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A European Strategy for a Global Euro

Shahin VALLEE

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I. Introduction

Chair Aurore Lalucq, Mister Rapporteur Rasmus Andresen and distinguished Members of the Committee: thank you for the opportunity to testify before the European Parliament on the international role of the euro and Europe's strategy to advance it. My testimony draws on research and policy analysis conducted at the German Council on Foreign Relations (DGAP) and on a career built at the intersection of international finance and international economic policy. The slides accompanying this testimony were prepared for the ECON committee and its deliberations.

My core argument is straightforward: the United States and China each operate with explicit, well-resourced strategies to advance the international role of their respective currencies — the dollar and the renminbi. Europe, by contrast, does not. Individual ECB speeches or blogposts[1] and Commission notes[2] are welcome, but they do not amount to a strategy. Filling this gap is now an urgent geopolitical and economic necessity for the European Union. Indeed, the current geopolitical moment exposes an opportunity and a need for Europe to move forward and to make the internationalisation of its currency the outcome of a clear plan rather than the result of luck or events outside of its control. There is indeed what increasingly emerges as a Kindelberger gap in the international monetary order, that is a gap between the geopolitcal importance and power of the hegemon and the place of the currency it issues in the international monetary order. In many ways, the moment is reminiscent of a time when the United Kingdom had lost its place as the global military hegemon but when the Pound Sterling remained the pivotal currency of the international monetary order. This gap closed after the failed Suez expedition in 1956, where the UK showed the limits of its global power, soon to be felt in the standing of its currency. I believe that the current US expedition in Iran and its inability to secure freedom of navigation in one of the most important maritime passage in the world will result in considerable loss of global power for the United States and eventually for the US dollar. This can create an opportunity for the Euro if Europe ceases the moment.

[1] ECB, "The International Role of the Euro," ECB blog post, June 17, 2025. URL: https://www.ecb.europa.eu/press/blog/date/2025/html/ecb.blog20250617~7de14a39c3.en.html
[2] European Commission, "Strengthening the International Role of the Euro," note for the Eurogroup, February 2026. URL: https://www.consilium.europa.eu/media/buspxaox/strengthening-the-international-role-of-the-euro-note-for-the-eurogroup.pdf

I will address five interconnected areas: (1) the strategic landscape for currency internationalization, (2) the ECB's swap line policy and its limitations, (3) the role of stablecoins and digital assets, (4) payment system architecture, and (5) European safe assets. I will conclude with concrete policy recommendations.

II. The Strategic Landscape: Dollar, Renminbi, and the Missing Euro Strategy

To understand what Europe lacks, it is instructive to examine what others are doing. Both the United States and China have developped coherent, multi-instrument frameworks for extending the international reach of their currencies. Europe has not.

The Dollar System Strategy

The Federal Reserve operates the world's largest bilateral currency swap network, providing dollar liquidity to major central banks globally. These arrangements serve a tripartite purpose: they support financial stability by addressing dollar shortages in moments of stress; they reinforce trade invoicing in dollars by making the currency ubiquitously available; and they function as instruments of geopolitical alignment, rewarding allies with privileged access to the world's reserve currency.

Beyond the Federal Reserve's institutional architecture, the United States has more recently moved to leverage the private sector — particularly the intersection of Wall Street and Silicon Valley — to extend dollar dominance into the digital economy. The GENIUS Act is designed to authorize the expansion of dollar-denominated stablecoin issuance to as much as two trillion dollars by 2030 according to some private sector estimates[3] (from currently USD 300bn). This represents a form of crypto-mercantilism[4]: harnessing decentralized financial technology to entrench the centrality of the dollar in global payment flows, while simultaneously maintaining a ban on a domestic central bank digital currency (CBDC). The logic is deliberate — let private dollar-denominated instruments expand the digital financial ecosystem, without the public accountability or risk that a sovereign CBDC would entail. This could operate in similar ways to the euro-dollar market in the late 1970s by expanding the international use of the Dollar and adding to the capitve global demand for US denominated safe assets. In addition, the United States also continues to rely on its dominant private payment rails — SWIFT, Visa, Mastercard, Fedwire — as force multipliers for dollar diplomacy, including through the imposition of secondary sanctions that compel third parties to conduct transactions in dollars or face exclusion from the dollar dominated global financial system. This has proven its efficacy on a number of ocassion, including most recently in defeating European attemps to safeguard the JCPOA in 2018[5].

The Chinese Renminbi Strategy

[3] Morgan Stanley Investment Management, “Modernizing Financial Infrastructure,” Institutional Investor Insights, 2025. URL: https://www.morganstanley.com/im/en-se/institutional-investor/insights/articles/modernizing-financial-infrastructure.html
[4] European Parliament Think Tank, “Crypto-Mercantilism and the Dollar: A Strategic Assessment,” ECTI Study 760274, 2025. URL: https://www.europarl.europa.eu/thinktank/en/document/ECTI_STU(2025)760274
[5] Royal United Services Institute, “Why Has Europe Stuck Behind the JCPOA?,” RUSI Commentary, 2019. URL: https://www.rusi.org/explore-our-research/publications/commentary/why-has-europe-stuck-behind-jcpoa

China's approach is architecturally opposite to that of the US but equally deliberate. The People's Bank of China (PBoC) has assembled a dense network of bilateral renminbi swap lines, now covering over forty central banks across Asia, Africa, Latin America, and Eastern Europe. The geopolitical logic is explicit: these swap lines create financial dependencies that encourage partner economies to invoice bilateral trade in renminbi and settle transactions through Chinese-controlled payment infrastructure.

China has long allowed offshore RMB to flourish in Hong Kong and to serve as a venue for international holders of RMB to invest internationally. This has showed its limits in 2015 when the Chinese government reintroduced tight capital controls but the existence of an onshore/offshore currency, like the US has a played an important role in RMB internationalisation.

China has also developed the Cross-Border Interbank Payment System (CIPS), a sovereign alternative to SWIFT that allows renminbi transactions to be processed entirely outside Western-controlled financial infrastructure. CIPS is increasingly significant within the BRICS framework, offering partner countries the ability to settle trade and investment flows in renminbi without exposure to the threat of dollar-based sanctions.

Complementing CIPS is China's central bank digital currency initiative — the digital yuan (e-CNY) — and its participation in the mBridge project, a multi-central-bank digital currency platform that enables cross-border settlement between China, Hong Kong, the UAE, and Thailand. This positions China as the global frontrunner in wholesale CBDC interoperability, with serious long-run implications for the architecture of international payments.

Europe's Strategic Vacuum

Against this background, Europe's position is striking in its passivity and lack of clear direction. The ECB and in particular its President has issued important speeches and studies on euro internationalization and has taken the lead in making this an issue of policy. The European Commission's note to the Eurogroup in February provides a useful inventory of relevant policy levers. The European Parliament's resolution on euro internationalization represents the first credible attempt to design a framework. Yet none of these individually — or collectively — constitutes a strategy.

A genuine strategy requires something more: a defined sense of priorities, an explicit allocation of policy instruments to objectives, clear choices between competing approaches (public versus private payment systems, official versus private money issuers, central bank swap lines versus liquidity facilities), and a governance structure that holds institutions accountable for delivering results. The European Union has none of these to date. This is not a peripheral failing. In an era of weaponized interdependence, the absence of a euro internationalization strategy is a strategic vulnerability.

III. ECB Swap Line Policy: Gaps, Ambiguities, and Missed Opportunities

The ECB's swap line policy is, at present, the most consequential single instrument in any future European strategy for a global euro — and it is also the one with the most immediate and rapid possible changes because

they rely on the one federal actor, which can act rapidly and decisively in accordance with its primary mandate and in support of the general policies of the EU (its secondary mandate). This second point is important because while an international reserve currency certainly makes the pursuit of low and stable inflation easier, it does not form part of its primary mandate per se. A key question here which has been sadly dismissed is whether the ECB should have a formal stability mandate in addition to its core price stability mandate. This could provide a stronger legal basis for action and may establish better cooperation principles and frameworks with the fiscal authorities in this realm.

The Scale of the Gap

The Federal Reserve's swap network is global in scope, covering the major financial centers and key geopolitical partners. The PBoC's network is denser still, with over forty counterparties. The ECB, by contrast, operates a small number of bilateral swap lines of limited size and with objectives that are neither clearly articulated nor consistently applied. The ECB's swap line with the People's Bank of China — worth €45 billion and expiring in October 2028 — took years of difficult negotiation to establish. Ukraine has no ECB swap line. The Baltic states had no swap line during the Global Financial Crisis and were eventually provided liquidity by the Riksbank rather than by the ECB. Euro-accession candidate countries, which are in the process of binding themselves legally and institutionally to the eurozone, are treated identically to unrelated third-party jurisdictions. This hardly makes for a coherent and consistent policy.

Liquidity Lines Versus Swap Lines

The ECB has chosen to substitute liquidity facilities for swap lines in most cases — an approach that gives the illusion of reducing risk to the ECB’s balance sheet but which introduces significant analytical confusion. The distinction matters enormously. A swap line is a reciprocal agreement: the partner central bank provides its own currency in exchange for euros, with a commitment to reverse the transaction at a predetermined exchange rate. It creates a genuine bilateral relationship and confers a reputational and political signal on both parties. A liquidity line, by contrast — such as the ECB's Eurosystem Repo Facility (EUREP), first established in 2020 and extended as EUREP 2.0 in 2026— is a unilateral instrument: the counterpart central bank posts eligible collateral in exchange for euros as a commercial bank would. It is more conservative, more conditional, and less politically significant.

The National Bank of Poland provides a useful case study in this ambiguity. During the Global Financial Crisis, Poland obtained a repo line — not a swap. During the 2008–2010 period, the Swiss National Bank and the ECB conducted CHF auctions but offered no euros. Poland eventually secured an IMF Flexible Credit Line (2009–2017), a pre-agreed liquidity line from the IMF, while the ECB itself would not grant such a swap line to Poland then. The ECB then granted a temporary repo line post-COVID (2020), and only conceded to a temporary swap line in March 2022 — and then only because it served as a conduit for euro support to Ukraine in the absence of a direct ECB-Ukraine swap line. The swap was then extended to 2024. This ad hoc, case-by-case approach is neither coherent nor efficient. It reflects the absence of a framework, not the considered application of one.

The ECB needs, as a matter of priority, to develop a more rigorous, transparent, and publicly articulated framework for when it uses swap lines versus liquidity facilities, how it calibrates size and duration, and how it distinguishes between EU member states, EU accession candidates, geopolitical partners, and the rest of the world. Importantly it needs to accept that swap lines do not create a meaningful balance sheet risk and that swap

line should not be considered an instrument only to be used ultima ratio but rather as a standard element of the toolbox that can help with financial stability, euro invoicing and provide more credibility to the euro as an international reserve currency.

Geopolitical and Institutional Reform

The ECB's swap line decisions are not, strictly speaking, conventional monetary policy decisions. They carry geopolitical weight, involve strategic trade-offs, and have deep economic consequences for partner countries as well as for the euro area. The range of partnerships is broad and may include countries that are pegged to the euro with an agreement for such an exchange rate arrangement like the CFA zones in Africa, or countries with deep financial or trade ties to the EU or countries that geostrategically key for the EU's economic and geostrategic interests. It is therefore appropriate for the Eurogroup and the European Council, not merely the ECB Governing Council, to provide political guidance on the strategic objectives and geographic priorities of the ECB's swap line program without prejudice to the ECB's operational independence of the swap programmes. Governance must catch up with the geostrategic stakes involved.

IV. Stablecoins: MiCA, the GENIUS Act, and the Limits of Crypto Internationalization

The stablecoin question sits at the intersection of monetary policy, financial regulation, and geopolitical strategy.

The US Crypto-Mercantilist Bet

The GENIUS Act represents a deliberate US legislative choice to harness private, dollar-denominated stablecoins as instruments of dollar internationalization. The underlying logic is that if large-scale stablecoin issuers — backed by US Treasuries and operating on decentralized ledgers — become the dominant medium of exchange in global remittances, digital commerce, and eventually wholesale financial settlement, the dollar wins without requiring a US government CBDC. This is a significant policy bet. It is also, as yet, only partially validated: stablecoin issuance has grown substantially in absolute terms but has barely moved since the GENIUS Act was signed, and remains far short of the two-trillion-dollar target projected by 2030.

Europe's Regulatory Framework: MiCA

Europe has responded with the Markets in Crypto-Assets Regulation (MiCA), which entered into force in 2023 and became fully applicable in 2024. MiCA establishes a comprehensive framework for crypto-asset issuers, including stablecoin providers, requiring authorization, reserve backing, and prudential oversight. It is among the world's most sophisticated regulatory frameworks for digital assets. It is not, however, a strategy for euro internationalization through stablecoins.

The reason is structural. Stablecoins face two fundamental economic problems that limit their potential as internationalization vehicles for the euro.

First, stablecoins are first and foremost a means of exchange for investors in cryptoassets. Some hope private-sector innovation could advance the euro's role. I am sceptical. USD stablecoins exist to access the US crypto ecosystem; demand for EUR stablecoins is likely to be modest, limited mainly to remittances. As such, it is hard to imagine euro stablecoins as a vehicle for genuine euro internationalisation.

Second, stablecoins issues in Europe could even siphon and channel european savings to USD stablecoins. Indeed, USD stablecoins issued in Europe raise a separate set of problems, illustrated by France's authorisation for Circle to issue USD stablecoins fungible with those issued in the US. Like the ECB, the ESRB and Richard Portes[6], I see this as an unnecessary risk to financial stability with no clear benefit. The specific risk is redemption arbitrage. Because MiCAR prohibits redemption fees in the EU, investors may run to the EU-based issuer first in a crisis — even if they bought tokens from a US affiliate — potentially overwhelming EU reserves. Reserves are also split across jurisdictions, and in a crisis, foreign authorities could ringfence their share, leaving EU issuers unable to meet redemptions. There is an ongoing regulatory dispute on which some Member of this Committee have spoken. The ECB and ESRB would like a clear ban. The Commission, along with the French authorities, has historically been more open to the model, to preserve Europe's competitiveness in crypto. In its latest legal opinion on financial infrastructure proposals[7], the ECB reiterated the case for interoperability, strict group-level supervision, and a centralised crypto supervisor in Europe.

My conclusion is simple: stablecoins offer limited potential for euro internationalization and should not be treated as a central pillar of any Global Euro strategy. European policy should instead clarify, explicitly and publicly, that private stablecoin issuance will not substitute public and sovereign euro instruments in the internationalization agenda.

V. Payment System Architecture: The Infrastructure of Monetary Power

Payment systems are rapidly becoming the critical infrastructure of geopolitical competition. The country or bloc that controls the rails of international financial settlement exercises substantial power over the global economy. This is now well understood in Frankfurt; has been the heart of the global RMB strategy in Beijing. It is insufficiently appreciated in Brussels.

The BRICS-CIPS Challenge

China's Cross-Border Interbank Payment System (CIPS) has grown steadily in reach and volume, and its significance within the BRICS framework has accelerated following successive rounds of Western sanctions against Russia. CIPS now provides a functional alternative to SWIFT for renminbi-denominated transactions, allowing a growing portion of China's trade to be settled outside dollar-based infrastructure. The institutional momentum behind de-dollarization within BRICS — driven partly by genuine preference and partly by sanction-avoidance is real.

The European Response: TIPS and the Digital Euro

Europe has taken steps to develop its own payment infrastructure. The Eurosystem's TARGET Instant Payment Settlement (TIPS) system is operational and provides real-time euro settlement across the eurozone. The ECB

[6] Portes, Richard, "Multi-Issuer Stablecoins: Threat to Financial Stability," VoxEU/CEPR, 2024. URL: https://cepr.org/voxeu/columns/multi-issuer-stablecoins-threat-financial-stability

[7] European Central Bank, "Legal Opinion on Financial Infrastructure Proposals," ECB/2026/13, March 2026. URL: https://www.ecb.europa.eu/pub/pdf/legal/ecb.leg_con_2026_13.en.pdf

is advancing the digital euro project (retail) under the Appia initiative and exploring wholesale digital euro solutions. The Pontes project addresses interoperability between European digital payment systems. These are meaningful initiatives.

However, Europe lags significantly behind China in the development of wholesale CBDC infrastructure with genuine international interoperability. China's mBridge platform — which connects the digital yuan to four other central bank digital currency systems — represents a tangible advance in creating a multi-central-bank digital settlement layer that bypasses traditional correspondent banking. An interoperable CBDC platform between the EU and China, or between the EU and other major monetary blocs, will be an important strategic challenge for European policymakers over the coming decade.

Quantum Computing and Cryptographic Integrity

A note of strategic caution: the cryptographic foundations of current digital payment systems and distributed ledger technologies (DLT) face a medium-term threat from advances in quantum computing. Cryptographic integrity is the essential precondition for trust in digital payment systems — without it, the fraud risks and potential for runs on crypto assets become severe. European payment infrastructure investment must incorporate quantum-resilient cryptographic standards from the outset, rather than retrofitting them to systems designed for pre-quantum threat environments.

VI. European Safe Assets: The Foundation of Reserve Currency Status

No currency achieves genuine international reserve status without an abundant supply of safe, liquid assets denominated in that currency. This is the foundational lesson of the dollar's dominance: the depth of the US Treasury market is inseparable from the dollar's role. Europe has not yet built the equivalent.

Fragmentation and the Liquidity Premium

European sovereign and quasi-sovereign issuance is presently scattered across a multiplicity of entities: the European Union itself (issuing under programs including BoP, EFSM, SAFE, SURE, and NGEU), the European Stability Mechanism (ESM), the European Investment Bank (EIB), and national sovereign issuers. This fragmentation has measurable costs. Academic research — including a recent working paper drawing on EU bond pricing data — demonstrates that EU bonds trade at a significant spread to German Bunds that is not explained by credit risk alone, but by their exclusion from major fixed-income indices, their limited investor base, and their greater sensitivity to adverse market conditions during periods of monetary tightening.

Interestingly, ESM debt has traded better than EU bonds in recent periods, reflecting market perceptions of stronger institutional guarantees — a pattern that underscores how governance structure, not just issuer size, drives the liquidity premium. The proliferation of programs creates additional uncertainty: investors cannot easily assess the relative priority, seniority, and permanence of obligations issued under different legal frameworks. This uncertainty itself exacts a cost.

Consolidation: The ESM Pathway

The path forward requires consolidation. The European Stability Mechanism has significant unused borrowing capacity. Bringing the ESM under Community law — essentially integrating it into the EU budget framework — would achieve multiple objectives simultaneously. It would improve the creditworthiness and perceived permanence of ESM obligations; it would expand the liquidity and depth of European safe asset issuance; and it would provide a clearer legal and institutional template for future joint financing operations.

The EU's loan facility to Ukraine under enhanced cooperation established a precedent for ESM-style borrowing within the EU legal framework. This instrument — which allows a subset of member states to proceed with integration in a specific domain without requiring unanimity — offers a constructive path around the persistent political obstacles to full ESM integration. Policymakers should examine whether the enhanced cooperation template could be applied more broadly to accelerate the consolidation of European official sector borrowing under one single issuer.

The goal is not merely fiscal union for its own sake. It is the creation of a genuine European safe asset — an instrument with the depth, liquidity, sovereign recognition, and index eligibility to serve as a genuine store of value and collateral for international investors, central banks, and sovereign wealth funds. Without such an asset, euro internationalization remains structurally constrained, regardless of how well Europe performs on the swap line and payment infrastructure dimensions.

VII. The Case for a Coherent European Strategy

The preceding analysis points to a common structural deficit: the absence of deliberate, coordinated, institutionally anchored European strategy. The ECB's swap line decisions are made without clear geopolitical guidance. Stablecoin regulation proceeds through MiCA without explicit integration into an internationalization framework. Payment infrastructure investment is fragmented across national and European initiatives. Safe asset issuance remains scattered with an uncertain future.

A genuine Euro internationalisation strategy would need to satisfy both form and substance requirements.

On Form

The President of the Eurogroup, the President of the European Commission, and the President of the ECB should jointly draft a single, coherent euro internationalization strategy. This document should be presented to the Committee on Economic and Monetary Affairs (ECON) of the European Parliament and sanctioned by the European Council by year end. The strategy should be subject to annual review, with the relevant institutions held accountable for delivery against defined milestones. The current situation — in which each institution advances its own agenda without effective coordination or mutual accountability — is not sustainable. It is important to remember that Article 219 of TFEU establishes a clear institutional framework for *cooperation* between the ECB and the ECOFIN for the exchange rate policy. The Commission should make it clear and sanctioned by the European Council that the euro’s internationalisation is a union priority. This would help the ECB expand its role in this domain as part of its secondary mandate.

On Substance

The strategy should be organized around four substantive pillars.

First, a significant expansion of the ECB's swap line network, guided by explicit criteria that differentiate EU member states, EU accession candidates, strategic geopolitical partners, and other jurisdictions, and with clear public articulation of when swap lines rather than liquidity facilities are appropriate. The objectives — financial stability, trade invoicing, geopolitical alliance — should be explicitly stated and mapped to instrument design.

Second, a commitment to expanding European payment guardrails through the wholesale and retail digital euro, the TIPS system, and active participation in multi-central-bank CBDC interoperability projects. The EU should engage seriously with the mBridge framework and other emerging multi-currency digital settlement platforms, rather than treating them as external developments.

Third, an explicit clarification that private euro-denominated stablecoins will not serve as a meaningful vehicle for euro internationalization. This is a deliberate policy choice, not a default. It reflects the financial stability risks of multi-issuer stablecoins, the par convertibility problem, and the absence of a lender-of-last-resort backstop. Clarity here prevents regulatory arbitrage and investor confusion and would make it clear to financial stakeholder that the only real priority is the creation of sovereign and public payment guardrails with the digital euro.

Fourth, a consolidation of European official sector borrowing by integrating the ESM under Community law, rationalizing the proliferation of issuance programs, and pursuing the index recognition of EU bonds as fully sovereign instruments. This is the foundational precondition for a genuine European safe asset.

IX. Conclusion

The international monetary system is in flux. The unipolar dollar order that characterized the post-1971 era is being contested —primarily by the euro, but also by a Chinese financial ecosystem that is patient, deliberate, and increasingly well-resourced.

A European strategy for a global euro is not a utopian project. It does not require fiscal union, treaty change, or a revolution in European governance. It requires clarity of purpose, coordination among existing institutions, and a willingness to make choices — between public and private money, between swap lines and liquidity facilities, between a fragmented safe asset landscape and a consolidated one.

These are difficult choices. But the alternative — continued drift, ad hoc decision-making, and institutional incoherence — is not a strategy. It is the abdication of one.

I am grateful for the Committee's attention and welcome any questions.

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