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The Future of U.S. Dollar Dominance in a Changing Global Order

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Introduction

Before cash was king, the value of the U.S. Dollar came from something simple: gold. In 1944 the Bretton Woods Agreement solidified the dollar's position as the backbone of global financial markets, fixing the greenback's price to gold while linking all other currencies to the dollar. Today the dollar is featured in nearly 90% of all transactions in the global foreign exchange market or forex—the largest financial market in the world—with daily volumes reaching $6.75 trillion.[1] Dollars are used to buy everything from groceries to oil, set conditions for international trade deals, and are held in central banks around the world, no longer because of an association with gold but rather because of a profound trust in its stability and safety. For decades the dollar has maintained its status not just as the leading reserve currency, but also as infrastructure for global trading.

However, cracks are starting to show. As nations weigh a myriad of factors including emerging digital assets, rising geopolitical tensions, and declining trust in the consistency of U.S. fiscal policy, the dollar's future status as a go-to currency is no longer guaranteed. More specifically, the dollar has experienced a relatively moderate decline in its share within global forex reserves, falling from around 71% in 2000 to roughly 58% today.[2] Simply put, nations are diversifying their reserves—replacing some of their dollar holdings with other competing assets. Among the emerging threats to the dollar's position are rising gold accumulation, particularly in the BRICS nations (Brazil, Russia, India, China, and South Africa), and the rise of digital currencies, all of which pose unique challenges to the long-term dominance of the U.S. Dollar.

A decline in the dollar's status as the primary reserve currency could lead to a decline in the dollar's real exchange rate, with downstream impacts on consumer prices and financial assets. Ultimately the effects of the dollar's decline will not just be felt in the price of a McDonald's Big Mac sandwich in America. It will also reshape the way Generation Z saves, earns, and invests in a financial landscape that is unlike anything seen before. More specifically, a weaker dollar could worsen financial pressures for a young generation already navigating student debt, a lack of affordable housing, and job market instability. A weakened dollar could also raise the price of foreign goods, a particular concern for the United States, which runs a trade deficit and relies heavily on imports.[3] De-dollarization efforts—a global shift away from using the U.S. Dollar as the dominant reserve and transaction currency—could also motivate the Federal Reserve to increase interest rates, which would make mortgages, car loans, and credit card debt far more expensive. Meanwhile, investment uncertainty may even motivate Gen Z to diversify beyond traditional investments such as stocks and mutual funds into other assets like cryptocurrency, gold, and foreign currencies. In this shifting financial landscape, Gen Z may need to adopt a new investment mindset that differs entirely from that of earlier generations.

Yet, while recent de-dollarization efforts have certainly chipped away at the dollar's dominance, no alternative currently offers the same depth, transparency, institutional support, and global trust as the dollar and thus cannot yet serve as a true substitute. The dollar's layered foundation will secure its position until alternative reserve options can truly rival its depth, infrastructure, and global credibility. Even so, this gradual shift in the dollar's dominant position may still prompt Gen Z to reevaluate traditional investment approaches. This paper aims to inform Gen Z investors about the implications of de-dollarization and encourage them to explore alternative strategies for protecting and growing their wealth.

Historical Background

Understanding how the dollar became the world's dominant reserve currency requires reflection upon the historical and structural circumstances that shaped the dominance of the dollar. The foundation of the dollar's global dominance began in July 1944 when 44 allied nations came together for a conference in Bretton Woods, New Hampshire, in hopes of establishing a new international monetary system. After the disarray that followed World War I, defined by tariff wars and widespread currency instability, the conference attendees sought to create a predictable global currency regime in order to enhance global trade and promote economic growth. The period following Bretton Woods was defined by economic dominance for the United States during which it held two thirds of the world's gold reserves.[4] The system used a fixed exchange rate in which other countries tied their currencies to the U.S. Dollar. The dollar itself could be exchanged for physical gold at a fixed rate of $35 per ounce in 1944.[5] For the first time, the dollar would act as an anchor, entrusting the United States with tremendous responsibility, privilege, and a built-in demand for its currency.

However, by the early 1970s, rising U.S. fiscal deficits, along with inflation, due partly to domestic spending and the Vietnam War, drained U.S. gold reserves. These twin pressures triggered an outflow of U.S. dollars so severe it created a dollar overhang, meaning foreign countries held more dollars than the United States could afford to buy or convert with gold at the $35 per ounce fixed exchange rate established in the Bretton Woods Agreement.[6] Eventually foreign governments, especially France, began converting their dollar holdings into gold, and the United States no longer held enough gold to keep the system operating. U.S. President Richard Nixon suspended the conditions of fixed convertibility of dollars to gold in 1971, and the United States allowed the dollar to float against gold for the first time as a "fiat" currency. A fiat currency is simply government-issued currency that is not backed by any hard asset, such as gold or silver. (Today, all currencies, including the U.S. Dollar, are fiat currencies.) Immediately thereafter, the price of gold skyrocketed, doubling and tripling over the years to come.[7] Due to the absence of reliable alternatives, and because of a deep trust in U.S. institutions, particularly the Federal Reserve, the dollar maintained its global dominance as a leading reserve currency even without the backing of gold reserves.[8]

The dollar's strength was later reinforced by the creation of the petrodollar system, in which oil-producing countries, Saudi Arabia in particular, agreed to price oil in dollars. The petrodollar system secured yet another built-in global demand for the currency, especially in energy trade markets.[9] To date, internationally traded goods like oil and metals continue to be priced in dollars, physically grounding the currency's value and settling its systemic importance.[10]

Dollar Dominance Today

Today, the dollar's dominance is reflected in several key indicators: the forex market, foreign reserves, and global trade invoicing.

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The forex market, where currencies are exchanged, is one of the most transparent indicators of the dollar's position in the global economy. According to the Bank for International Settlements, the dollar encompasses 88% of all global foreign exchange trades, making it the most utilized currency as of 2022.[11] Exhibit 1 shows that the dollar far exceeds its nearest competitor, the euro, in terms of the currencies used in commerce and forex trades. Since two currencies are involved in all forex trades, the data sums to 200%, with the highest percentage possible for any single currency being 100%. Dollar dominance is significant because it underlies exceptional liquidity, faster transaction settlements, and lower financing costs for dollar-related trades. Similarly, it reinforces the dollar's status as the preferred global vehicle currency, one with powerful structural advantages underpinning its global financial dominance. This status provides an advantage for the United States to finance government debt at lower rates. In fact, the high demand for dollars provides stability in times of crises as investors flock to dollar assets under stress.

Currency Use in Global Forex Transactions

US Dollar	88%
Euro	31%
Yen	17%
Pound Sterling	13%
Aus Dollar	7%
Can Dollar	6%
Chinese Yuan	6%
Swiss Franc	5%
All Others	27%
Total	200%

Source of information: Bank for International Settlements, Triennial Central Bank Survey:

Exhibit 1. Dollar Dominance in Global Exchange and Commerce

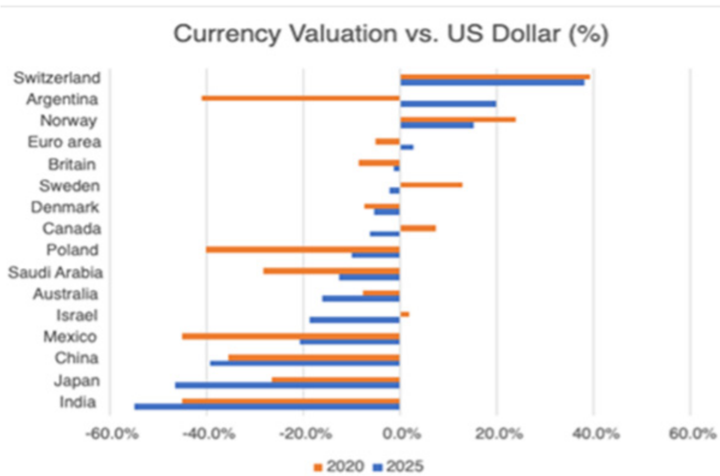
Despite recent declines in foreign reserve holdings since 2000, 58% of global reserves are still currently held in U.S. dollars.[12] The dollar's consistent dominance represents a deep sustained faith in the American economy and in the unbeaten liquidity of American markets. Central banks' continued preference for holding dollar assets underscores the world's global confidence in the U.S. economy, legal framework, and financial infrastructure. This trend allows for continued demand for U.S. Treasuries and lowers borrowing costs for the U.S. government.

Finally, dollar dominance is seen in trade invoicing, covering nearly 50% of all global trade.[13] Its simplicity is advantageous, simplifying accounting, mitigating currency risk, and guaranteeing secure access to liquidity, making trade invoicing a preferred means for international commerce. Even trades between non-U.S. countries are often priced in dollars as a global currency. Dollar-based trade reduces currency exposure for U.S. firms, which face little forex risk in international trade. Firms around the world need dollar banking and lending relationships and, importantly, access, resulting in continued U.S. financial dominance.

How Dollar Dominance Translates Into Global Buying Power

One of the strongest advantages of dollar dominance is the significant purchasing power it gives American consumers and businesses. As the major global reserve currency, the U.S. Dollar is highly sought after, generating demand and pushing up its price relative to other currencies. When Americans do convert dollars into foreign currencies, the appreciation allows them to buy more goods when they travel abroad. Developed by The Economist, the Big Mac Index offers a simple but powerful way to visualize this.[14] The Big Mac Index compares the price of a McDonald's Big Mac across countries to measure purchasing power parity (PPP). If the price of a Big Mac is meaningfully less in each country than in the United States, then the currency of that country is considered undervalued against the dollar. If the price is higher, the currency is considered overvalued.

Exhibit 2: Valuation of World Currencies According to *The Economist*'s Big Mac Index



This chart shows whether currencies are undervalued or overvalued relative to the U.S. dollar based on Big Mac prices. Bars to the left indicate currencies that are undervalued (the local currency buys fewer U.S. dollars' worth of Big Macs), while bars to the right indicate overvalued currencies (the local currency buys more).In practical terms, this reflects Big Mac buying power: in 2020, one British pound bought about 8% fewer Big Macs than a U.S. dollar, but by 2025, it bought only about 2% fewer. This caption clarifies that the chart measures relative purchasing power, not the absolute numerical value of a currency.

Exhibit 2 shows that the dollar is overvalued against most major currencies, based solely on the prices of Big Macs. In other words, when Americans travel abroad, they can buy more Big Macs with their dollars after converting their dollars into the local currency. For example, in India, Big Macs are roughly 60% cheaper in dollar terms than they are in the United States. If the price of Big Macs is broadly reflective of all goods and services, we can say that the U.S. Dollar is overvalued against most currencies. A few currencies buck this trend, including the Swiss franc and the Norwegian krone, whereas the euro generally remains at par in real terms with the dollar.

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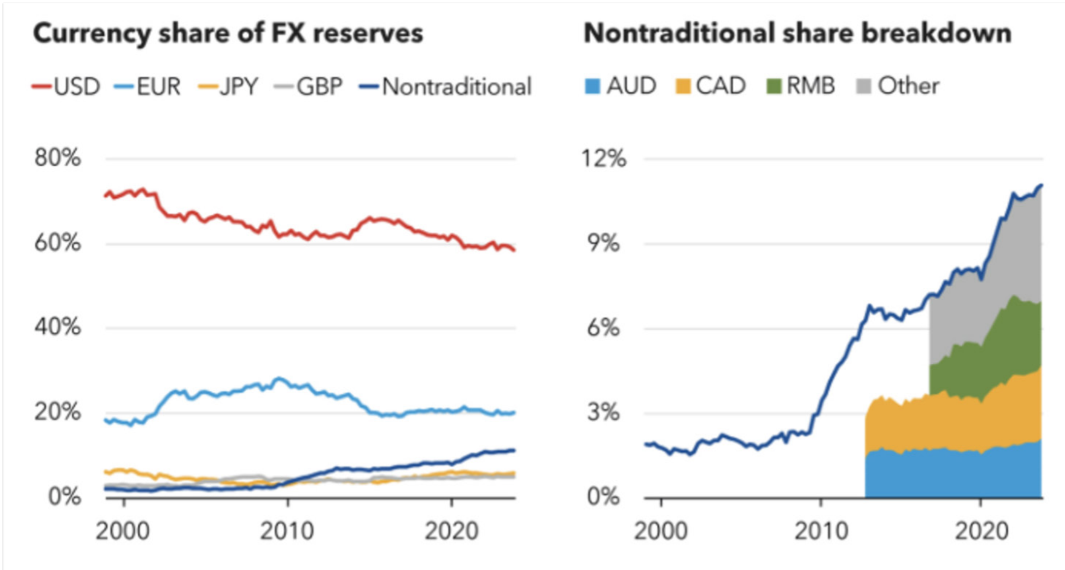
Over the past 25 years (2000–2025), the price of a Big Mac in the United States increased by 130%, whereas the aggregate Consumer Price Index (CPI), which measures the change in the price of a typical basket of goods and thus the rate of general inflation, increased by only 90%.[15] The spread between the CPI and the Big Mac Index is significant, because the Big Mac's price changed to a much greater extent than general inflation did. In some countries, like Switzerland, the price of a Big Mac has increased even more, indicative of the speed of their currency appreciation relative to that of the dollar. Conversely, low dollar-equivalent prices in countries like Japan and Taiwan show weaker currencies and depreciation versus the dollar.[16] For U.S. households and firms, this equates to more dollar value when purchasing goods or operating abroad. A strong dollar benefits American tourists and results in lower import prices and lower input costs for businesses using foreign sources as shown in the exhibit.[17] Again, U.S. firms operating globally face lower currency risk and operate with an economic advantage that few other countries can match.

Exhibit 3. Breakdown of Currency Shares of FX Reserves



Sources: IMF COFER; Arslanalp, Eichengreen, and Simpson-Bell (2022, updated).
Note: The "big four" currencies are the US dollar, euro, Japanese yen, and British pound. Nontraditional are all other currencies. AUD = Australian dollar. CAD = Canadian dollar. RMB = Chinese renminbi. China became a COFER reporter between 2015 and 2018.

IMF

Is the Dollar's Dominance Stable? Analyzing Global Reserve Shifts and Emerging Challenges

The U.S. Dollar has long played a central role in international finance, but its status as the world's dominant reserve currency now faces new scrutiny. Recent data and policy developments suggest a gradual erosion of its supremacy.

Decline in US Dollar Reserves and Transactions

Once considered unshakable, the dollar's grip on global reserves is now facing unprecedented structural challenges that signal a changing financial order. According to the International Monetary Fund's (IMF's) Currency Composition of Official Foreign Exchange Reserves (COFER), the dollar's share of global reserves fell from 71% in 2000 to about 58% at the end of 2024, as Exhibit 3 shows.[18] Just in 2024, the U.S. Dollar's share in global FX reserves fell by two percentage points from 60% to 58%, whereas the share of gold rose to 20% up from around 15% at the end of 2023.[19] In addition, central banks acquired over 1,000 tons of gold in 2024 alone, indicating a global appetite for diversifying away from dollar-denominated assets.[20]

Lower reserve share means the dollar is slowly losing its monopoly as the "safe" currency of choice. Declining foreign U.S. Treasury holdings would raise U.S. borrowing costs, since fewer foreign buyers would put more pressure on domestic buyers. Or worse, de-dollarization could undermine the exorbitant privilege, benefits the United States has due to the U.S. Dollar being the international reserve currency, the United States has enjoyed due to borrowing cheaply in its own currency.

International and Domestic Reasons for the Dollar's Weakened Reserve Share

The dollar's erosion in reserve share is attributed to several structural and political factors, including concerns over U.S. fiscal discipline, trade tensions, and policy volatility. A June 2025 European Central

Bank (ECB) study noted that even though the dollar remains dominant, its long-term market share is under pressure due to diversification by central banks and geopolitical fragmentation.[21] Analysts at the Federal Reserve also note that foreign holdings of U.S. Treasuries have declined from about 50% in 2014 to 33% in 2024, weakening a key pillar supporting the dollar.[22]

Efforts to reduce the dollar's global reserve role are mostly concentrated outside the United States, led by the BRICS nations. However, some internal U.S. policies, particularly unpredictable trade and fiscal decisions, may also unintentionally undermine dollar dominance. These challenges to dollar dominance can be categorized into several key areas: initiatives in the BRICS nations, the use of gold as a hedge against the volatility of the dollar, and recent U.S. trade policies, particularly tariffs.

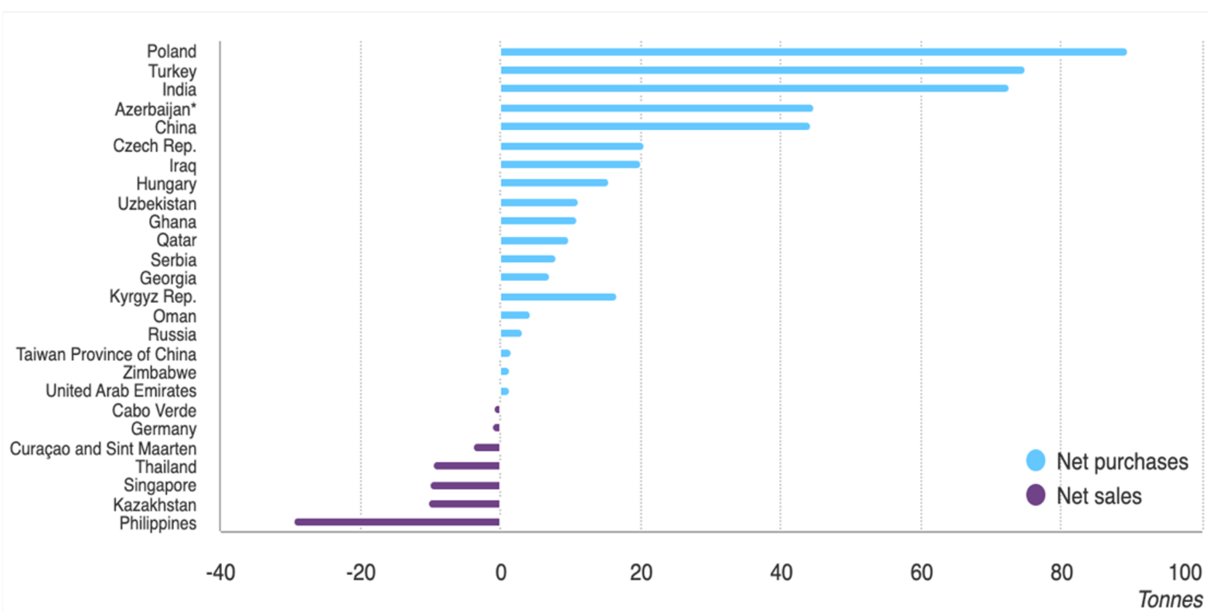
BRICS Initiatives

The BRICS nations, an economic bloc comprising Brazil, Russia, India, China, and South Africa, are actively seeking to bypass the U.S. Dollar through local currency trade agreements, sovereign payment systems, and proposals for a shared BRICS currency backed by commodities. The primary motivation is to reduce exposure to the geopolitical risks posed by U.S. financial sanctions and global dollar hegemony. Bilateral trade agreements, such as the India–Russia rupee-ruble mechanism, and oil-for-yuan discussions between certain Gulf countries and China and exemplify this shift. Nevertheless, these efforts face structural hurdles such as low within-bloc trust among BRICS members, lack of currency convertibility, inadequate depth in local capital markets, and limited cross-border liquidity. BRICS initiatives are symbolically potent and increasingly coordinated, but not yet technically or financially capable of displacing the dollar on a global scale.[23]

Gold Accumulation as a Hedge

In response to growing geopolitical and fiscal uncertainty, central banks, especially those in emerging countries, are rapidly expanding their gold reserves as a hedge against dollar volatility. Gold is seen as apolitical, resistant to sanctions, and a stable store of value. As shown in Exhibit 4, the largest buyers of gold in 2024 were Poland, Turkey, India, and China, with purchases ranging from 40 to 90 tons. Other emerging economies such as the Czech

Exhibit 4: Central Banks' Gold Purchases and Sales by Country in 2024



Source: World Gold Council, Gold Demand Trends 2024.

Republic, Iraq, and Ghana also added significantly to their reserves, whereas countries like the Philippines and Kazakhstan reduced holdings. The figure illustrates how reserve diversification is being driven by a combination of emerging market accumulation and selective sales in other countries. Additionally, in 2025, gold-backed assets in exchange traded funds (ETFs) reached $326 billion globally, and gold's share in global reserves surpassed 20%.[24]

However, gold is not a medium of exchange, does not offer a yield, and remains largely impractical for trade settlement, although that may change at the U.S. state level. Multiple states, including Texas, Florida, Missouri, Arkansas, and Alabama, have enacted legislation recognizing gold and silver coins as legal tender.[25] These laws facilitate optional payments using precious metals and, in many cases, authorize electronic gold-backed payment systems managed by state financial agencies or private firms.[26]
Gold's resurgence thus reflects rising distrust in the stability of fiat currencies and U.S. fiscal policy. But despite new momentum at the state level, gold remains a complementary asset rather than a replacement for dollar-based liquidity mechanisms.

U.S. Tariffs and Domestic Economic Policy

U.S. trade policies, particularly the use of tariffs, have posed unintended consequences for the standing of the dollar. U.S. tariffs implemented in 2025 are designed to reduce trade imbalances, revive domestic industries, and exert pressure on strategic rivals, especially China. Yet these tariffs have imposed inflationary pressures that have led to supply chain fragmentation and hurt U.S. consumer sentiment.[27] Tariffs also raise uncertainty about U.S. commitment to multilateral economic cooperation. Though tariffs on Chinese goods divert trade away from China—Chinese smartphone imports to the United States fell from 67% to 8% in the first half of 2025, for example—countries like Vietnam and Mexico are absorbing this demand and continue to trade in U.S. dollars.[28] However, growing fiscal instability, unpredictability in trade policies, and public criticisms of the Federal Reserve by political figures have hurt the credibility of the dollar. According to Morningstar, the first half of 2025 marked the worst performance of the dollar since the 1973 oil crisis and the worst half-year since the second half of 1991, falling 11% against a basket of major currencies in 2025.[29]

Rising federal debt, politicization of monetary policy, and inconsistent trade strategies have fueled doubts among foreign investors. For example, China reduced its U.S. Treasury holdings to $756.3 billion in May 2025, down from over $1.3 trillion in 2013, indicating a declining appetite for dollar assets among major stakeholders.[30]

Although the U.S. Dollar remains dominant in global transactions and continues to serve as a linchpin of international trade, its role as the primary global reserve currency is slowly diminishing. The rise of BRICS-led financial alternatives, the strategic reallocation into gold, and unpredictable U.S. policy moves have contributed to a shift away from unquestioned dollar supremacy.

Additional Alternatives to the U.S. Dollar

As the global financial order evolves, the U.S. Dollar's role as the dominant reserve currency is facing growing scrutiny. Although the dollar still accounts for nearly 60% of global foreign exchange reserves, structural shifts, from rising geopolitical tensions to digital innovations, are prompting central banks, governments, and private markets to explore alternatives.[31] Though none appear immediately capable of supplanting the dollar, several contenders are developing distinct advantages and limitations that warrant close attention. Exhibit 5 provides a simplified comparison of the main alternatives, highlighting their strengths and weaknesses across key reserve currency criteria.

Other Currencies

The euro is often considered the most natural heir to the dollar. It represents a vast and advanced economic bloc, benefits from deep capital markets, and is widely used in global trade. Recent efforts by the European Central Bank to internationalize the euro, such as exploring a digital euro and increased use in cross-border payments, highlight its ambition.

Exhibit 5: Simplified Comparison of Reserve Currency Alternatives

Currency/Bloc	*Strong Economic Base*	*Widely Used in Trade*	*High Liquidity*	*Institutional Trust*	*Low Political Risk*	*Tech Innovation*	*Reserve Currency Potential*
Euro	✓	✓	✓	✓	✓	✓	✓
Chinese Yuan (RMB)	✓	✓				✓	
Bitcoin						✓	
Stablecoins (USDT)		✓	✓			✓	

A check mark (✓) indicates a key attribute; blank cells indicate absence or weakness. The euro stands out as the most comprehensive alternative to the U.S. Dollar, fulfilling all criteria for a reserve currency. In contrast, the Chinese yuan, despite a strong economic base and trade usage, lacks institutional trust and political stability. Bitcoin and stablecoins (like USDT) show promise in tech innovation and liquidity, but face trust and political risk challenges.

However, the eurozone's political fragmentation and lack of unified fiscal policy pose enduring constraints. Sovereign debt concerns in countries like Italy and Greece also contribute to investor hesitation, preventing the euro from achieving broader reserve status.[32]

The Chinese yuan, or renminbi, is backed by the world's second-largest economy and plays an increasingly prominent role in global trade, particularly through the Belt and Road Initiative, China's strategy for global economic engagement, providing opportunities for Chinese firms abroad and boosting infrastructure and development in recipient countries. Since its inclusion in the IMF's Special Drawing Rights basket in 2016, the yuan has gained international recognition.[33] Yet significant barriers remain. The currency is not fully convertible, capital controls limit outflows, and China's opaque financial governance undermines global trust. Despite Beijing's push for broader adoption, the yuan's limited accessibility keeps it from competing directly with the dollar on reserve terms.

Digital Assets

Digital assets, particularly Bitcoin and stablecoins like Tether (USDT), have emerged as the newest entrants in the reserve conversation. USDT, with over $159 billion in circulation, already functions as a dollar proxy in much of the crypto ecosystem.[34] Digital currencies offer speed, transparency, decentralization, and programmability—qualities that traditional fiat currency lacks. However, they also suffer from extreme price volatility, regulatory ambiguity, and questions about scalability. Despite these concerns, political support is growing: President Donald Trump's 2024 campaign hinted at the possibility of Bitcoin-backed reserves, and firms like Coinbase and Fidelity continue to push for the approval of additional crypto-based ETFs.[35] Although digital assets are far from displacing fiat currencies, they are increasingly becoming part of institutional strategies.

Case Study: Bitcoin as a Reserve Currency in El Salvador

When El Salvador made Bitcoin legal tender in 2021, the country became the world's first laboratory for digital currency as sovereign money. The move aimed to reduce reliance on the U.S. Dollar, cut remittance fees when money is sent abroad, and position the country as a tech-forward economy. Critics, however, warned that adopting such a volatile asset could fuel inflation and destabilize the financial system. But four years in, the results are mixed. Inflation did not spike, and foreign investment did not meaningfully increase. Tourism in places like "Bitcoin Beach" got a short-term boost, yet adoption remained low. A 2023 survey found that nearly 90% of Salvadorans had not used the national crypto wallet, and most merchants still preferred the dollar.[36]

Several issues derailed broader uptake: unreliable internet access, persistent technical glitches in Chivo—the official government-issued digital wallet—and low digital literacy, especially among older users. Volatility only made adoption riskier. Eventually, mandatory acceptance was scrapped and Bitcoin use became optional. Nonetheless, the country now holds over 6,000 BTC, around 15% of its foreign reserves, thus signaling what is possible when small nations push past financial orthodoxies. [37]

> **"For Gen Z, the message is clear: the dollar's reserve status is not guaranteed forever."**

Of course, El Salvador and the United States differ fundamentally. The United States has a robust banking system, deep capital markets, and, at least for now, a globally dominant currency. Yet El Salvador's experiment shows how dollar alternatives can take root when traditional systems do not serve everyone equally. Imagine the United States leaning into digital assets from a place of strength: 10G networks, government-regulated digital wallets, a culture steeped in tech, and a younger generation already trained on decentralized systems. It isn't a perfect scenario, but the conditions for a test run in the United States are emerging.

For Gen Z, the message is clear: the dollar's dominant reserve status is not guaranteed forever. Younger Americans are already questioning financial orthodoxy, and world events are increasing pressure. Whether through stablecoins, central bank digital currencies, or a more transparent financial framework, digital assets will reshape how the dollar works—how it's saved, spent, and trusted.

Gen Z From the British Pound Sterling

Gen Z, who grew up in a world dominated by the U.S. Dollar, may not be familiar with a time before the dollar was the global standard of currency. Although the fall of the British pound sterling occurred a century ago, it provides valuable lessons from the past about the potential route of the U.S. Dollar and the future of Gen Z.

Before the economic struggles arising from World War I and World War II, the British pound sterling was the dominant reserve currency for much of the nineteenth century and the early twentieth century.[38] The increased borrowing that Britain undertook in World War I to supply the war effort resulted in a substantial accumulation of debt. The financial crisis of 1929 and the overall difficulty of rebuilding Britain after World War I and once again after World War II further weakened Britain's economy and eroded consumer confidence in the pound. Meanwhile, during World War II, the United States, as the primary provider of supplies and financial support to the Allied war effort, experienced exponential industrial and economic growth. With the Bretton Woods conference in 1944 solidifying the status of the U.S. Dollar as the dominant reserve currency, the British pound continued its decline.

By 1976, with the pound reaching its lowest point and with high inflation and large fiscal deficits plaguing Britain, the UK government under Prime Minister James Callaghan requested a £3.9 billion loan from the IMF to stabilize the pound and address the economic crisis.[39] However, in accepting the loan, Britain had to agree to specific stipulations, such as significantly reducing public spending, sparking political debates within Britain's Labour Party. In agreeing to the conditions of the IMF, Britain transitioned in its economic policy, shifting from Keynesian ideas of government intervention through public spending to increase consumer demand toward a more market-focused policy.[40]

Although the present-day United States does not suffer from the same economic woes as post-war Britain, it currently faces rising domestic debt, political fragmentation, and pressure from alternative currencies discussed earlier. As with the British pound, depreciation of the U.S. Dollar has led to a drop in confidence in the dollar, and demand for U.S. debt, such as U.S. Treasuries, is decreasing. To maintain demand for U.S. debt, the government would have to raise yields on debt, leading to an increase in interest rates and inflation. To hedge against the rise in inflation, the Federal Reserve could raise policy rates, such as the discount rate and the federal funds rate, leading to broader rate increases across the economy. These adjustments would trickle down to consumers, since interest rates for consumer loans (mortgages, auto loans, credit cards) would also increase.[41] Higher overall interest rates discourage consumption and encourage saving as well as deter business investment, since financing might be too expensive for producers. This domino effect could create a contractionary gap within the U.S. economy, meaning that the economy would produce less than its potential output.

Furthermore, considering Britain's shift away from Keynesian policies to a tightening of public spending, the United States could face similar constraints in reducing internal debt, leading to lower spending on social programs (SNAP, TANF, public housing, etc.) and potential student loan reforms, such as capping loan amounts and changing eligibility criteria for student loan forgiveness. This shift in monetary policy to focus primarily, if not entirely, on battling inflation and dollar weakness at the expense of people who rely on government-funded programs may increase the wealth gap in the United States, replicating a problem that continues to polarize Britain today.[42]

In addition, a depreciated dollar would lead to a rise in the price of imports, which filters down to the consumer and raises prices on foreign goods. As was the case for Britain, the United States might shift its global trade routes, potentially focusing more on domestic trade, regional blocs, and economies linked to the United States. Travel into the country might also become cheaper for foreigners, but future Americans would face higher international travel costs.[43]

Share of Gen Z respondents' views on their financial prospects, with only 43% hopeful and the remainder mostly citing uncertainty, barriers, or negative expectations, illustrating a broader generational pessimism. Source: Carrie Sheets, "Gen Z Grasps at the American Dream of Homeownership but Struggles With Nihilistic Spending," Insurify survey.[44]

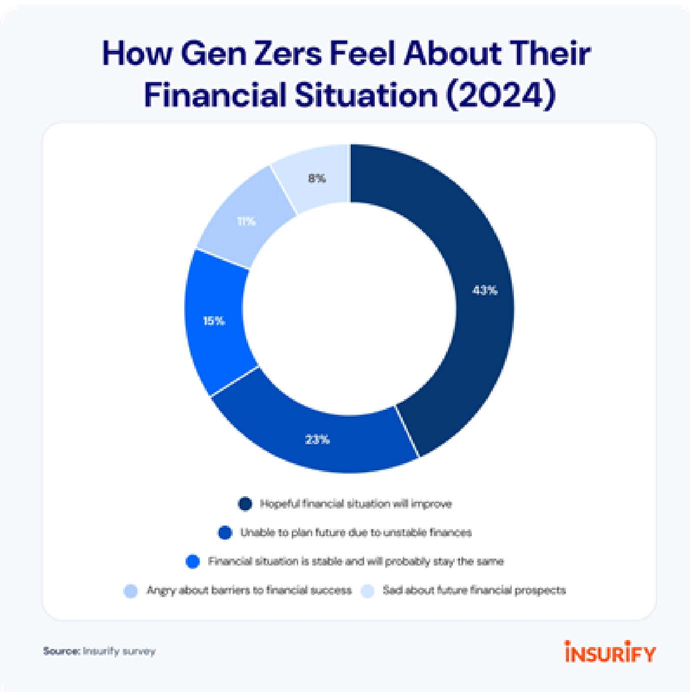
> **"Only 15% of Gen Z feels that their financial situation is stable and less than half are hopeful it will improve"**

Beyond economic consequenc es, the psychological effects of a weakening dollar could be profound, especially for Gen Z, who grew up in a world already shaped by the 2008 financial crisis, the impact of COVID-19 on the economy, student debt, volatile job markets, and unaffordable housing.[45] As Exhibit 6 shows, based on a 2024 Insurify survey, only 15% of Gen Z feel that their financial situation is stable, and less than half (43%) are hopeful their financial situation will improve.[46] De-dollarization may heighten already established economic anxiety; public trust in U.S. institutions could erode further, possibly fueling a broader sense of disillusionment among Gen Z with both domestic governance and the declining global role of the United States. It may not register as a dramatic turning point for Gen Z, but rather as the worsening of a system that already feels stacked against them.

Despite these challenges, and despite the emergence of alternative currencies, none of the alternatives yet represents a clear contender to replace the U.S. Dollar. Therefore, the U.S. Dollar will likely have a much slower decline than that of the pound, unless an alternative currency rises to the forefront. Furthermore, unlike Britain in the 1970s, the United States is the IMF's most significant contributor, issues the world's primary currency, and borrows in its own money, making an IMF bailout for the United States both structurally and politically unlikely in the near future. Thus, despite a steady erosion in dollar dominance, Gen Z can take heart in the knowledge that for the immediate future, the dollar will maintain its status as a reserve currency benefiting the U.S. economy, its consumers, and its investors.

For Gen Z investors, especially those seeking to adapt to de-dollarization and to building long-term wealth, de-dollarization presents both risks and opportunities. Investing News Network offers the following three strategies that investors can employ to protect themselves against the effects of de-dollarization.[47]

Exhibit 6.



Diversifying currency exposure

To reduce reliance on dollar-dominated assets, investing in foreign bonds, global ETFs, or mutual funds can help mitigate currency risks while increasing exposure to other currencies, such as the yen, yuan, euro, and even cryptocurrencies, which may offer relative stability in shifting markets.

Broader exposure to emerging markets

To further diversify currency exposure, investors should consider increasing their exposure to emerging markets to access the long-term growth potential of developing economies, particularly those actively involved in de-dollarization efforts.

Hedging with precious metals and exploring alternative global assets

Precious metals, such as gold and silver, have historically served as safe-haven assets during periods of currency devaluation or inflation. Hedging by allocating a portion of a portfolio to metals may protect against de-dollarization. Last, considering alternative assets like real estate, private equity, and infrastructure projects in rising markets can provide inflation-resistant returns and diversify geographic exposure.

Conclusion

Many of the privileges Americans enjoy today—higher life expectancy, cheaper goods, and even national security—can be traced to the inception of the dollar's global dominance under the Bretton Woods Agreement of 1944. Today, the majority of the U.S. population has benefited from the dollar's dominant position in the global financial system, enabling them to enjoy lifestyles that might be unattainable in many other parts of the world. This exorbitant privilege has allowed the United States to borrow at lower costs, manage trade deficits, and keep inflation relatively low. Beyond the pure economic benefits, the dollar's dominance grants the United States powerful geopolitical leverage, including the ability to impose dollar-based sanctions that can deter nations from taking actions against America's best interest simply through the threat of facing the consequences of financial isolation. Even so, recent shifts suggest this privilege may be beginning to wane.

While it is unlikely the U.S. Dollar will be fully displaced as a dominant reserve currency in the foreseeable future, its dominance is certainly dwindling. Recent shifts in global reserves, coordinated BRICS initiatives, and early successes in a young crypto market leading to a rise in adoption efforts signal a slow but meaningful diversification away from the dollar. However, no single reserve currency yet rivals the dollar's volume, convertibility, legal infrastructure, or institutional trust. Evidence points toward a more diversified reserve landscape, where the dollar serves as a key reserve among other assets but does not maintain its exclusive dominance.

These shifts carry massive implications for younger generations such as Gen Z. More specifically, the decline of the dollar could weaken purchasing power, raise the cost of imports, and even lead to higher interest rates as U.S. borrowing becomes more costly. Accordingly, Gen Z could face increases in the cost of key financial milestones, such as mortgages, credit cards, and student loans. Beyond the pure economic impact, the decline of the dollar's dominance may reinforce both financial anxiety and foster a distrust in economic systems, especially for a generation that already navigates job instability, inflation, and worsening wealth inequality.

Ultimately the effect of this shift away from the dollar depends heavily on one's current standing in the global economy. For Americans this shift challenges a longstanding history of financial superiority over foreign nations. Consistently running trade deficits and borrowing cheaply would no longer lack consequences. For global markets, de-dollarization could mark a movement toward a more balanced and diversified financial landscape. For individuals, recent shifts could mark both a warning and an opportunity in which investment strategy adaptability, diverse currency exposure, and the ability to understand global risks will prove key. Regardless, the direction of the U.S. Dollar's reserve status will require Americans to adopt a more global mindset than ever before.

Authors' Note

In completing our Opinion Snapshot, The Future of U.S. Dollar Dominance in a Changing Global Order, we set out to examine one of the most consequential questions in modern finance: how long the dollar can maintain its role as the world's dominant reserve currency. Our goal was to provide an accessible yet rigorous analysis of the economic, political, and technological factors shaping the dollar's future—while connecting these global dynamics to the financial realities facing Generation Z.
Through this project, we learned to translate complex macroeconomic forces—like de-dollarization, central bank diversification, and digital currency innovation—into insights relevant to young investors navigating an increasingly uncertain landscape. This work challenged us to balance data-driven research with forward-looking analysis, and to think critically about the implications of a changing global order for individual financial decision-making.

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