

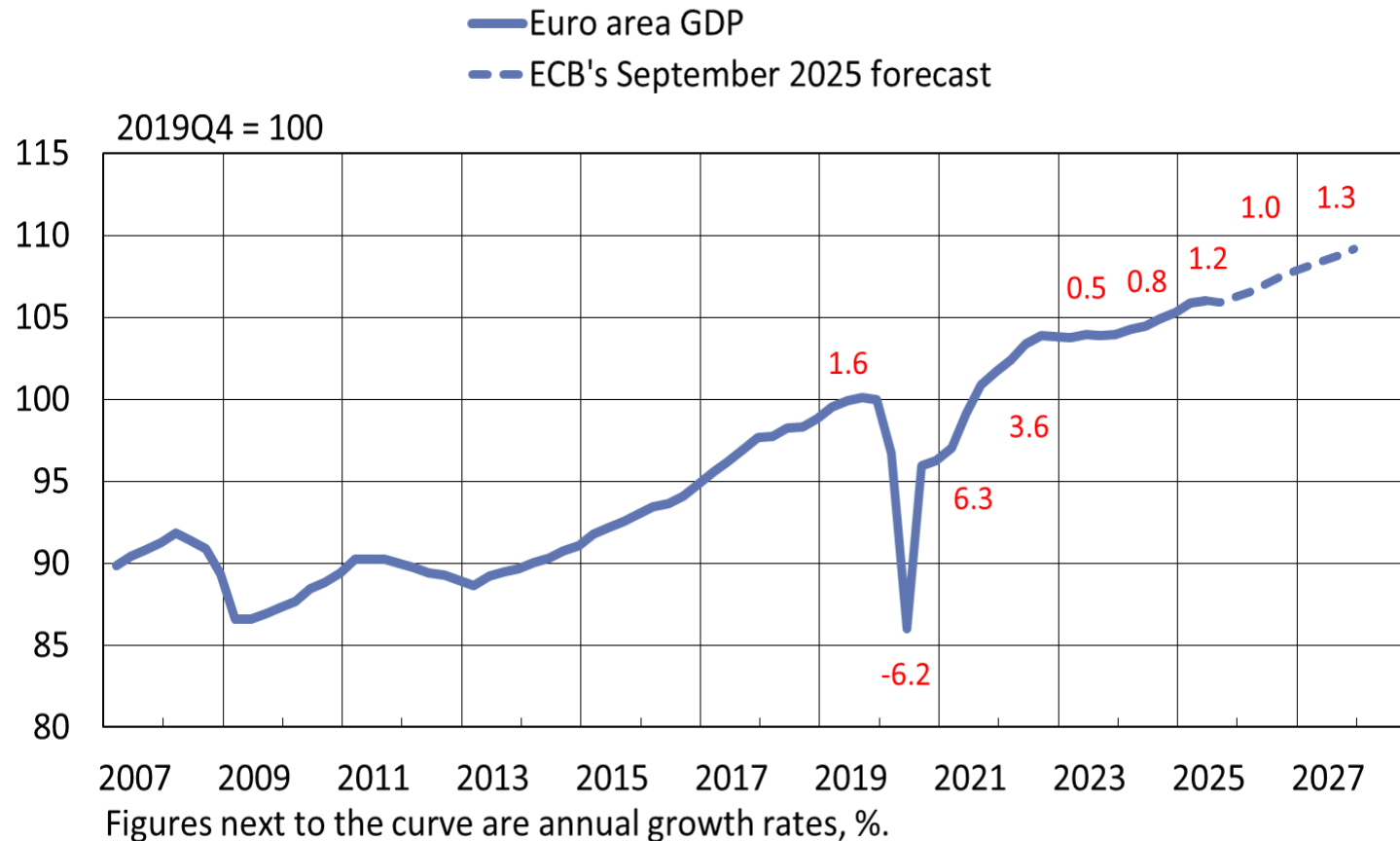


Europe and the euro in a changing international monetary system

PIIE event, Washington D.C., 17 October 2025

Governor Olli Rehn
Bank of Finland

The European economy has demonstrated resilience despite higher US tariffs



Sources: Eurostat and ECB.

35781@MMS(2007-)_LV

- The euro area economy is projected to grow in 2025-27 at a steady but rather slow pace.
- Drags on growth:
 - Higher US tariffs
 - Pervasive uncertainty
- Drivers of growth:
 - Improved purchasing power
 - Employment holding up
 - Increased defence spending

The euro's global role rests on the strength of Europe – its security and economy

“The state of a nation’s monetary system is a symptom of all its conditions.”

“Der Zustand des Geldwesens eines Volkes ist ein Symptom aller seiner Zustände.”

Joseph A. Schumpeter, *Das Wesen des Geldes* (1917)

➔ What holds true for a nation holds true for Europe, as well.

Europe's triple test

✓ Defence

Europe must invest in its common defence – both national and European financing.
→ Provide safe assets and create deep and liquid financial markets for Europe.

✓ Dynamism

Europe must enhance productivity growth and industrial competitiveness.
→ Complete the Single Market, build up a Savings and Investment Union, boost scale-up finance and innovation ecosystems, invest in human capital, attract global talent.

✓ Digital sovereignty

Europe must step up its digital sovereignty and reduce excessive dependencies.
→ Digi-€ will be a solid legal tender for the digital age, keeping money as public good.

Bold, strategic action across these three frontiers is of paramount importance. It will shape Europe's security and economic future, and the euro's global role.

Concluding remarks

- **Historical shifts tend to be slow** and driven by structural change – disruptive transitions caused financial instability and political disorder.
- **Dollar dominance** likely to persist for long, but its unipolar hegemonic supremacy is challenged by geopolitics and digitalization.
- **Momentum** is building for **a more multipolar monetary system** – the **euro** can play a positive stabilizing and global reserve role in that system
- Despite current headwinds, **let's defend the foundations of international cooperation** – the EU with the US, Global South and other partners.



”

*Securing stability,
in science we trust.*

