Monetary Blocs and International Currency

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As in the past, the fragmentation of the global economy and the formation of geopolitical blocs inevitably lead to the emergence of monetary blocs and changes in the system of international payments and international currency. In this text, we will attempt to outline some key elements of the dynamics of these changes and the possible trajectories for the formation of a new international monetary architecture. The processes are highly complex, mainly due to the rapid development of new information technologies and artificial intelligence, and we are far from attempting precise forecasts. Rather, the aim is to present some possible trends, derived primarily from historical precedents and the international political economy of money.

Wars, Hostility, and International Currency

It should be clearly emphasized that international currency in conditions of war, hostile actions (sanctions, confiscations, and, more broadly, protectionism), and a structural rise in distrust and threats in the global economy cannot be the same as in periods of globalization, when relative stability, predictability, and general adherence to trade and monetary rules prevail.

Until recently, the presence of a hegemon and a hegemonic currency—in this case, the United States and the dollar—as well as respect for international organizations, maintained a certain stability in the system. However, especially since the arrival of the Trump administration, the situation has changed. From a universal "insurer," to whom a premium is paid for protection against risk, the United States and the dollar are increasingly becoming a source of danger and threat (Farrell and Newman, 2023).

The hostility and distrust that now dominate the international system are also shaping the transition to new systems of payments and international currency. Inevitably, the world is moving toward the formation of *monetary and payment blocs* within which there exists a sufficiently high level of trust, predictability, and alignment of economic and geopolitical interests. Within

these blocs, payment architectures will emerge that differ from those operating between hostile blocs.

Of course, the system will be complex, forming a monetary network of states and other economic actors, with intermediary links, overlapping monetary zones, and various forms of interaction. Nevertheless, zonal development appears to be a trend that will persist for at least several decades. The national factor in shaping and controlling payment relations remains dominant, despite strong trends toward the development of private payment and digital communities. In a certain sense, these private systems can be used as part of the toolkit of state policy (for example, the encouragement of dollar-denominated stablecoins by the U.S. government as a means of redirecting public debt demand, which has been declining).

In concrete terms, the formation of a payment bloc around the BRICS countries and the states gravitating toward them in Africa and Asia is already clearly visible. A dollar bloc will also take shape around the United States and its geopolitical and geo-economic partners (in Latin America, as well as parts of Africa and Asia). There are also grounds to expect further development of the euro area, mainly around the eurozone and other European countries (under favourable conditions, the euro payment community may expand).

In Africa, which has significant potential, the formation of a similar bloc-type payment zone is also possible. It could be structured in a way that allows greater economic autonomy for resource-rich countries, while preserving links between them and ensuring flexibility at the national level —something that is lacking in the current CFA monetary zone, as well as, to some extent, in the euro area.

This is not the place to revisit history in detail, but it is worth noting that similar bloc formations have been observed in the past during the breakdown of the global monetary system—for example, in the second half of the 19th century around the British pound (gold standard) and the French franc (the Latin Monetary Union, created as a bimetallic system), as well as in the 1930s, when the sterling, franc (linked to gold), and mark blocs emerged (the latter centered on countries with exchange controls and clearing systems).

Similar processes were also observed during the years of the Cold War, when two parallel but interwoven payment systems were formed—one based on the dollar (initially the gold-dollar standard and later the dollar standard), and the other on the Soviet ruble within the framework of the COMECON countries, as well as, to varying degrees, among the developing countries in Africa, Asia, and Latin America that gravitated toward them.

Debt-Based and Substantive International Currency

The foregoing naturally leads to the next question—namely, the nature of international money that can function in a *hostile and bloc-structured world*. As is well known, there is no supranational sovereignty in the international

sphere; it represents an interaction among national sovereignties. For this reason, historically, forms of international money—unlike national ones (where fiat money can be imposed by some public authorities) —have always been linked to a certain value-bearing substance, such as widely traded commodities, precious metals, and above all gold. The international classical gold standard, which existed from the late nineteenth century until the First World War, represents the apogee of this system.

While in the case of national currency the detachment from material substance and the transition to fiat and debt-based forms is relatively easier due to the authority of the state, in the international sphere these processes are far more limited. They become possible only in the presence of a hegemon whose national currency is imposed and accepted by the global payment community as international money. Such a role has been played since 1974 by the US dollar, which detached itself from its gold base and became a fiat currency, whose primary guarantee lies in the ability of the United States to service its public debt and to maintain a high credit rating as a global liquidity safe haven. In other words, the rating of US government debt has come to perform a function similar to that of the price of gold in the past.

The system of hegemonic international money has its limits, already formulated by the Polish economist Feliks Młynarski and later developed by the Belgian economist Robert Triffin. These limits are related to the necessity for the United States to maintain a deficit in its balance of payments in order to provide liquidity for expanding international transactions. This necessity, however, gradually undermines confidence in the dollar.

The significant increase in US public debt, together with the more aggressive foreign economic policy pursued in recent years and the use of sanctions as a tool of international policy, have accelerated the already ongoing *processes of de-dollarization*. A number of central banks and governments, especially from the BRICS countries, have reduced their exposure to US government debt. This reduction is likely more substantial than officially reported, as a significant portion of central bank reserves is not disclosed in terms of currency composition and asset types.

Another important trend is also evident—private investors now hold a larger share of US debt compared to public institutions, something occurring for the first time in the history of the dollar as an international currency. At the same time, many central banks—not only from BRICS but also from the European Union—are *increasing their gold reserves*, and some are repatriating gold previously held in the United States and the United Kingdom. In parallel, alternative national and regional payment systems outside SWIFT are being developed, motivated by the risk of transaction blockages.

All this leads *to growing distrust* both toward the issuer of global money and toward the money itself—in terms of its stability, backing, and long-term reliability. In this context, the logical next step is the search for *a new*

type of international money—one that is not purely debt-based, possesses real substantive value, and does not depend on the will of a single dominant, yet increasingly unpredictable, hegemon.

Regional Monetary Systems and Clearing

First, these architectures are likely to be multi-layered, with regional, bloc-based monetary systems acting as central nodes within the network. They may initially be developed in the form of bilateral, and subsequently multilateral, clearing mechanisms. Clearing is a system widely used in the past that makes it possible to reduce the need for monetary transfers and to limit the demand for foreign exchange reserves.

In bilateral clearing, trade and financial flows are conducted in the national currencies of the respective countries, with payments recorded between central banks. In multilateral clearing, a supranational clearing institution is established, which offsets (nets) payments over a specified agreed period—monthly, quarterly, or annually.

Such mechanisms were used in the 1930s following the Great Depression (particularly by Germany), as well as during and after World War II—initially in bilateral form and later in multilateral form (for example, the European Payments Union). Clearing systems also existed within the framework of the Council for Mutual Economic Assistance—initially bilateral and trilateral, and from 1964 to 1989, multilateral.

In this direction are also the proposals of John Maynard Keynes and other leading economists during the search for an optimal international monetary system after World War II (see Faudot, 2021). In a certain sense, similar processes can already be observed—albeit inconsistently—within BRICS, where the main countries (Russia, China, India) are increasingly conducting settlements in national currencies and experimenting with multilateral offsetting of balances. Due to limited public information, these processes remain difficult to trace. It is also possible that clearing mechanisms may be used between different blocs, even under high levels of distrust and hostility.

In all cases, a key question arises regarding the nature of *the money used to settle final imbalances*, as well as the choice of the monetary unit used for price formation and exchange rate determination within the clearing system. This is a classic problem of clearing, and its solutions are typically determined through negotiation rather than market mechanisms.

Over long historical periods, the role of "final money" has been played by gold, by national currencies convertible into gold (such as the dollar, pound, franc, mark, and Swiss franc), as well as by non-convertible currencies (for example, the dollar after 1974 or the artificial currency "transferable ruble" within COMECON).

Under contemporary conditions, it is possible that final settlement assets may be linked to *a specific commodity backing* expressed in physical quanti-

ties—for example, through a basket of strategic resources and raw materials closely tied to the economic development of the respective countries or blocs. This points toward the broader concept of so-called *"resource money."*

The idea of resource-backed money has been considered to varying degrees by economists with different theoretical perspectives, including John Maynard Keynes, Friedrich Hayek, Milton Friedman, Jan Tinbergen, Nicholas Kaldor, and Pierre Mendès France, among others. Nevertheless, it has not been successfully implemented in practice, mainly due to the interests and resistance of the issuing states of hegemonic currencies—initially the United Kingdom, and later, to an even greater extent, the United States. (Goudriaan, 1966).

Resource-Based International Money as a Unit of Account and Final Means of Settlement

What, in general terms, are resource-based forms of money, and what characteristics do they possess that make them suitable for a world of distrust and conflict, in which all participants seek to valorise their own resources and minimize dependence on the discretionary decisions of other states? Of course, there is no payment or monetary system that can guarantee complete security and equality among participants. In this context, however, hegemonic and purely debt-based money appears to be the most problematic option.

Resource-based money represents *a form of substantive money* (often referred to in the literature as "commodity money"), conceptually close to the full gold standard, but with the potential for more stable purchasing power over time. Unlike gold, whose price may be highly volatile, resource-based money is linked to a broader basket of commodities, which allows for a better smoothing of price fluctuations. It ensures a closer connection between monetary and real flows in the economy, as well as reduced opportunities for lobbying pressure from producers of a specific commodity-money.

In this framework, monetary issuance is tied to a defined physical set of strategic and essential commodities included in a basket with predetermined weights. Property rights over these resources are certified through *commodity certificates* (receipts). This basket *is granted legal monetary status*, and holding resource-based money entitles the bearer to convert it into real resources (in general, into the corresponding basket). In this way, resources—beyond their role in production and consumption—also acquire monetary functions. Depending on the dynamics of the economy and international trade, individual resources within the basket may be monetized (converted into money) or demonetized (returned to the real economic cycle as factors of production or objects of consumption).

In concrete terms, models of resource-based money have traditionally included both agricultural commodities (wheat, cotton, tobacco, coffee, tea, timber, etc.) and non-agricultural resources (oil, coal, copper, as well as precious metals such as gold). Under contemporary conditions, the composition of such a basket would likely be different and more broadly diversified. The selection of specific commodities and their respective weights within the basket constitutes a central element of the model.

A simplified issuance balance can be presented as shown in Table 1, where α_i denote the weights of the different resources, x_i the quantities of resources in the basket (the example includes 50 resources, although in practice one could start with a smaller number), and S represents the commodity basket (the resource stock) against which the resource-based money R is issued.

Table 1. Simplified balance sheet of a resource money issuing institution

Source: Author

In a certain sense, resource-based money represents a return to the classical Quantity Theory of Money ($MV = Py$), where M is the money supply, V is the velocity of circulation, P is the price level, and y is real income (Friedman and Schwartz, 1982). In the original versions of the quantity theory, M was approximated by gold or by banknotes backed by gold (with deposits added later). In the resource money model, the aim is for M to be directly and closely linked to y through R (the resource base), so that both the money supply and real income become functions of, and strongly correlated with, the resource basket.

With regard to the functioning of the mechanism, as well as its technical details and challenges, a detailed analysis can be found in Nenovsky and Bondi (2024). Here, we simply note that the main conclusion of our research is that, under contemporary conditions, the model is technically fully feasible—unlike in the past. The ability to track resource stocks, their prices, and flows now exists in near real time and at low transaction costs. This is facilitated by the development of technologies such as big data, artificial intelligence, and digital platforms.

As an illustrative example, one may consider the BRICS group (here limited to China, Russia, and India), where it is possible to construct a resource basket including, in addition to gold, key raw materials such as oil, natural gas, ores, rare earths and strategic metals, as well as basic agricultural products (e.g., rice and cotton). These resources should reflect the economic structure of the respective zone and correspond to its main export advantages (even though, for example, China is a leading exporter of industrial goods and technology). In each specific case, a separate empirical study is required to determine the composition of the basket, the weights of its components, and the operational mechanism.

There is also interest in emerging information in the public domain regarding a possible monetary basket for final settlements among China, Russia, and India, in which gold would play a leading role, complemented by

a limited number of other resources. For now, however, such information remains at the level of media reports and has not been officially confirmed.

Another illustrative example is Africa, where the topic of resource-backed money is being actively discussed. The idea of commodity (resource) money as a means of valorising natural wealth and achieving economic autonomy has a long history. It was advocated, for example, by the French politician and economist Pierre Mendès France (2007 [1974]). More recently, the African Development Bank, in cooperation with KPMG, has proposed a similar model (African Development Bank, 2025).

In our study (Nenovsky and Bondi, 2024), we develop an applied model for the Sahel countries, in which the basket includes strategic raw materials (gold and oil), valuable and strategic metals (manganese, iron, lithium, uranium), as well as agricultural commodities and products (cotton, maize, rice, peanuts). Such a basket could generate international demand for the currency of an African bloc, as it provides access to key resources. In turn, this would enable African countries to finance imports of industrial goods and technology.

Conclusion

The transition from a hegemonic to a bloc-structured monetary system and payment community, as well as from debt-based to substantive forms of international money, appears likely in the medium term. However, the specific forms and pathways of this transition remain uncertain.

In any case, a relatively peaceful transition to a new architecture—though less likely—is preferable to a conflict-driven scenario. It would create conditions for limiting the risk of a complete fragmentation of the global economy and would open opportunities for the gradual restoration of more stable, predictable, and cooperative forms of interaction among states and economic blocs.

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