

An abstract graphic of a circuit board pattern in light blue, with lines and circles connecting various points across the slide background.

EUROPE IN A CHANGING INTERNATIONAL MONETARY SYSTEM

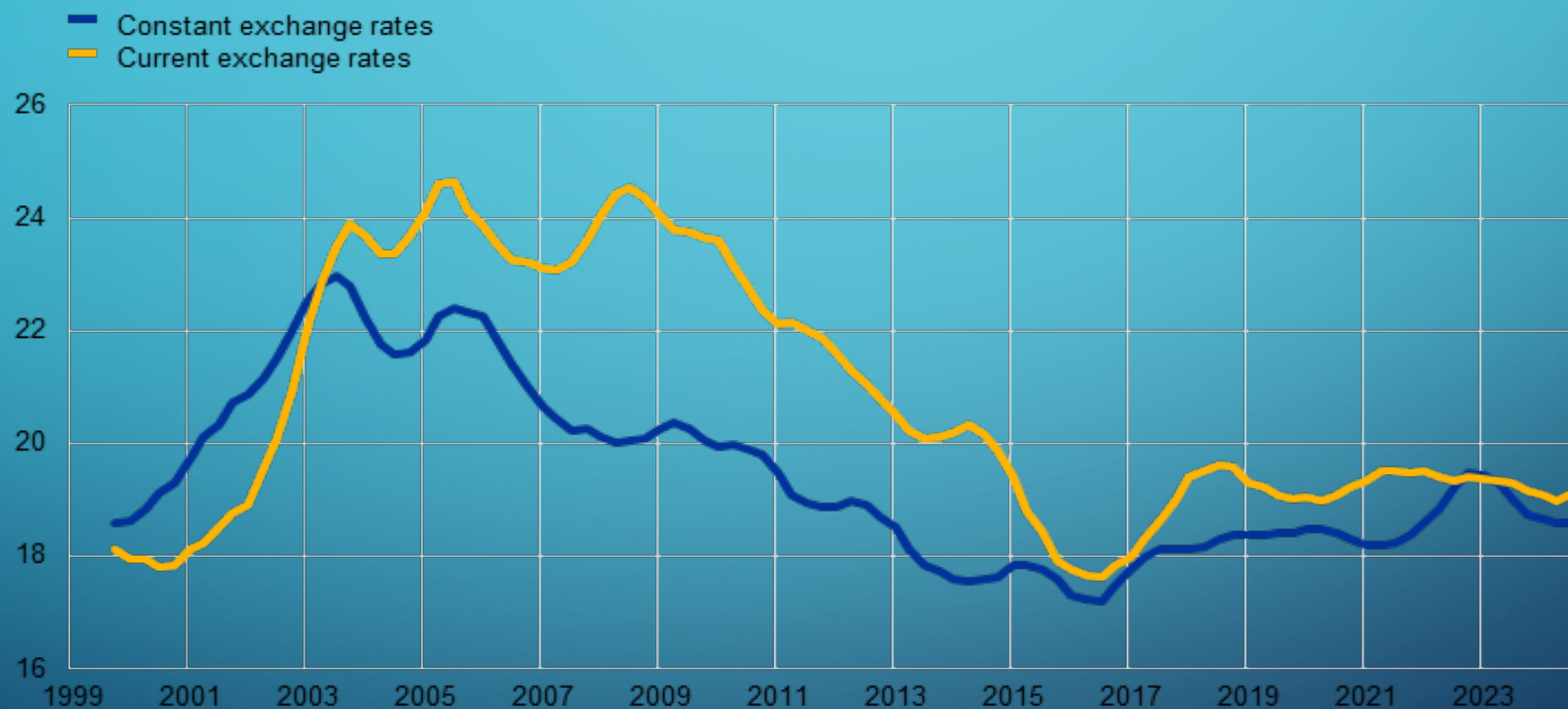
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INTERNATIONAL ROLE OF THE EURO

(COMPOSITE INDEX; 4 QUARTERS MOVING AVERAGE)



INTERNATIONAL ROLE OF THE EURO

- Late 1990s: reserve currency dethroning the dollar?
 - Promising start but reversal after GFC and stagnation since
 - Are we heading for a comeback?
- International position based on self-reinforcing mechanism
 - Kindleberger; analogy with English as lingua franca
 - Usually takes a crisis to dethrone (Mar-a-Lago?)
- Advantages of international reserve currency status are clear
 - Invoicing shields exporters from currency risk
 - Inflow of foreign capital lowers borrowing costs (safe haven!)
 - Strategic autonomy in payments and market infrastructures

EXTERNAL STRENGTH VS INTERNAL COHESION

- EU remains trustworthy pillar of rules-based world order ✓
- Price and financial stability safeguarded by independent ECB ✓
- Internal Market ⚠
- Banking Union ⚠
- Saving and Investment aka Capital Markets Union ⚠
 - Auto-enrollment of pension schemes
 - Harmonization insolvency law
 - Centralized ESMA supervision
 - Common safe assets

EUROBONDS: HOW MUCH AND HOW FAST?

- European public goods
 - Defence, infrastructure, green transition
 - European financing arrangements
 - National contributions vs own revenues or eurobonds
 - Political accountability
 - Investors demand predictable issuance
- Mutualization of existing national debts
 - Economically superior
 - Faster materialization and no increase in overall indebtedness
 - But politically less feasible