benefits on the issuing country. Thus, the preeminent position of the U.S. dollar in global finance magnifies these advantages for the United States. The benefits include macroeconomic benefits, as the U.S. government enjoys lower borrowing costs and seigniorage revenue; financial market benefits, as dollar-based markets attract global capital and support the development of deep, liquid securities markets; and geopolitical benefits, as control over the world's primary reserve and safe-haven asset enhances U.S. influence in international affairs. These benefits underscore the profound impact of issuing the world's dominant international currency. Importantly, these advantages are rooted in the public and private sector roles described above, with the dollar's role as the dominant reserve currency along with its role in private sector trade and financial transactions reinforcing its status as the linchpin of the global monetary system. Thus, U.S. policymakers should appropriately consider the advantages of the dollar's role internationally when enacting economic policy.

A. Macroeconomic Benefits

The international dominance of the U.S. dollar generates a range of macroeconomic benefits for the United States. These benefits include (i) lower borrowing costs for the U.S. government, (ii) seigniorage revenues, and (iii) lower transaction costs for U.S. firms and investors engaged in foreign trade.

Lower borrowing costs for the U.S. government. One of the most direct benefits of dollar dominance is the reduction in borrowing costs for the U.S. government. The demand for dollar-denominated assets, including U.S. Treasury securities, keeps yields on U.S. Treasuries below what they would be otherwise, i.e., absent the unique demand for dollar assets. This is known as the Treasury convenience yield. The Federal Reserve estimates the convenience yield to be 75 basis points as of the end of 2024.³⁵ The lower interest rates on Treasuries have saved the U.S. government approximately \$70 billion annually since 2020.³⁶

Seigniorage revenues. The U.S. government earns seigniorage revenues on its issuance of U.S. dollars, generally represented as the difference between the value of newly created money and its cost. The Fed pays no interest on currency, which is therefore issued with minimal costs (e.g., costs include the cost of printing physical currency) and is a liability on the Fed's balance sheet. The Fed is then able to invest in interest-bearing securities, including U.S. Treasuries that earn interest for the Fed. Thus, widespread holdings of the U.S. dollar as cash effectively provide the U.S. government with interest-free financing with respect to issued currency. The Federal Reserve

³⁵ BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, *Convenience Yield as a Driver of r^** , Accessible Data (Sept. 3, 2024), <https://www.federalreserve.gov/econres/notes/feds-notes/convenience-yield-as-a-driver-of-r-accessible-20240903.htm#fig1>.

³⁶ Viral Acharya, Toomas Laarits, and Robert Richmond, *RIP the Convenience Yield of US Treasuries*, FINANCIAL TIMES (Jun. 30, 2025), <https://www.ft.com/content/c2180890-f2c0-4240-9575-0348b9e3aa18>.

estimates that over \$1 trillion of U.S. banknotes, representing half of total dollar banknotes, were held by foreign investors in the first quarter of 2025.³⁷ Custinger and Luther (2022) estimate that foreign currency holdings generated monetary seigniorage revenues that averaged \$56 billion annually from 2012-2021.³⁸ Total seigniorage including domestic currency holdings averaged \$106 billion over the same period.³⁹

Lower transaction costs in foreign trade and investment. Dollar dominance reduces the cost of participating in international markets for U.S. firms and investors. Because much of world trade is invoiced in dollars, American exporters and importers avoid the exchange rate risks and transaction costs faced by firms in non-dollar economies. Similarly, U.S. investors can purchase foreign securities (e.g., foreign currency debt issued in U.S. dollars) or commodities (e.g., oil) without the added costs of hedging exchange rate exposures, since these contracts are often denominated in dollars. This advantage effectively lowers the cost of doing business internationally for U.S. firms, giving them a competitive edge relative to their foreign counterparts.⁴⁰ Overall, these costs can range from several basis points to a few percent per transaction.⁴¹ However, we have not found estimates of the aggregate costs savings to U.S. firms and investors that result from lower transaction costs.

B. Financial Market Benefits

Further benefits of the U.S. dollar's role as a dominant international currency center on the positive impact on U.S. financial markets. In particular, the United States benefits from increased competitiveness of its financial institutions and markets and higher investment returns.

Increased competitiveness of U.S. financial institutions and markets. Greater demand for dollars makes U.S. financial institutions more competitive internationally. For example, U.S. banks play a central role in clearing and settling U.S. dollar payments, giving U.S. banks preferential access to global correspondent banking relationships and allowing them to earn fees and maintain strategic control over global payment networks. And because U.S. banks can more easily access and intermediate dollar funding via wholesale markets, repos, and central bank facilities (e.g., the Fed's standing repo facility and dollar swap lines), U.S. banks have a cost-of-funding advantage over non-U.S. banks. U.S. banks often provide trade credit, project finance, and syndicated loans denominated in U.S. dollars, especially in emerging markets where the dollar dominates contract pricing. This increases their fee income and enhances their global client

³⁷ Bertaut, von Beschwitz, and Curcuru, *supra* note 10, at Figure 5.

³⁸ Bryan Custinger and William J. Luther, *Seigniorage Payments and the Federal Reserve's New Operating Regime*, AIER Sound Money Project Working Paper (Sept. 25, 2022), <https://ssrn.com/abstract=4086897> [monetary seigniorage is one of three ways to measure seigniorage as noted by the authors].

³⁹ *Id.*

⁴⁰ See e.g., Gita Gopinath, *The International Price System*, NBER Working Paper (2015), <https://www.nber.org/papers/w21646>.

⁴¹ Emine Boz, Gita Gopinath, and Mikkel Plagborg-Møller, *Dollar Invoicing and the Heterogeneity of Exchange Rate Pass-Through*, 109 AEA PAPERS AND PROCEEDINGS 527 (2019).

relationships. In financial services trade, the United States ran a \$130 billion trade surplus in 2024, highlighting the strength and global demand for services provided by U.S. financial institutions.⁴²

U.S. financial markets also benefit as dollar dominance helps support deep and liquid markets, which in turn attract issuers and investors, further reinforcing market liquidity. The U.S. fixed income market is the largest in the world with \$58 trillion of fixed income securities outstanding in 2024, representing 40% of the global aggregate.⁴³ In addition, foreign gross activity in U.S. securities, defined as total purchase and sales volume of securities, exceeded \$134 trillion in 2024.⁴⁴ Overall, the United States is home to the world's largest and most liquid markets, in part due to the dominance of the U.S. dollar as an international currency.

Positive returns. A further financial market benefit of the dollar's dominance is the positive returns U.S. investors earn on their international investment position. Because foreign investors demand safe, dollar-denominated assets such as U.S. Treasuries and bank deposits, U.S. borrowers (including the U.S. government) can issue liabilities at relatively low yields, as highlighted above, while at the same time hold higher-yielding foreign assets. The difference between the yields earned on foreign assets and the cost of holding U.S. liabilities represents a positive return differential earned by U.S. investors and financial institutions. A recent study by Federal Reserve economists estimates that between 2005 and 2022, the return differential for U.S. portfolios was approximately 50 basis points annually over the full period and 170 basis points annually if the pandemic years (2020-2022) are excluded.⁴⁵ This is because the return differential often shrinks significantly during times of crisis as U.S. investors reallocate capital from higher-yielding foreign assets into lower-yielding U.S. Treasuries, thus lowering the return differential.

C. Geopolitical Benefits

Beyond its macroeconomic and financial advantages, the dollar's position as the dominant international currency provides the United States with significant geopolitical leverage. Because global trade, finance, and reserves are so heavily dollar-denominated, access to the U.S. financial system and to dollar clearing is effectively a global necessity. This gives U.S. policymakers powerful foreign policy tools, allowing sanctions and financial restrictions to be enforced with far greater reach than would otherwise be possible. For example, U.S. dollar payments in global trade are primarily conducted through banks with accounts at the Federal Reserve. As a result, the U.S. government can cut off U.S. dollar transactions, significantly hampering the ability of blacklisted

⁴² Telis Demos, *How Long Will Big U.S. Banks Continue to Lead the World*, THE WALL STREET JOURNAL (Apr. 21, 2025), <https://www.wsj.com/finance/banking/us-banks-global-trade-war-jpmorgan-citigroup-c237d9d1>.

⁴³ SIFMA, *2025 Capital Markets Fact Book* at 10 (Jul. 2025), <https://www.sifma.org/wp-content/uploads/2024/07/2025-SIFMA-Capital-Markets-Factbook.pdf> (fixed income securities include U.S. Treasuries, corporate bonds, repos, mortgage-backed securities, asset-backed securities, federal agency securities, municipal bonds, money markets, SOFR swaps and ESG bonds).

⁴⁴ *Id.* at 32.

⁴⁵ Carol C. Bertaut et al., *New Evidence on the US Excess Return on Foreign Portfolios*, FEDERAL RESERVE BOARD OF GOVERNORS (Nov. 2024), <https://www.federalreserve.gov/econres/ifdp/files/ifdp1398.pdf>.

parties to conduct trade or otherwise engage in transfers of U.S. dollars.⁴⁶ The United States exercised this power in response to Russia's invasion of Ukraine, freezing Russian dollar assets and blocking dollar transactions.⁴⁷ At the same time, applying sanctions and related financial measures too broadly or unpredictably can weaken the confidence that underpins the dollar's international standing, thus necessitating precision in how these measures are deployed in order to preserve their long-term effectiveness.

Dollar dominance also reinforces U.S. security alliances, as countries that peg to the dollar or rely heavily on dollar liquidity often have incentives to maintain close ties with the United States. Moreover, the Federal Reserve's ability to extend swap lines in times of crisis, as during 2008 and 2020, strengthens U.S. influence by positioning it as the provider of last-resort global liquidity.⁴⁸ In this way, the dollar is not only an economic instrument but also a cornerstone of U.S. geopolitical power. From an economic perspective, while the swap lines are not designed to generate significant profits, they do earn the Fed above-market interest rates on currency swaps with minimal credit risk.⁴⁹ For example, during the 2020 COVID crisis, the Federal Reserve earned interest income of \$489 million from its central bank liquidity swaps.⁵⁰

⁴⁶ See e.g., Anshu Siripurapu and Noah Berman, *The Dollar: The World's Reserve Currency*, COUNCIL ON FOREIGN RELATIONS (Jul. 19, 2023), <https://www.cfr.org/backgroundunder/dollar-worlds-reserve-currency>.

⁴⁷ *Id.*

⁴⁸ See e.g., John Michael Casetta, *The Geopolitics of Swap Lines*, HARVARD KENNEDY SCHOOL M-RCBG Associate Working Paper No. 181 (Apr. 2022), <https://www.hks.harvard.edu/centers/mrcbg/publications/awp/awp181>.

⁴⁹ *Id.*

⁵⁰ KPMG, *Federal Reserve Banks Combined Statement of Operations* (Mar. 17, 2021), <https://www.federalreserve.gov/aboutthefed/files/combinedfinstmt2020.pdf>

Conclusion

The U.S. dollar remains firmly established as the dominant international currency across all major dimensions of global finance, encompassing both public and private domains. It serves as the principal currency for official reserves, exchange rate anchors, trade invoicing, cross-border lending and investment, and foreign exchange transactions. The dollar's preeminent global position reflects the unmatched depth, liquidity, and stability of U.S. financial markets and institutions, as well as enduring international confidence in U.S. monetary frameworks. Taken together, these factors reaffirm the dollar's role as the cornerstone of the international monetary system and the primary conduit for global capital flows and financial stability.

The dollar's preeminent international role provides the United States with substantial macroeconomic, financial, and geopolitical advantages. The U.S. government benefits from lower borrowing costs, seigniorage revenues, and enhanced strategic influence in foreign policy. The private sector also benefits from lower transaction costs and enhanced competitiveness of U.S. financial markets. Given these wide-ranging benefits, U.S. policymakers should consider the importance of preserving the dollar's global role when formulating economic policy.

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