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The presentation in FMM 2022 with the title **“Reducing the dollar hegemony – a new proposal for global monetary reform”** is based on my paper

“Old and new proposals for global monetary reform”, in print in Review of Keynesian Economics, Vol. 10 No. 4, Winter 2022, pp. 533–558

The emphasis at FMM will be on the new proposal.

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Abstract:

The post-Bretton Woods monetary system is characterised by the hegemony of the US dollar despite increasing features of a multi-currency system. There is no other currency in sight to succeed the dollar. Yet there are severe downsides that seem to increase on several fronts. The paper diagnoses five major challenges: exchange rates driven by non-fundamentals, current-account imbalances, a hierarchy of interest rates (including dependency from US monetary policy), commodity-price bonanzas, and lack of global liquidity in hard currency. Major reform proposals are reviewed, focusing on reforms of Special Drawing Rights on the one hand and on a new exchange-rate system on the other. Regarding the latter, a novel system is proposed, focused on the largest foreign-exchange market, the dollar–euro market. The proposal includes target zones, mutual interventions, and a Tobin tax on currency transactions. A precondition is strengthening the international role of the euro. The currency blocs on both sides of the North Atlantic could form a bloc of more than 80 countries. The new system of managed floating could later be extended by other reserve currencies. More exchange-rate stability around the globe would reduce the country risk premiums in the Global South and trigger other positive externalities.

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