Globalization of Global Currency

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Abstract

The paper analyses that today in the era of globalization, the whole world is considered as one and it is called as global village. The entire world is one and so why not to have complete economic integration? These days it has become the need of the day. This is though not an easy task but can be surmounted with great care and with high degree of global cooperation. For this there is an appeal of changing the attitude and the mindset of the people at global level.

Such an action should surely solve many problems like currency risk, speculations, inequality, and many more and may take the global village at a relatively higher stage of development in comparatively less time

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GLOBALIZATION OF GLOBAL CURRENCY

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A **currency** is a unit of exchange, facilitating the transfer of goods and services. It is a form of money, where money is defined as a medium of exchange (rather than a store of value). A currency zone is a country or region in which a specific currency is the dominant medium of exchange. To facilitate trade between currency zones, there are exchange rates i.e. prices at which currencies (and
the goods and services of individual currency zones) can be exchanged against each other. In cases where a country does have control of its own currency, that control is exercised either by a central bank or by a Ministry of Finance. In either case, the institution that has control of monetary policy is referred to as the monetary authority. For example Reserve bank of India is the central Bank of India

If we peep into the history of evolution of currency it has gone under continuous changes. Now in the present era of global village we can develop a global currency for the global village. With such developments as the euro allowing for facilitated trade and perhaps a corresponding increase in a wider identity, proposals for a single global currency have accelerated, even while it is recognized that several political and economic factors would need to be addressed and intermediate steps taken before such a concept might be accepted by the diverse nations of the world.

LET US TALK ABOUT THE EFFECTS OF PRACTICE OF EURO:

The most obvious benefit of adopting a single currency is removing from trade the cost of exchanging currency, theoretically allowing businesses and individuals to consummate previously unprofitable trades. On the consumer side, banks in the Euro zone must charge the same for intra-member cross-border transactions as purely domestic transactions for electronic payments (e.g. credit cards, debit cards and cash machine withdrawals).

The absence of distinct currencies also removes exchange rate risks. The risk of unanticipated exchange rate movement has always added an additional risk or uncertainty for companies or individuals looking to invest or trade outside their own currency zones. Companies that hedge against this risk will no longer need to shoulder this additional cost.

The reduction in risk is particularly important for countries whose currencies have traditionally fluctuated a great deal, particularly the Mediterranean nations.

NEED OF THE GLOBAL DAY:

Financial markets on the continent are expected to be far more liquid and flexible than they were in the past. The reduction in cross-border transaction costs will allow larger banking firms to provide a wider array of banking services that can compete across and beyond the Euro zone. Another effect of the common European currency is that differences in prices — in particular in price levels — should decrease because of the Law of one price. Differences in prices can trigger arbitrage, i.e. speculative trade in a commodity between countries purely to exploit the price differential, which will tend to equalize prices across the euro area.

A world in which major currency crises occur at an average rate of one every 19 months is not a very comfortable one for economic policymakers. What, if anything, can be done to prevent them, or at least to keep them from happening so often?

One possibility would be to return to the world of the early 1960s, an era in which extensive capital controls prevented the massive flows of hot money that now drive crises. Something like this seems to be what Mahathir is proposing, but nothing along these lines seems likely in the near future.

Another possibility would simply be for countries to follow sound and consistent policies, so that they are not attacked by speculators. There is a lot to be said for this; many crises do seem to be the result of obvious inconsistencies between the domestic policies of a country and its exchange regime. However, the main point of second-generation models may be stated this way: the real cause of currency crises is not so much what you are actually doing, as what the financial markets suspect you might *want* to do

We believe that once the peoples (including their corporations and labor and other organizations) of the world understand the benefits of a single global currency; they will demand it from their governments. The single global currency is what the peoples of the world need, and it is what they want.

WHY A GLOBAL CURRENCY?

The world needs a single global currency for at least ten reasons:

1. Eliminate the direct and indirect transaction costs of trading from one currency to another.
2. Eliminate the Balance of Payments/Current Account problems of all countries.
3. Eliminate the risk of currency failure, currency risk.
4. Eliminate the uncertainty of changes in value due to exchange-caused fluctuations in currency value and the costs of hedging to protect against such fluctuations.
5. Cause an increase in the value of assets for those countries currently afflicted with significant country risk.
6. Eliminate the misalignment of currencies.
7. Utilize the seigniorage benefit and control of printing money for the operations of the global central bank and for public benefit.
8. Eliminate the need for countries or monetary unions to maintain international reserves of other currencies.
9. Reduce worldwide inflation to a planned low rate of approximately 2% and thereby ensure low loan interest rates.
10. Confirm or implement a basic, fundamental human right, as noted by Ludwig Erhard, just as is the fundamental human right to own property

GLOBAL CURRENCY AS A HUMAN RIGHT:

The world has made considerable progress in identifying fundamental human rights, such as the right to practice one's religion.

Along with others, there should be a fundamental human right to a stable currency, where people have the ability to Earn, Save, Invest and Spend stable money.

This human right does not require government expenditures to protect, but it does require government and central bank practices which keep inflation to a low level, such as 2%. Allowing inflation to rise above 4% could be said to violate the human right to a stable currency.

Establishing a single global currency, with a global central bank with a representative governing structure, is the only way to ensure the people's right to a stable currency. The current and historic system of multiple currencies, transferable through an exchange rate system is so susceptible to large fluctuations of value as to deny hundreds of millions of people their fundamental right to a stable currency.

ECONOMIC REASON FOR THE GLOBAL CURRENCY:

Around the world, product and capital markets are becoming increasingly integrated. Governments are opening their borders to foreign goods and capital while technology is revolutionizing communication, permitting companies to operate globally. To facilitate transactions and reduce costs, market participants are adopting a common medium of exchange, the US dollar.

For most of the time since the end of World War II, the US dollar has been the world's dominant currency. At the start of the 1970s, when it was still the benchmark currency of the Bretton Woods system, the US dollar accounted for almost 80 percent of central-bank reserves around the world. After the collapse of that system a little later in the decade, other currencies, no longer pegged to the dollar, could compete for international standing. Yet they failed to achieve it. On the eve of the Euro’s creation, in 1997, the dollar accounted for only 60 percent of central-bank reserves, but there was no corresponding increase in holdings of the deutsche mark or yen, which remained at 12 and 5 percent, respectively.

The economic case for moving toward a global currency is clear. As markets integrate, the advantages of using a common currency will only increase. Whatever the anxieties over the loss of sovereignty and nationhood, policy makers should encourage public debate on the merits of moving toward fewer and stronger global currencies.

A global economy also requires a global currency, primarily to avoid the contraction caused by declining liquidity and rising national deficits. For the world economy to grow, international cash flow must expand along with it. At present, developed nations maintain liquidity through access to private capital markets and by issuing new currency, but developing nations have little access to private capital and must borrow from the IMF to maintain adequate credit and cash flow. There would be many advantages to a universal currency.

Towards the turn of twentieth century, more and more nations started emerging independent. Currencies represented the identity of each of these players, it followed as corollary that problem associated, multiplied with the increase in number of currencies. Some currencies like dollar and pound are in great demand because of their intrinsic value. This discrepancy leads to problems for the nations that have these weak currencies. Some of these nations are very rich in natural resources. This natural wealth taken in isolation could make these nations fairly strong in international market. Some other reasons like low growth rate due to low level of industrialization and low productivity, the value of their currency do not reach the desired levels, this greatly handicaps not only these developing or under developed nations but also those wanting to have trade links with them.

A SOLUTION TO MANY PROBLEMS:

A single currency would in some respects be like a world language, improving communications around the globe. It would eliminate the present problems of speculation, instability and uncertainty and would provide a strong foundation for the growing world economy. It would reduce a significant cost and risk of doing business internationally.

A global currency would also be an important step in promoting economic justice in the world, removing the advantage of a few favored countries whose currency is seen as stronger or more secure and preventing the poor from being hurt by the impacts of currency fluctuations. In the long run, such a step would do much to counteract the local harm that is sometimes induced by economic globalization by putting everyone, everywhere, on a more "level" economic playing field.

When we are talking about the unification of the currency, how can we ignore the factors which may act as barriers? The sea level differences in historical, religious and socio – cultural backgrounds of different counties.

All the differences can be mitigated by changing the attitudes of people which is time taking and difficult too, but not at all impossible. This can be done through first de learning and then re learning. The non favorable factors like conflict of ideas, confrontations with the neighboring countries, contradictory factors like development and blind faiths & superstitions as we have in India. All these factors which are against the case may be turned as for the case by changing the mind set of the people and having the attitude of strong desire to work for the betterment, drive to achieve better results and fearless daring to stand in the competition.

TO CONCLUDE:

A successful operation of Euro is a good exemplary. Even SAARC (South Association of Regional Cooperation) has the concept of single currency in its mind. . Our country **India** is a unique example. India in itself is a world. It has many languages, different cultures, different religions, separate political states, union territories. The great Indian success should act as a source of inspiration to the rest of the world.

So finally single currency is the call of the day. Once we feel that the global village must have a global currency then it is time to think, my noble friends that we have gathered here to reach some final conclusion. The new emerging global currency can be named as **“GLO”** O (that is glow), symbol may be designed.

I feel like to have this name because it rhymes like globe. Other names may be “**MIGHTY”** (related to God), or it may be **“strength”**

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