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Abstract

A quarter of a century after Argentina's 2001 crisis settled the fixed-versus-floating debate in favor of flexibility, the Latin American evidence is less favorable than the consensus assumed. Flexible exchange rates helped bring inflation down, but the region's major floaters gained little monetary independence and experienced substantial real exchange-rate and interest-rate volatility and slower growth. This paper proposes an Americas Monetary Accord (AMA), a voluntary treaty that would give this reality an institutional framework without a single currency or a supranational central bank. Members could retain their national currency at a fixed parity to the dollar or adopt the dollar officially, with additional incentives for the latter. The Accord would include a regionally funded emergency liquidity facility, an escape clause releasing members from their obligations if U.S. inflation remained high for a sustained period, and the right to withdraw if a member became the target of U.S. financial sanctions.

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The Americas Monetary Accord:
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Introduction

For a quarter of a century, the debate over exchange-rate regimes in Latin America has been considered settled. Argentina's 2001 crisis was read as conclusive evidence against hard monetary commitments, and flexible exchange rates combined with inflation targeting became the dominant paradigm in the region. This paper argues that the debate was closed prematurely.

Latin America has made enormous progress against inflation. In 1987–88, median annual inflation among the region's five largest economies (Argentina, Brazil, Chile, Mexico, and Venezuela) averaged more than 120%. By 2025, it had fallen to 5%, with Argentina and Venezuela as the principal outliers. But the gains in macroeconomic stability and growth that floating exchange rates were expected to deliver have proved elusive, and floating has provided less monetary autonomy than commonly assumed, as Julio H. G. Olivera anticipated half a century ago. Meanwhile, households, firms, and governments throughout the region continue to save and borrow in dollars. Much of Latin America already functions as a de facto dollar area.

The region already uses the dollar. What it lacks is an institutional framework for that reality. Monetary integration is not an end in itself, nor should it be confused with official dollarization. It is an institutional foundation that can reinforce price stability, trade, investment, and financial integration. This paper proposes an Americas Monetary Accord (AMA): a voluntary treaty with price stability as its principal monetary objective and the dollar as its common anchor. Each country would choose its own form of participation—retaining its currency at a fixed parity to the dollar or adopting the dollar outright—without a single currency, a supranational central bank, or a common timetable. Whether or not the United States joins as a Party, the design protects members against risks arising from the anchor currency: members could suspend their obligations if U.S. inflation remained high for a sustained period or if they became the target of U.S. financial sanctions.

The paper proceeds as follows. The next section reviews the evidence on the relationship between monetary and trade integration. The following two sections recall how the debate on monetary integration was interrupted in 2001 and revisit the fixed-versus-floating debate in light

of the Latin American experience. The paper then examines the region's de facto dollarization and whether the dollar remains a reliable anchor, presents the AMA, discusses the United States' potential role as a member or strategic partner, and considers stablecoins as a complementary channel. Appendix I outlines the principal provisions of the treaty.

Monetary integration promotes and reinforces trade integration

Historically, efforts at regional integration in the Americas have focused on trade. Trade integration alone, however, is not enough: monetary integration should be part of the process because the two reinforce each other.

Countries that already trade heavily with one another have more to gain from sharing a currency. A common currency eliminates conversion costs, reduces exchange-rate uncertainty, simplifies pricing and accounting, and facilitates financial transactions. Stable money lowers interest rates, lengthens investment horizons, and encourages risk-taking. Monetary integration therefore affects not only current trade but also the location of capital, production networks, and the financing of long-term projects (Dornbusch, 2001; Alesina, Barro and Tenreyro, 2002; Rose, 2002).

Monetary integration does not merely follow trade integration. It can also promote it. Initial estimates of the trade effect of currency unions (Rose, 2000; Frankel and Rose, 2002) were exceptionally large and prompted an extensive empirical debate. Subsequent studies using longer samples and more demanding gravity specifications found smaller but still positive effects (Glick and Rose, 2016; Chen and Novy, 2018).

Evidence from two decades of European monetary union suggests a positive relationship. A 2021 ECB study estimates that adoption of the euro increased bilateral trade among members by roughly 4–6% on average, with significant effects on intermediate-goods trade and cross-border production networks (Gunnella et al., 2021). The effects extend beyond trade to where firms invest and how they organize production.[1]

[1] The CFA franc area is a counterexample. Its common monetary anchor has delivered monetary stability, but by itself has not produced deep trade integration (IMF, 2025).

The implication is that any serious effort at regional economic integration—through trade agreements, cross-border investment, or the relocation of supply chains to the region—cannot ignore the monetary dimension.

An interrupted debate…

We have been there before. Twenty-six years ago, Robert Barro and Alberto Alesina convened a conference on currency unions at the Hoover Institution. At the time, Europe was launching the euro, Ecuador had adopted the U.S. dollar, El Salvador was preparing to follow, and Argentina's Convertibility regime appeared to have overcome decades of chronic inflation. In the conference volume (Alesina and Barro, 2001b), in a companion paper on dollarization (Alesina and Barro, 2001a), and subsequently in a formal model (Alesina and Barro, 2002), they argued that monetary and trade integration were mutually reinforcing and that, in an increasingly globalized world, larger currency areas would emerge, leaving substantially fewer currencies than countries.

In the *Wall Street Journal*, Barro (1999) argued that the United States should promote a dollar zone throughout the Western Hemisphere. "The dollarization of the Americas won't happen without U.S. leadership," he wrote. Barro's recommendations remain as valid today as they were then—if not more so. The proposal was not confined to academia. In 2000 Senator Connie Mack introduced the International Monetary Stability Act, which sought to facilitate official dollarization by sharing part of the additional seigniorage the United States would obtain from countries adopting the dollar (Mack, 2000). The bill reflected a broader recognition that monetary integration could become an instrument of hemispheric policy. However, it stalled in committee and never became law.

Ecuador dollarized in 2000, and El Salvador followed suit a year later. The momentum for monetary integration was then derailed by the September 11 attacks and Argentina's December 2001 crisis. Although Argentina had never officially dollarized, that distinction carried little weight in the ensuing debate. Argentina became the paradigmatic warning against rigid exchange-rate regimes and dollarization.

Argentina's collapse was widely interpreted as settling the fixed-versus-floating debate in favor of flexibility. Inflation targeting and flexible exchange rates became the dominant paradigm for emerging-market economies. In academic and policymaking circles, monetary sovereignty

regained its appeal, while hard monetary commitments were deemed too costly, undermining the appeal of monetary integration for Latin America.

That deserves to be reopened

A quarter of a century later, the empirical evidence suggests that the promises of floating exchange rates have not fully materialized in Latin America. The available evidence (Aizenman, Chinn and Ito, 2013, updated to 2020) shows that the largest floaters (such as Brazil and Mexico) obtained a modest gain in *de facto* monetary independence and experienced much greater exchange-rate and interest rate volatility and significantly lower GDP per capita growth than the ASEAN-5. The limited gain in monetary independence is consistent with the "fear of floating" documented by Calvo and Reinhart (2002). Although inflation has been tamed in most of Latin America, growth has been lackluster compared with other emerging-market economies. Statistically, greater real-exchange-rate volatility has been associated with lower fixed investment and GDP growth.

Nor is there evidence that floating regimes systematically prevent real exchange-rate appreciation. Between 2006 and 2025, real exchange-rate appreciation among Latin America's floaters was not statistically distinguishable from that of the officially dollarized economies. Real appreciation in Ecuador, an example of one paradigm, was lower than in Peru, an example of the other. The region's strongest real appreciations took place in Argentina, under a variety of regimes, and in Uruguay, under a float.

Although these data do not settle the debate conclusively, they challenge the assumption that floating exchange rates have contributed to greater macroeconomic stability and growth or prevented a systematic loss of competitiveness through unsustainable real exchange-rate appreciation.

There may be a theoretical explanation for these results. Olivera (1977, 1980, 1982 and 1983) argued that in an international monetary system dominated by a hegemonic currency only its issuer can simultaneously control the quantity of its money and its international value. For heteronomous countries, Olivera effectively reduces Mundell's trilemma to a dilemma: they can choose between controlling the quantity of their currency and fixing its international value but

cannot do both. A floating exchange rate therefore provides less autonomy than is commonly assumed.

Olivera's contribution was largely forgotten, but Rey (2015, 2016) recently reached a similar conclusion empirically: with internationally mobile capital, flexible exchange rates do not necessarily insulate domestic monetary conditions from those prevailing in the center country. Miranda-Agrippino and Rey (2020) document powerful spillovers from U.S. monetary policy to global asset prices, credit flows, and financial conditions, including in countries with floating exchange rates. Kalemli-Özcan (2019) identifies one channel that constrains monetary autonomy in emerging markets: U.S. monetary policy affects global risk perceptions, capital flows, and domestic credit spreads, limiting the ability of domestic monetary policy to control financing conditions (see also Cristi et al., 2024). More recently, Juselius and Xia (2026) show that central banks in emerging-market and developing economies with both high foreign-currency debt and shallow foreign-exchange markets adjust their policy rates in step with U.S. monetary policy surprises.

The constraint does not disappear under a floating regime; exchange rates and interest rates become the adjustment variables. This is particularly important in Latin America, historically a net dollar debtor. The evidence suggests that the modest increase in monetary independence achieved under floating has been accompanied by significantly greater interest-rate and real-exchange-rate volatility. More theoretical and empirical research is warranted before reaching definitive conclusions.

This matters for growth. Greater volatility raises uncertainty about relative prices and the cost of capital, shortening investment horizons. The evidence presented here shows that higher real-exchange-rate volatility is associated with weaker fixed investment and, more broadly, with lower GDP growth. These correlations do not establish causality, but they suggest one channel through which the benefits expected from exchange-rate flexibility may have been offset by its costs.

Another typical objection to using the dollar as a monetary anchor in Latin America has also weakened recently. Historically, a stronger U.S. dollar was negatively correlated to commodity prices. Since the United States became a net energy exporter at the end of the 2010s, the correlation has reversed (Hofmann, Igan, and Rees 2023; Rees, 2023). If recent trends continue,

the dollar may respond to commodity shocks in a way that is more aligned with the economic structure of much of Latin America than in the past.

The case for a new strategy for hemispheric monetary integration must begin with the recognition of a key fact: Latin America is no longer the inflationary outlier it was fifty years ago. During the 1970s, Latin American countries occupied many of the highest positions in global inflation rankings. In the twenty-first century, by contrast, only Venezuela and Argentina have persistently ranked among the world's five highest-inflation economies. Brazil, Chile, Colombia, Mexico, Peru, Uruguay, and several Central American countries created institutions and policy frameworks that would have seemed improbable in the 1970s and 1980s. More autonomous central banks, inflation targets, fiscal reforms, deeper domestic capital markets, and greater exchange-rate flexibility helped reduce inflation. Whether flexibility also delivered the expected gains in shock absorption and growth is much less clear.

This change has two implications. First, a regional monetary strategy cannot rest on the premise that every Latin American central bank is destined to fail. Second, it would be a mistake to conclude that greater monetary integration is unattainable. Different countries face different institutional constraints, and any arrangement should allow each to choose its own path toward monetary integration.

Latin America as a de facto dollar area

Latin America is already highly dollarized. Ecuador, El Salvador, and Panama use the dollar as their currency, and several other countries firmly peg to it. Argentina, Bolivia, Costa Rica, Paraguay, Peru, and Uruguay have bimonetary financial systems in which the dollar coexists with the domestic currency. The dollar is widely used as a store of value and, in several countries, as a means of payment and unit of account. As Levy Yeyati (2021) documents, this spontaneous dollarization reflects, among other factors, a history of price and exchange-rate instability and can persist long after inflation has declined. Geography, trade, tourism and cultural ties with the United States also play an important role. There is another, less obvious, dimension to the region’s dollarization. Despite the emphasis economists and policymakers place on exchange-rate flexibility, with the notable exceptions of Brazil, Chile, Colombia, and Mexico, the real exchange rates of most Latin American countries have remained closely aligned with that of the United States. In this sense, much of Latin America already behaves as a *de facto* dollar area.

This embedded dollarization may help explain why the gains from floating have been difficult to identify. Countries that allowed greater divergence from U.S. real-exchange-rate movements, such as Brazil and Mexico, have not enjoyed superior growth performance, while Peru combined closer real-exchange-rate alignment with higher growth and greater stability.[2] More research is needed to elucidate this point.

Is the dollar still a reliable anchor?

The inflationary outburst of 2022, the continued deterioration of the U.S. fiscal position, and the persistence of inflation above the Federal Reserve's 2 percent target since 2021 raise legitimate questions about the wisdom of relying on the dollar as a monetary anchor. These concerns should be put in perspective. Testifying before Congress in 1973, Milton Friedman explicitly advocated dollarization for developing countries such as Argentina despite being a severe critic of U.S. monetary policy. "US policy has been bad," he said, but dollarization still made sense because "their policies have been far worse. There are no gyrations in American monetary policy which can hold a candle to the gyrations which have occurred in Argentinian domestic monetary policy" (Friedman, 1973). The argument is most relevant to countries with a history of chronic monetary instability, such as Argentina and Venezuela.

The dollar has survived much more serious challenges to its credibility, including President Nixon's suspension of gold convertibility in 1971 and double-digit inflation later that decade. Moreover, despite its recent depreciation, the real value of the dollar remains high by historical standards. In July 2026, the U.S. real effective exchange rate was about 25 percent above its average since May 1973, more than two standard deviations above the mean and in the 97th percentile of monthly observations (Darvas, 2012, updated series).

As Sumner (2023) pointed out shortly after Milei's election, adopting the dollar when it is historically strong reduces the risk of subsequently importing a large dollar appreciation. This is particularly relevant for Argentina, whose Convertibility regime was severely strained by the sharp appreciation of the dollar in the second half of the 1990s.

[2] Peru is a special case. Both its exchange-rate volatility and its growth in real GDP per capita were in line with those of the ASEAN-5.

The case for the AMA is therefore conditional. Monetary integration with the dollar makes sense only as long as the United States remains committed to price stability, and that commitment can no longer be taken for granted. The relevant standard, however, is comparative. As Friedman argued, the dollar need not be perfect; it needs to be better than the alternative. For countries with a history of chronic monetary instability, such as Argentina and Venezuela, that bar is low. For countries with credible central banks, it is higher, which is one reason the AMA allows them to keep their own currencies. In either case, the commitment cannot be unconditional. The AMA therefore includes an escape clause that would release members from their obligations if U.S. inflation remained high for a sustained period.

A concrete proposal: The Americas Monetary Accord (AMA)

A quarter of a century ago, monetary integration was framed as a binary decision: officially adopt the dollar or else. However, this strategy is unlikely to produce the desired results in the short and medium term. A more flexible approach will yield results faster without sacrificing the ultimate objective. Monetary arrangements are sovereign decisions and cultural attachment to a national currency is strong in many countries.

Countries with strong fiscal institutions, credible central banks, and relatively deep domestic financial markets may prefer to retain their own currencies. The objective should not be to force Latin American governments to adopt the dollar but to create a monetary architecture that accommodates different degrees and forms of monetary integration, including official dollarization, for those countries that choose it voluntarily. Such a format would not require a supranational central bank or a common timetable for integration as was the case with Maastricht (European Union, 1992).

The challenge, therefore, is not to create a dollar area from scratch. Ecuador, El Salvador, and Panama already use the dollar as their official currency, while dollarization has occurred spontaneously to varying degrees throughout much of the rest of the region. What is missing is an institutional framework capable of transforming this existing monetary integration into a broader hemispheric arrangement.

My concrete proposal is an Americas Monetary Accord (AMA), with price stability as its principal monetary objective and the dollar as its common anchor. Participation would be

voluntary, but each country would join through an international treaty ratified according to its constitutional procedures. Treaty status is important not only legally but economically: by raising the political and institutional cost of reversal, it would strengthen the credibility of the monetary commitment. The Accord could be concluded among Latin American countries without the United States as a Party, although that would offer a weaker external commitment device than a treaty including the issuer of the anchor currency.

Countries could choose between two forms of membership. Under Track A, those wishing to retain their national currency would fix it to the dollar under a hard convertibility rule and would have to meet entry conditions including inflation convergence, adequate reserve backing, fiscal transparency, and a prohibition on monetary financing. Since each Track A currency would be fixed against the dollar, they would also be fixed against one another. In Mundell's (2000) terms, what defines a currency area is a zone of fixed exchange rates, not a single currency; monetary union is only its limiting case.

Under Track B, countries choosing official dollarization would not face an inflation-convergence requirement: the dollar would become legal tender and the sole unit of account of the financial system, although legacy domestic currency could continue to circulate for cash transactions during a transition period, as happened in El Salvador after 2001. All members, under either track, would guarantee freedom to hold, borrow, lend, contract, and settle payments in dollars and would adopt compatible prudential and payment-system standards.

The AMA could initially be established by Ecuador, El Salvador, and Panama, with or without the United States as a founding Party, the three Latin American countries that already use the dollar officially. Their participation would require no change in monetary regime and would give the Accord an immediate multilateral foundation. Other countries in the region that already peg their currency to the dollar would likely be receptive to the idea. However, the simultaneous or early accession of a large economy such as Argentina and/or Venezuela would be key, as it would give the AMA greater economic and strategic weight. Other countries could subsequently join under either track as their political and institutional circumstances-permitted. If U.S. treaty participation proves politically unattainable, a number of Latin American Parties could establish the AMA independently and invite Washington to act as a strategic partner through separate agreements.

Argentina is a special case. Argentines hold roughly US$250 billion in dollars outside the domestic financial system and another US$40 billion in Argentine banks. By comparison, peso M3 is equivalent to approximately US$100 billion. Official dollarization would therefore not impose the dollar on Argentines but recognize a currency choice they have already made, and create stronger incentives to mobilize those dollars through the domestic financial system and put them to productive use.

The institutional components have precedents. Maastricht demonstrates how monetary commitments can acquire treaty status and be subject to entry conditions; the Common Monetary Area in Southern Africa shows that countries can retain national currencies while fixing them to a common anchor; the African CFA franc arrangements show how reserve pooling and an external convertibility backstop could work; and FLAR already provides regional balance-of-payments and emergency liquidity financing in Latin America (Masson and Pattillo, 2004; Masha et al., 2007).

As conceived, the AMA would combine elements of these arrangements without creating either a new currency or a supranational central bank. It also closely resembles the type of multiple-currency arrangement proposed by Mundell (2002) for Asia. Mundell distinguished a common currency from a single currency: countries could retain their national currencies while maintaining full convertibility into a common currency at fixed parities. Significantly, he proposed the dollar as the natural external anchor for such an arrangement. The AMA applies the same principle to the Americas, where the dollar already serves as the dominant monetary anchor and several countries already use it as their official currency. In this sense, Track A and Track B need not be viewed as competing monetary regimes but as different forms of participation in the same dollar-based currency area.

The AMA would also create a Hemispheric Liquidity Facility (HLF) to provide emergency dollar liquidity, either as a dedicated window within FLAR or as a new institution modeled on it. FLAR, whose predecessor, the Andean Reserve Fund, began operating in 1978, is the principal regional precedent for balance-of-payments and emergency liquidity financing; its full members are eight Latin American countries, with Chile's central bank participating as an associate. Participating countries would have skin in the game through paid-in capital and reserve contributions. Access would follow a funding waterfall: national liquid reserves first, then the member's capital and the facility's pooled resources, followed by market borrowing, with-any separately negotiated U.S. Treasury backstop available only as the final layer and subject to

conditions agreed in advance. The facility would provide temporary liquidity to eligible national monetary authorities or expressly designated public institutions and would not finance fiscal deficits, sovereign debt service, or insolvent banks. The Federal Reserve would assume no automatic lender-of-last-resort obligation.

Officially dollarizing members would receive an additional incentive reflecting the stronger and less reversible commitment they undertake. A mechanism along the lines proposed by Velde and Veracierto (1999) could preserve the income associated with the monetary base existing at the time of dollarization. Subject to a separate agreement and U.S. authorization, this could be complemented by a predetermined U.S. contribution to the country's capital account at the HLF, conditional on the country's own contribution. The first mechanism would preserve existing seigniorage; the second would strengthen the liquidity safety net without creating an open-ended fiscal transfer from the United States.

The commitment of members would not be unconditional. Their obligations rest on the stability of the dollar's purchasing power, which they do not control. The treaty would therefore include an escape clause: if U.S. consumer prices rose by more than 20 percent cumulatively over any thirty-six-month period, any member could suspend its obligations or withdraw immediately, without the notice period and penalties that would otherwise apply. Calibrated at that level, the clause would not have been triggered, if only narrowly, by the 2021–2023 inflation episode, but it would have been triggered repeatedly in the 1970s. It protects members against the one risk the Accord cannot otherwise address and gives the United States an additional reason to preserve the value of its currency.

U.S. financial sanctions raise a different concern, one likely to meet resistance in Latin America. Such sanctions do not require a country to be dollarized to be effective. Their imposition against an AMA member, however, would undermine the monetary relationship on which the treaty rests. There is an important precedent: in 1988 the United States imposed severe sanctions on Panama under Manuel Noriega, seriously disrupting its banking system for several months. Yet Panama remained dollarized. The treaty should therefore allow a member subject to U.S. financial sanctions directed at its government, monetary authority, or financial system as a whole to suspend its obligations and withdraw if it so-chooses. If the United States is a strategic partner rather than a Party, sanctions would no longer represent a breach of the treaty relationship by a

member, reducing this sovereignty concern. They could still disrupt dollar clearing, however, so the affected country should retain the same suspension and withdrawal rights.

Membership need not be universal or simultaneous. Once established by an initial group of members, the AMA would remain open to later accession under either track. Continued access to its liquidity and other benefits would depend on compliance with the monetary, fiscal, reserve, convertibility, and transparency rules agreed in the treaty. The principal provisions of a possible AMA are outlined in Appendix I.

Constitutional and Legal Feasibility

The AMA would operate within the existing constitutional frameworks of its member states. Its voluntary character and the absence of a supranational monetary authority would substantially reduce the constitutional difficulties associated with monetary integration. Nevertheless, treaty ratification and domestic implementation are legally distinct. Each participating country would have to comply with its constitutional requirements not only for entering into international agreements but also for exercising monetary powers, undertaking financial commitments, and implementing the Accord's obligations.

In the United States, the Federal Constitution assigns monetary and fiscal powers to Congress (Article I, Section 8), while providing for the conclusion of treaties with the advice and consent of two-thirds of the Senators present (Article II, Section 2). Other forms of congressional authorization for international agreements may also be available, depending on the obligations undertaken. Consequently, U.S. participation would not, by itself, authorize the Treasury to undertake financial commitments beyond those permitted by existing legislation. Contributions to the proposed HLF, contingent financial guarantees, and arrangements concerning seigniorage would require appropriate statutory authority and, where necessary, congressional appropriations. Existing instruments, such as the Exchange Stabilization Fund (31 U.S.C. § 5302), might provide a legal basis for certain operations, but their applicability would depend on the specific arrangements-negotiated. In the current political environment, securing the two-thirds Senate majority required for an Article II treaty appears unlikely; a congressional-executive agreement would also face legislative obstacles. A Latin American AMA with the United States as a strategic partner would avoid making the Accord’s entry into force contingent on U.S. congressional approval, while leaving any U.S. financial commitments subject to their own legal authorization.

For Latin American participants, the principal constitutional question would be whether the obligations assumed under the AMA are consistent with the allocation of monetary powers under domestic law. In Argentina, for example, Article 75(11) of the Constitution assigns Congress the authority to coin money and regulate the value of domestic and foreign currencies. This provision does not expressly require the maintenance of an independent national currency and therefore does not, on its face, preclude official dollarization. Similar questions would have to be examined under the constitutional arrangements of other prospective members.

Finally, treaty status would strengthen the credibility of monetary commitments by increasing the legal and political costs of unilateral reversal, without making those commitments constitutionally irreversible. Their domestic legal effects would depend on each country's constitutional system.

Whether or not a multilateral treaty proves feasible, bilateral arrangements could provide an alternative or complementary path toward monetary integration. For Argentina, a bilateral executive agreement ("Acuerdo Ejecutivo") with the United States could establish monetary integration as a common objective and provide a legal and institutional framework for its implementation. Under a defensible interpretation of Argentine constitutional law, such agreements may have a status comparable to that of international treaties, although their normative hierarchy has not been definitively settled by the Supreme Court. The Argentine President could implement the agreement through executive decrees within the scope of existing presidential powers. Measures falling within Congress's legislative competence would, however, require legislation or, where constitutionally permissible, decrees of necessity and urgency (DNUs), subject to legislative review under Law 26,122. An executive agreement would therefore strengthen the international framework for dollarization without circumventing Congress or eliminating the constitutional requirements applicable to its implementation.

Why would the United States participate?

The AMA would benefit from active U.S. support but need not require U.S. treaty membership. Barro (1999) argued that the dollarization of the Americas would not happen without U.S. leadership. Such leadership could take the form of a strategic partnership rather than accession to the Accord. Washington has its own reasons to-support it. The dollar's status as the dominant reserve currency faces growing challenges, which in the current fiscal context could

prove costly for the United States. At the same time, China has become a major lender, investor, and trading partner throughout Latin America, and the United States is seeking to strengthen economic ties with the rest of the hemisphere in energy, food, critical minerals, infrastructure, manufacturing, payments, and supply chains.

The potential monetary implications are also significant. A simple counterfactual exercise suggests that if every Latin American country except Brazil and Mexico adopted the dollar and its broad money-to-GDP ratio converged to U.S. levels within two years, the resulting stock of broad money would amount to approximately 9.1% of the U.S. total.[3] Although this would not translate one-for-one into additional demand for U.S. currency or financial assets, the expansion of the dollar area would be far from negligible. At a time when the dollar's international dominance faces growing challenges, such an enlargement could reinforce its role as the hemisphere's principal currency, strengthen structural demand for dollar-denominated assets, and help preserve its global monetary supremacy.

In this context, the dollar is an asset the United States holds and China cannot replicate. China can finance infrastructure projects, provide currency swaps to central banks, and extend development lending. It cannot offer the currency that Latin American households, firms, and investors already prefer. By institutionalizing the dollar’s role in the hemisphere, the AMA would strengthen its international position.

These U.S. interests bear on the feasibility of the proposal, not on its justification. From a Latin American perspective the case for the AMA rests on the arguments developed in the previous sections. What the convergence of interests makes possible is an arrangement that serves both sides, provided it respects two constraints: it must not impose a financial burden on U.S. taxpayers, and it must not force the dollar on any country. The design described above meets both. The liquidity facility is funded first by its members, the U.S. backstop is limited and conditional, the seigniorage arrangement involves no open-ended transfer, and participation, under either track,

[3] Author's calculations based on World Bank data for nominal GDP (current US$) and broad money as a percentage of GDP. The simulation includes 16 Latin American countries, excluding Brazil and Mexico, and assumes that all adopt the U.S. dollar and that their broad money-to-GDP ratios converge to the U.S. level (99.7% in 2025) within two years. Nominal GDP is held constant at its 2025 level. The resulting aggregate broad money stock is divided by the corresponding U.S. stock. For countries without 2025 monetary observations, the latest available ratio is used. The exercise is illustrative and does not account for changes in GDP or monetary demand during the transition.

is voluntary. A strategic partnership would allow those forms of support to be negotiated separately, without making Latin American monetary integration conditional on U.S. ratification.

Stablecoins: Another avenue for monetary integration

Digital technology is broadening the channels through which hemispheric monetary integration can occur. Twenty-five years ago, dollarization largely meant replacing domestic banknotes with physical dollars and converting bank deposits into dollar claims. Today, dollar-backed stablecoins allow firms and households to hold and transact in dollar-denominated claims independently of the foreign exchange regime.

Latin America is already a significant market for dollar-backed stablecoins. Asia accounts for the largest volume of stablecoin activity, but relative to GDP, Latin America stands out, together with Africa and the Middle East. Most cross-border flows run from North America to the rest of the world (Adrian, Miccoli and Sugimoto, 2025).

The GENIUS Act (U.S. Congress, 2025) establishes prudential standards for dollar-backed payment stablecoins in the United States and provides for reciprocal arrangements with foreign jurisdictions whose regulatory regimes are deemed comparable. Dollar stablecoins are likely to reinforce the dollar's international role, although foreign authorities have raised concerns about their effect on monetary sovereignty (Liang and Neiman, 2026). The AMA would require members to adopt compatible standards governing reserves, redemption, supervision, and financial integrity. This could facilitate the development of a regulated hemispheric market for dollar-backed stablecoins without requiring official dollarization. Governments would establish the institutional framework; markets would drive the process.

Conclusion

A quarter of a century ago, Argentina's crisis ended the momentum for monetary integration in the Americas and turned exchange-rate flexibility into orthodoxy. The evidence accumulated since then suggests that this orthodoxy deserves to be reassessed. Floating exchange rates helped reduce inflation but did not deliver the expected gains in stability and growth, and they provided less monetary autonomy than commonly assumed. Meanwhile, households, firms, and governments throughout the region have continued to choose the dollar.

The AMA offers a way to turn that choice into an institutional framework. It would not require every country to adopt the dollar: countries with credible monetary institutions could retain their own currencies. It would not create a supranational central bank or impose a common timetable. And it would limit the discretion of the anchor country through an escape clause tied to U.S. inflation and the right to withdraw in the event of financial sanctions. On the other side, on a net basis, it would impose no burden on U.S. taxpayers. An Accord among Latin American countries alone would offer less credibility than one backed by a binding U.S. commitment but would also be less intrusive on national sovereignty and could reduce concerns about U.S. sanctions as a treaty-member issue.

The monetary links between the United States and Latin America are older than is commonly assumed. The Coinage Act of 1792 defined the U.S. dollar by reference to "the Spanish milled dollar," the *real de a ocho*, which was then the most widely used coin in the Americas and in world trade. Most were minted in Mexico City, Lima, and Potosí, and they circulated as legal tender in the United States until 1857. The dollar began, in other words, as a Spanish American currency adopted by the United States.[4] The tables have turned. Today the dollar is the global currency of choice. The AMA would institutionalize that choice in Latin America. The analogy has one weakness. The Spanish dollar was a metallic coin whose purchasing power depended on the value of silver; the U.S. dollar is a fiat currency managed by the Federal Reserve. Hence the escape clause.

Monetary integration would benefit from U.S. support, but need not await U.S. treaty participation, nor should it be conceived as a concession to Washington. For countries such as Argentina, with a long history of monetary instability and a population that already saves in dollars, it would recognize a choice citizens have already made and give it the stability of a treaty. The AMA is one possible design. Its purpose is to reopen a debate that was closed prematurely.

[4] The Spanish dollar had legal tender status in the U.S. until the Coinage Act of 1857.

Appendix I: Outline of a Framework for an Americas Monetary Accord (AMA)

The following is an institutional outline rather than legal drafting. It identifies the principal provisions that participating governments would need to negotiate and submit for domestic ratification. The provisions below assume that the Parties may be Latin American states alone. U.S. support, where available, would be established through separate agreements rather than obligations imposed on a non-Party.

Article I — Purpose and Principles

The Parties establish the Americas Monetary Accord (AMA) to promote lasting price stability, monetary credibility, financial integration, and the orderly expansion of trade and investment throughout the Americas. The U.S. dollar shall serve as the common monetary anchor. Membership is voluntary. The Accord shall not establish a supranational central bank or require all Parties to use a single currency.

Article II — Ratification, Entry into Force, and Accession

Each Party shall ratify the Accord according to its constitutional procedures. The Accord shall enter into force upon ratification by at least three Latin American States and shall remain open to subsequent accession. Treaty status is intended to raise the legal and political cost of unilateral reversal and thereby strengthen the credibility of each member's monetary-commitment. The United States may participate as a strategic partner through separate instruments without becoming a Party.

Article III — Permissible Monetary Regimes

A member may choose either of two regimes. Under Track A, it may retain its national currency while fixing it to the U.S. dollar under a hard convertibility rule, with the dollar permitted to circulate and be used freely in contracts and financial transactions. Under Track B, it may adopt the U.S. dollar as legal tender and as the sole unit of account of the financial system. A legacy domestic currency may continue to circulate for cash transactions during a transition period agreed upon accession, provided that it does not constitute an independent monetary base or unit of account for the financial system.

A Track A member shall maintain unrestricted convertibility of its national currency into U.S. dollars at the parity notified upon accession. Because every Track A currency is fixed to the dollar, Track A currencies are also fixed against one another, and Track A and Track B members participate in a single dollar-based currency area. The convertibility commitment constrains discretionary monetary expansion but does not require the abolition of national central banks or other instruments of domestic financial policy. A Track A member may move to Track B at any time upon notice to the Council. A member participating under Track B may move to Track A only with the approval of the Council and upon meeting the applicable Track A entry conditions.

Article IV — Conditions for Entry

Track A applicants shall demonstrate inflation convergence toward the anchor country, adequate liquid reserve backing, unrestricted convertibility, fiscal and central-bank transparency, a sound banking system, and a binding prohibition on central-bank financing of government. Track B applicants shall not be subject to an inflation-convergence test. Applicants not already using the dollar as their official currency shall demonstrate the operational and financial capacity to convert the relevant monetary base and redenominate the financial system into dollars. All Track B applicants shall demonstrate adequate bank capitalization and liquidity, fiscal and monetary transparency, and a binding prohibition on the future creation of an independent monetary base for fiscal financing.

Article V — Common Obligations

All members shall permit residents to hold, borrow, lend, contract, and settle payments in U.S. dollars without discriminatory restrictions; maintain compatible prudential standards for dollar-denominated banking and payment instruments; promote interoperability of dollar payment systems; publish timely information on reserves, monetary liabilities, public finances, and contingent liabilities; and refrain from measures designed to circumvent the prohibition on monetary financing. Capital-flow safeguards, if ever permitted, shall be temporary, transparent, and subject to treaty procedures.

Article VI — Dollar Payment Instruments and Stablecoins

Members shall adopt standards for dollar-backed payment stablecoins and other digital dollar payment instruments that are compatible with those of the United States with respect to reserve assets, redemption at par, supervision, disclosure, and financial integrity, so as to qualify for reciprocal treatment under U.S. law. Members shall not restrict the issuance, holding, or use of compliant instruments by residents beyond what those standards require. Compliance with this Article does not require official dollarization.

Article VII — Continuing Compliance

An independent technical secretariat shall monitor compliance with the Accord and publish periodic assessments. A member that deliberately violates convertibility, reserve, monetary-financing, or disclosure obligations may have access to the Hemispheric Liquidity Facility (HLF) established under Article IX suspended. Persistent or material violations may lead to suspension of treaty benefits. Temporary deviations caused by exceptional external shocks shall be distinguished from deliberate abandonment of the monetary rules and may be addressed through a time-bound corrective program.

Article VIII — Dollarization Incentive

A member choosing Track B shall be eligible for additional benefits reflecting the stronger monetary commitment it undertakes. First, under a separate arrangement, the United States and the adopting country may establish a special arrangement under which the income associated with the monetary base existing at the time of dollarization is preserved for the adopting country while the underlying principal remains unavailable for domestic monetary creation. Second, subject to U.S. authorization, the United States may make a predetermined matching contribution to that member's capital account at the HLF after the member has paid its own required contribution. The matching contribution shall not constitute general budget support.

Article IX — Hemispheric Liquidity Facility

The Parties shall establish a Hemispheric Liquidity Facility (HLF), either through a separately governed and capitalized dollar-liquidity window within FLAR or through a new treaty institution modeled on FLAR. Its mandate shall be limited to temporary dollar liquidity for eligible national

monetary authorities or public institutions expressly designated for that purpose under the Accord, facing systemic liquidity shocks. The HLF shall not finance fiscal deficits, routine sovereign debt service, or insolvent financial institutions. Disbursements shall be subject to predefined eligibility criteria, restrictions on the use of funds, reporting requirements, and verification by the HLF. The designated monetary authority or public institution shall remain responsible for any onward lending to domestic financial institutions and the associated credit risk. National authorities shall remain responsible for banking supervision, determination of bank solvency, and collateral taken from domestic institutions.

Article X — Funding Waterfall and U.S. Backstop

Emergency liquidity shall be provided through a predetermined waterfall. A member shall first use its own readily available liquid reserves; second, its paid-in HLF capital and the facility's pooled resources; third, resources raised by the HLF in private capital markets; and only thereafter any U.S. Treasury-backstop separately committed under an applicable agreement. Problems of sovereign solvency or persistent balance-of-payments disequilibrium shall remain within the mandate of the IMF and other multilateral institutions. Any U.S. backstop shall be capped, contingent, and subject to eligibility and repayment conditions agreed in advance. Nothing in the Accord shall create an automatic obligation of the Federal Reserve to extend swap lines or act as lender of last resort to member countries.

Article XI — Governance

Treaty-level decisions on membership, amendments, and suspension shall be taken by a Council of Finance Ministers. Technical monetary and liquidity rules shall be administered by a Monetary Committee composed of the governors or heads of the participating monetary authorities, supported by an independent professional secretariat. Ordinary HLF lending shall be governed by transparent ex ante rules. Use of any U.S.-backed layer shall additionally require compliance with the conditions established in the relevant separate agreement and under applicable U.S. law. Amendments to this Accord shall require the unanimous written agreement of all Parties and shall enter into force only after every Party has approved them in accordance with its applicable constitutional procedures. Decisions adopted by the organs of the Accord within the powers expressly conferred upon them shall not constitute amendments to the Accord.

Article XII — U.S. Inflation Escape Clause

The obligations of members under this Accord rest on the continued stability of the purchasing power of the U.S. dollar. An Escape Event occurs when the U.S. Consumer Price Index for All Urban Consumers (CPI-U), as published by the U.S. Bureau of Labor Statistics, rises by more than 20 percent over any period of thirty-six consecutive months. The Secretariat shall certify an Escape Event within thirty days of publication of the relevant data. An Escape Event shall cease when the cumulative increase in the CPI-U over the preceding thirty-six months is no longer above 20 percent. If the CPI-U is discontinued or its methodology materially altered, the Council shall designate the most closely comparable index on the recommendation of the Secretariat.

Following certification, while the Escape Event persists and for twelve months after it ends, any member may, by written notice to the Council, suspend any or all of its obligations under this Accord or withdraw with immediate effect, notwithstanding the notice period established in Article XIV. A member invoking this Article shall not incur the consequences of withdrawal set out in Article XIV, except that outstanding HLF liquidity support shall be repaid on its original terms. Arrangements under Article VIII shall be unwound in accordance with terms agreed in advance, without penalty to the member.

A member that has suspended its obligations may reinstate them by notice to the Council without reapplying for admission, provided it then meets the conditions of Article VII. Invocation of this Article by one member shall not affect the obligations of the others. This Article may be amended only with the consent of all Parties.

Article XIII — Financial Sanctions

If the United States imposes financial sanctions that restrict the access of a member’s government, monetary authority, or financial system as a whole to the U.S. financial system, dollar clearing, or correspondent banking, the affected member may suspend any or all of its obligations under this Accord and may withdraw with immediate effect, without the notice period or penalties otherwise applicable under Article XIV. Outstanding HLF liquidity support shall remain repayable on its original terms, and arrangements under Article VIII shall be unwound in accordance with terms agreed in advance, without penalty to the member. Measures directed at specific individuals or entities under anti-money-laundering, counter-terrorist-financing, or

comparable regimes shall not by themselves give rise to this right. Any consultation obligation of the United States would require a separate agreement; this Accord imposes no obligation on a non-Party.

Article XIV — Withdrawal and Re-entry

Except as provided in Articles XII and XIII, a Party may withdraw only upon twelve months' written notice and in accordance with the procedures specified in the treaty. Withdrawal shall terminate access to treaty benefits and trigger the contractual consequences attached to any outstanding liquidity support or dollarization incentive. Re-entry shall require renewed compliance with the applicable admission conditions. The purpose of these provisions is not to make withdrawal impossible, but to make the monetary commitment sufficiently durable to command credibility. By confining costless exit to circumstances beyond a member's control, Articles XII and XIII strengthen that credibility rather than weaken it.

Institutional note. FLAR is a public international-law entity created by treaty (FLAR, 1988). Its full members are Bolivia, Colombia, Costa Rica, Ecuador, Paraguay, Peru, Uruguay, and Venezuela; the Central Bank of Chile participates as an associate central bank. Full membership requires accession to FLAR's Constitutive Agreement and completion of the domestic treaty-approval process. Neither El Salvador nor Panama is currently a member, so an HLF window within FLAR would require either their accession or access arrangements open to non-members. Whether existing U.S. statutory authority permits the Exchange Stabilization Fund (U.S. Department of the Treasury, n.d.) to provide a standing facility directly to FLAR or a comparable regional institution would require a legal determination by the U.S. Treasury; separate U.S. authorization could provide explicit authority if necessary.

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