Single Global Currency

Taking a cue from the successful implementation of the euro and the growing interest in other regional common currencies, the world should proceed to the next level of currency consolidation: a single global currency, to be managed by an international central bank. Such a single global currency would eliminate worldwide currency trading costs, eliminate currency-related investment risks and eliminate Balance of Payments problems for all countries. The Single Global Currency will be good for New Hampshire and good for the world. The euro's implementation has facilitated trade among European countries but its value against the dollar and other currencies has fluctuated widely—from its initial 1999 value of $1.17 to a low two years ago of around $.83 to $1.25 last week and now back to $1.17. This cycle has been part of the current 'weak' dollar environment which assists New Hampshire exports while crimping New Hampshire imports. This large, rapid fluctuation in the value of the euro lays bare a damaging attribute of the current international floating exchange rate system: Exchange rates fluctuate too violently; they 'overshoot' and fall or rise more than the underlying fundamentals justify.

These short-run fluctuations have little to do with the true value of work or wealth in the U.S., Europe, or elsewhere. With a single global currency, such fluctuations would be eliminated, and the value of assets around the world would increase as the risk of currency fluctuations disappears. When New Hampshire citizens invest in assets in California, they do not have to worry about the future value of Californian currency, as it's obviously the dollar. Similarly, with a single global currency, a New Hampshire investor would not need to worry about currency value fluctuation anywhere in the world.

The success of the euro has started a trend on the Continent and more countries will certainly join the 12 that have already adopted the euro. Today, 10 more countries are joining the European Union and their continued membership requires their adoption of the euro, but joining the common currency will be on a county by country basis. At the end of the process, there will be 22 EU countries using the euro, and by that time maybe Sweden, Denmark and the United Kingdom will have decided to join. Then more countries will be joining the EU and the trend to a larger eurozone will continue.

The foreign exchange rate market is enormous, with more than $1.3 trillion in all currencies being traded each day around the world. There is another $1 trillion a day of transactions to purchase derivatives or hedging instruments to protect against the risks of fluctuations in currency values. A substantial part of the trading is not driven by exports or imports of goods or services, but by speculators gambling on the future values of currencies.

The transaction costs of these daily trades are as high as hundreds of billions of dollars a year. Those costs, however, are small compared to the costs that national economies suffer due to currency fluctuations. Many businesses curtail their expansion plans in other countries when currency risk is involved.

After the 1944 Bretton Woods conference, exchange rates were based on gold and were relatively stable until 1971, when rates were allowed to float. Since then, governments have sought to stabilize exchange rates by various mechanisms, such as pegging one small country's currency to that of a larger country, but nothing has worked well. That's why we now have arrived at the time when a single global currency would be beneficial and we should plan for it.

To assist with such planning, the Single Global Currency Association is holding the First Annual Single Global Currency Conference at the Mt. Washington Hotel in Bretton Woods on Friday, July 9, 2004, the 60th anniversary of the 1944 Bretton Woods conference. The goal of the Association is the implementation of a Single Global Currency by 2024 and there will be a Currency Conference at Bretton Woods every year until such implementation is achieved.

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Title: Wealth by Association
Summary:

Enormous wealth materializes when financial markets unify. The largest, most immediate, and most unexpected source of this newly created wealth is the gain in market values from reduced risk of devaluation, exchange controls, and other types of cross-border risk. Once a group of countries adopts a common currency, many of the assets in those countries become more valuable, and their union acts like a huge economic magnet that eventually draws in other nations and bestows benefits on them (oftentimes before they formally join). By contrast, those countries that decide not to become members suffer a penalty that becomes more expensive the longer they stay out of the union.

Currency unification also increases the potential for growth in real GDP and prosperity. The latent increase in world output and wealth that currency unification can achieve is significant. This presentation does not focus on the benefits of free trade in goods and services or the advantages of unrestricted capital flows. Instead, it argues that all assets quickly become more valuable when the array of exchange rate-related risks disappears. Among the most important risks that