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Chairman Luetkemeyer, Ranking Member Beatty, distinguished members of the committee, it is my honor to be speaking with you today about preserving the US dollar’s status as the world’s preeminent international currency. I would like to open with my bottom-line up front: As the United States has increased its reliance on financial sanctions as a tool of foreign policy, it has provoked anti-dollar policy responses from our adversaries. Though such steps are unlikely to upend the dollar’s position as top international currency, including the reserve role, over time such policies could diminish the coercive capabilities that the United States derives from dollar centrality.

Though our Republic has never been ruled by a monarch the US dollar has become a powerful symbol of American *financial* royalty. Indeed, the dollar is often described as the “king” of all currencies, and rightly so. Across the full spectrum of international roles that a national currency can play—the reserve currency role, cross-border payments and trade settlement, turnover in foreign exchange markets, and so on—America’s currency outcompetes all comers and, presently, lacks a true rival in this space.

Dollar preeminence and US financial centrality are not without consequence for American coercive power. With little more than the stroke of the president’s pen, or through an act of Congress, the US government can use financial sanctions to impose enormous economic costs on targeted foreign actors—be they individuals, firms, or state institutions—by freezing their dollar assets, or cutting them off from access to the banks through which dollars flow. The consequences for individual targets, known as Specially Designated Nationals or SDNs, are severe, significantly impairing a target’s capacity to participate in international trade, investment, debt repayment, and depriving them of access to their wealth.

Over the last two decades, the United States has used the tool of financial sanctions with increasing frequency. For example, in the year 2000, just four foreign governments were directly targeted under a US Treasury country program, overseen by the Office of Foreign Assets Control (OFAC). Today, that number is greater than 20. If we include penalties from secondary sanctions, the list gets even longer.

The more the United States has reached for financial sanctions, the more it has made adversaries in foreign capitals aware of the strategic vulnerability that stems from dependence on the dollar. Some governments have responded by implementing anti-dollar policies—measures that are designed to reduce an economy’s reliance on the US currency for investment and cross border transactions. Though these measures sometimes fail to achieve their goals, others have produced modest levels of de-dollarization.

Notable examples include Russian steps to cut its dollar reserves and reduce the use of the dollar in trade settlement in the years leading up to its full-scale invasion of Ukraine, or China's ongoing efforts to build its own international payments network based on the yuan—efforts that have taken on a new sense of urgency as Beijing has become more aware of its own strategic vulnerabilities from dollar dependence.

To be clear, I do not believe that geopolitically motivated moves by Russia, China, or any other country, gravely threaten dollar supremacy. The dollar remains the world economy's indispensable currency and maintains economic and political advantages over all alternatives. However, the growing number of states espousing anti-dollar viewpoints and adopting anti-dollar policies does threaten to weaken the future potency of US financial sanctions.

I will conclude my remarks with three suggestions for US sanctions policy moving forward, aimed at protecting the dollar's status and preserving the tool's effectiveness for moments when US interests are most gravely threatened.

First, the United States should reconsider the use of so-called "symbolic" financial sanctions. That is, if the main objective of a tranche of sanctions is to signal to the world or a domestic audience that Washington disapproves of a foreign government's policy choices, other measures that send a similar signal but do not politicize the dollar system ought to be considered first.

Second, the use of financial sanctions against issuers of potential rival currencies—in particular China and its yuan—should face a higher bar of scrutiny. Even a small, targeted sanctions program provides information to our adversaries about their vulnerabilities and gives them time to prepare for a future event when a broad US sanctions program may be called upon as part of a major security crisis, when such measures will be most needed.

Finally, whenever possible, US financial sanctions should be coordinated with our allies in Europe and Asia, who should feel as if they are key stakeholders in the dollar system, not vassals to it. Such coordinated efforts will prevent our friends from seeking to conduct business with US adversaries outside of the dollar system and send a message to the world that moving activities into secondary currencies like the euro or yen is not a safe haven.

It is my privilege to be here today and speak on this critically important issue. I am happy to take your questions.