[Journal of International Business and Law](http://scholarlycommons.law.hofstra.edu/jibl)

Volume 5 | Issue 1 Article 4

2006

Development of a Worldwide Currency: Is it Feasible?

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DEVELOPMENT OF A WORLDWIDE CURRENCY:

IS IT FEASIBLE?

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ABSTRACT:

Transactions are the key to success in any economy. Whether it is buying or selling, transactions have been occurring since the beginning of human existence and an entity needs to transact in order to thrive. What once was a localized event between two individuals has now grown to include many parties across a global environment. This global evolution however does not come without its complications. Multiple monetary systems exist between nations that make transacting difficult. There have; however, been recent developments in unifying countries under one currency as seen in the European Union with the Euro. In order to better understand the future of international business it is necessary to explore the origins of transactions, the development of money and monetary exchange, the problems with multiple currencies, and developments of unified currencies. By examining these issues the question of global currency feasibility can be answered.

INTRODUCTION:

Transactions, in one form or another, have been occurring for thousands of years. The idea of exchanging something you have for something

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you need holds its roots in the ancient barter system, in which one person would trade a good or service for another. This was a primitive, but effective way of getting the goods or services one needed and still is practiced in many parts of the world today. Through bartering however, there is no assurance that the values of the goods or services that are given up equal the values of the goods and services received. In addition there is no guarantee that those goods or services will be desired by the other party, which would cause the transaction to not occur at all.

Monetary exchange, however, has usurped the ancient bartering method and provided the people of the world with a convenient and efficient system of trading. Prior research has shown that having a convenient method of transacting provides an easy way to obtain a good or service that is needed. The transfer of money ensures that these goods or services can be obtained through a universally accepted medium that can then be used to satisfy a debt, purchase additional goods or services, or be saved and used for some other future purpose. This system has proven to be very effective and is the primary means of transacting in today's worldwide economy. There is one major flaw in this scenario. Different countries of the world, have, and use their own systems of monetary exchange and own form of money. This represents a barrier for the international economy making purchases of goods from other countries difficult because the value of each country's money is unequal and changes with relation to one another constantly. If there are difficulties with international transactions a question to obviously ask is, "Why not create a universal worldwide currency?"

Having a worldwide currency will save much time, money, and frustration for organizations and governments. It will also increase the ease in which individuals can buy goods or services. No longer will there be concerns over fluctuating exchange rates, transferring currency when traveling, or the other host of problems that international transactions bear. In fact a worldwide currency can be the beginning of attaining a truly global economy in which people can freely buy things from anywhere at anytime. Before a worldwide currency can be put in place however, it is wise to first examine the current monetary exchange system; the way it came about, how it currently works, the problems associated with it, the underlying governments and economies, and the degree of technological development. There is no argument that the world is shrinking, figuratively of course, and that the economies of the globe are more interconnected now then they have ever been. But with all of these factors to consider the appropriate question may not be, "How do we create a worldwide currency," but, "Is a worldwide currency feasible?"

DEVELOPMENT OF A WORLDWIDE CURRENCY

HISTORY OF TRANSACTIONS:

In order to properly address the concept of monetary exchange, one must look at the history of transactions over time. As mentioned earlier, bartering was the earliest method to exchange goods or services. In this system a person would trade what he had for something he needed[1]. For example, if a sheep herder needed clothes, he could go to a tailor and trade some sheep for clothes. This system is inherently simple and convenient for the parties involved yet is not very efficient. If in the previous example the tailor did not have a need or want for the herders sheep, then the transaction would not take place and both parties would be left where they started. The herder would then have to find another tailor who needed sheep, or find something else that would be suitable for barter. Another flaw of this system is that there was no standard denomination or value for an item. Sticking with our herder example, a single sheep may be worth two shirts and a pair of pants one day, but only one shirt another. The sheep is not constantly equivalent to anything but one sheep so the value was never determined until the point of sale. These wrinkles make it difficult to have uniform exchange and make obtaining the goods or services needed a challenge. But did monetary exchange come about as a result of the limitations of bartering?

The answer to that question is actually no. It is true that through the bartering system it was found that certain items (mostly commodities such as grains, or cattle) were preferred for trade over others for a number of different reasons. Some commodities lasted a long time, were durable, or were portable and these characteristics made them highly desired. Others were items that were a necessity for life and those in which could be obtained from many different vendors. Being that commodities have such demand, they were easy to trade and eventually became the earliest form of what we would consider money[2]. But for many years exchange was conducted quite successfully without the use of money at all and is reminiscent of the current way many transactions are undertaken; on credit.

Tallies were devices used to keep track of a person's debt and to whom it would be paid to. The basic concept of the tally was that it would be created once one person owed a debt to another person and would then be eliminated once that debt was repaid in a satisfactory way. Tallies were made out of a variety of materials such as clay or wood but were by no means money. They

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[1] *"Barter - Relevance and Relation to Money."* 2004. Retrieved from The University of Exeter website on 11/15/04 at http://www.ex.ac.uk/~RDavies/arian/barter.html

[2] *"Barter - Relevance and Relation to Money."* 2004. Retrieved from The University of Exeter website on 11/15/04 at http://www.ex.ac.uk/~RDavies/arian/origins.html

were simply record keeping devices that made trading easy because there was no longer a need to provide a desired good or service at the point of sale. If a sheep herder needed clothes, he could go to the tailor and get them even though the tailor did not need sheep at that time. A tally would be created and once the tailor needed sheep, the herder would supply the sheep and the debt would then be fulfilled. This avoided the concept of money completely because debt could be held outstanding until a later date when the debt would then be repaid by the purchaser. Tallies could also be traded to satisfy other debts. Going back to the herder again, if the tailor had a tally from the herder he supplied clothes to, and also owed money to a merchant he purchased material from previously, the tally from the herder could be traded to the merchant to satisfy that debt, provided of course that the merchant needed sheep. This system worked very well and lasted thousands of years. So where did the physical form of money come in? Like one might expect it was a result of the government[3].

The first form of money came about during the 7th century B.C. when governments used coins to pay their debts to mercenaries for service. The coins had high denominations and were a convenient way for the government to satisfy large obligations. These coins however were basically a symbol of the government's debt to soldiers and not an actual payment. If they were not payments however, why were they accepted? Like today's governments, ancient governments levied taxes on the people living under their domain. The tax automatically created a forced debt that had to be paid by the people living under the ruling power. The value of coins came into play because they could be used to fulfill this tax debt to the government. This in turn provided the government with the coins they originally issued which could now be used again to pay for additional services. Citizens that did not receive these coins from the government for goods or services provided obtained them through transacting with parties that did. They would accept the coins as payment for a product and then would use the coins themselves to pay the tax[3]. The coins therefore became highly desirable and sought after in trade. This became the preferred medium merchants wished to transact in and out of this stemmed money.

By getting an understanding of the history of transactions it is clear that monetary exchange was not some brilliant idea that a genius concocted in a moment of supreme clarity, but actually came about by accident. Yes, the entire way that we conduct business and purchase goods and services was stumbled upon because of a government's idea of paying their soldiers with a

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[3] Wray, L. Randall. *"An irreverent overview of the* history *of money from the beginning of the beginning through to the present."* Journal of Post Keynesian Economics; Summer 99, Vol. 21 Issue 4, p679, 9p.

coin that they expected to be returned come tax time. As we have seen throughout history, the best ideas are often a result of accidents and the formation of money as the preferred way to do business was no different. The convenience and efficiency of trading money for items or services was undeniable and out of these early roots, evolved our current monetary system.

PROBLEMS ASSOCIATED WITH MONETARY EXCHANGE:

Now it would be simple to just close the book and call the story of monetary exchange complete with everyone living happily ever after trading money for goods and services but unfortunately things are never that simple. In theory governments issuing coins for a convenient way to pay taxes is a great idea, but what happens when multiple governments issue their own coins to pay for taxes? Additionally what happens when the coins issued by these multiple governments are used at the same time for exchange of goods and services? Before going further we can already see a problem arising. When there are multiple forms of money, transactions become increasingly difficult. In essence we are back to a barter system. If a buyer has a coin that is desired by the seller, the transaction will commence. This is almost exactly like a person bartering some item he has for something that he needs. Transactions are now limited as to where they can take place and in many cases, are limited to a specific group of people. Taking this further, if a transaction in which two people are using two different sets of money does occur, and the seller receives a coin in which he cannot use to pay taxes to his government, he must exchange this coin for one that he can use. He has to however locate someone who can use the coin he had received in the transaction, and make sure that the person that was found has a coin that can be used by him. If that wasn't complicated enough, it also must be determined at what value each coin is worth for exchange at that particular moment. One coin can equal 10 sheep and the other coin could equal 8 goats. Are 10 sheep equal to 8 goats? This is difficult to determine.

The background laid out above brings us into our modern day conundrum. In today's times we still have many governments issuing a multitude of currencies in all denominations and of all different values. Monetary exchange has now become the standard form of transacting but issues constantly arise as to the purchasing power of that money with respect to many factors such as time, location and demand. A dollar in 1920 is worth substantially more than a dollar in 2000. Likewise on the same day a bottle of soda can cost $1.25 in a deli on Long Island and will cost you $0.75 at a general store in upstate New York.

International trade and multinational corporations provide the global economy with an entirely new set of circumstances and tribulations including foreign exchange rates, functional currencies, financial accounting and reporting, etc. Businesses have to worry not only about transacting across borders, but also must negotiate the currency used in international transactions and determine if it will appreciate or depreciate before payment is due. What makes the situation even more complex are the unique political, economic, and technological forces that have a significant influence on currency. It is absolutely fair to say that we are better off now then we were 2000 years ago but there are clearly issues that need to be addressed and many questions that need to be asked and answered. Addressing them though is the easy part. Actual solutions and implementation procedures are a whole different story.

U.S. DOLLAR AND THE EURO:

So what is the total number of different currencies that we are talking about? Ten? Twenty? Thirty? According to xe.com's ISO 4217 Type Currency Code List, as of 2004 there are 172 different currencies in the world[4]. Each of these currencies, as one might expect has their own exchange rates, denominations, consumer confidence, and stability. Now to talk about the interaction of 172 different currencies would be long, confusing and unnecessary. Because it is evident that there are many currencies that are actively used in the global economy, the focus can shift to two major currencies, the U.S Dollar, and the Euro. Since the question of developing a worldwide currency is being addressed, looking at two currencies whose purpose was to unify multiple currencies within a region will help to determine if this task can be duplicated on a global scale. In the United States it was the individual currencies of the states themselves that were eliminated in favor of a common currency. In Europe it was to unify the currencies of most of the member countries in the European Union. It is undeniable that both of these currencies have played an integral role in shaping (or in the case of the Euro, beginning to shape) the history of these regions. The Dollar and Euro have also played significant roles in international trade and transactions. By looking at how these major currencies developed, a picture can be drawn to see if the climate is right to develop a worldwide means of exchange.

During the American Colonial period and before the standard issue of the U.S. Dollar, there were many different forms of currency. Some of these forms included natural commodities such as wheat, rice and tobacco, as well as foreign coins such as British coins and state issued paper money. The fact that there was no single form of currency was one of the catalysts that sparked the

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[4] *"ISO 4217 Type Currency Code List."* 2004. Retrieved from XE.com website on 11/17/04 at http://www.xe.com/iso4217.htm

American Revolution. The British Parliament would not allow the colonies to issue their own money and this impeded the progress of development in the Americas. Post Revolution America in the 1790's saw the first issue of a unified American currency between the states. Gold and silver were however in short supply so foreign currency, such as the Spanish dollar, was still used for many years. Over the next century or so, the dollar was gaining acceptance by the states but remained extremely volatile. It wasn't until after the Great Depression, World War I and Roosevelt's "New Deal" in the 1930's that the American financial system finally came together. Confidence in America as a nation grew, and the economy was headed in a strong and positive direction[5]. This was the beginning of the supremacy of the U.S. dollar and in turn the United States as a superpower.

The United States Dollar has been (until fairly recently) the most dominant, powerful, steady, and desired currency in the entire world. Much financial data is available to indicate that the dollar is a very stable and trusted currency. Yearly average inflation rates have been about 2.75% over the past decade[6]. This is very low considering some other countries, like Haiti, have had an average inflation of about 21.25%[7]. The strong U.S. economy and political stability has been a basis for keeping the dollar strong against many other currencies of the world. The smaller the probability for a political uprising or rapid decline in economic prowess, the better the currency will hold up versus others. The monetary and fiscal policies of the United States also promote sustained growth and stable prices[8]. With policies in place that emphasize growth and stability the dollar is better apt to do well in the global marketplace, and investors will feel confident using it as a means for conducting transactions. Although the dollar is used as the basis for many international business transactions, it is losing some prestige to the unified currency of the European Union, the Euro.

The Euro was developed to standardize the way that the countries of Europe conducted transactions. As each state of the United States currently conducts business using the same currency, so now do the 12 participating countries in the European Union (Belgium Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, The Netherlands, Austria, Portugal, and Finland).

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[5] *"Money in North American History."* 2004. Retrieved from The University of Exeter website on 11/15/04 http://www.ex.ac.uk/~RDavies/arian/northamerica.html

[6] *"Historical US Inflation Data Table"* 2004. Retrieved from the InflationData.com website on 11/17/04 at http://inflationdata.com/inflation/inflation_rate/HistoricalInflation.aspx

[7] Data Retrieved from the Country Watch website on 11/17/04 at http://www.countrywatch.com.ezproxy.hofstra.edu/cv/BuildQrynew.asp

[8] *"Monetary and Fiscal Policy".* Retrieved from the International Information Programs website at http://usinfo.state.gov/products/pubs/oecon/chap7.htm

The idea of the Euro and the issuance of the currency did not come about all at one time. It actually came about from a three stage series of events.

The first stage occurred in 1957 with the Treaty of Rome. This treaty declared a common European market in which the goal was to increase the prosperity and bring the people of Europe closer together. This treaty first put the idea of a closer knit Europe down on paper as a goal to strive for. The second stage was the creation of the European Monetary Union. The EMU laid the foundation for the creation of the Euro because the monetary policy of all of Europe was no longer determined by the individual countries but was unified under a single decision making body like that of the United States' Federal Reserve. The final stage was setting the irrevocable exchange rates for the different currencies and actual issuing of the Euro as the legal currency. Before this time, each country had its own currency, policies, and different exchange rates much as the rest of the world still does today. Unifying the currency promotes a more closely knit Europe both socially and economically (which was desired as mentioned above) and fosters easier trade and commerce between the member nations[9].

So what does it take to become a member country and use the unified currency? According to an article written by J. Orlin Grabbe, a country is required to accomplish four things. The first is that a country "must have kept its currency within the normal margins around its fixed value in terms of the European Currency Unit and not devalued it against any other member country for two years." This is important because this ensures that the currency is strong with relation to other member countries. The second criterion is that there has to be price stability. The inflation of the consumer price index cannot be more than 1.5 percentage points above the three member countries with the lowest inflation rates. So inflation has to be low and the prices have to relatively stable with regards to one another. This would ensure that the economies of the countries are comparable. Thirdly, the government deficit cannot be excessive, which is defined as "a) a government deficit that doesn't exceed 3 percent of yearly gross domestic product; and b) the value of outstanding government debt doesn't exceed 60 percent of yearly gross domestic product." This portion ensures that the government does not owe a large amount of money to other nations or creditors and that it is financially sound. The final criterion was that "long-term interest rates (ten-year government bond rates) cannot be more than two percent above the three member countries with the lowest rates of inflation[10]."

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[9] *"The Euro...banknotes, coins, and more."* Retrieved from the Euro website on 11/04/04 at http://www.euro.ecb.int/en.html

[10] Grabbe, J. Orlin. *"The History of the Euro"* 1997. Retrieved on 11/08/04 at

All of these conditions focused on making sure the countries in the member nations are similar on many different fronts. Are all of these steps necessary though? Should a country be able to join if they didn't meet the criteria? The European Monetary Union did not set up these steps for the pure enjoyment of coming up with rigorous standards. There is obviously a method, and importance to making sure those entities that are using the same currency are similar in these factors, but why? It is a combination of political, economic, and technological forces that contribute to the success or failure of the monetary system that is being undertaken. If countries are not comparable it is not necessarily a recipe for failure but there is a much greater chance of success if those forces between countries are somewhat the same.

POLITICAL FACTORS:

Political factors have some of the largest affects on monetary policy. Whether it is the government enacting policies that influence interest rates or the threat of a political takeover, success or failure often falls on the hands of the government. Thinking logically for a moment it is clear why the government would affect the currency of a nation. The first obvious reason is that government is responsible for monetary policies, fiscal policies, spending, global relations, law making, acts of war, etc. Reactions to government decisions have a huge impact on the perception of the governing nation as well as the currency it uses to conduct transactions. It is evident by this surface examination that a stable government, who makes sound decisions, would have the least impact on the volatility of its currency. Those currencies have less risk of changing values quickly and investors are more willing to conduct transactions in a currency whose behavior can be predicted.

If we shift the focus to one aspect of currency, exchange rates, we can see how political factors have a significant influence on this aspect of money. A study was performed that looked at some of the biggest exchange rate shifts between the U.S. Dollar and some of the other major worldwide currencies (Japanese Yen, Deutsche Mark, British Pound, and Canadian Dollar) over an eight year period between January 1, 1990 and March 31, 1998. The goal of the study was to determine if the large shift in exchange rates were do to political, economic or technical forces. It is likely that each factor would contribute to changes in the exchange rate but this study determined that the largest changes in the rates were due to, at least in part, political reasons.

The five largest exchange rate shifts in the 90's for the Japanese Yen, all were results of political factors. The largest shift, a 3.37% decline in the

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http://www.aci.net/kalliste/euro.htm

spot rate which occurred on February 12, 1994, was a result of the collapse of trade talks between Japan and the United States. The Deutsche Mark showed a similar shift, although upward, as a result of political factors. The largest shift in the exchange rate (3.12% increase on November 5, 1995) was a result of the U.S. House Budget Committee's approval of a balanced budget plan and a trade sanction imposed on Japan for failure to open its auto market. These two events caused the Dollar to have an increased rate of exchange based almost solely on political factors. The Mark shift also demonstrates the affect that currencies have on one another. The exchange rate of the Mark was altered due to Japanese sanctions as well as the decrease in the exchange rate of the Yen[11]. The United States imposed a sanction on Japan which in turn increased the exchange rate of the Mark, and decreased the exchange rate of the Yen.

The largest rate shifts for the British Pound and Canadian Dollar during the 1990's were also largely results of the political environment at the time. On September 16, 1992, the exchange rate rose 3.29% as a result of the Pound being suspended from the European Exchange Rate Mechanism because of interest rate increases. Political factors relating to the exchange rate of the Canadian Dollar showed changes that were not as drastic as the Japanese Yen, the Deutsche Mark or the British Pound, but still caused fluctuations. On October 31, 1995 the rate between the U.S. and Canadian dollar fell 1.64% because of news that Canadian voters rejected a referendum on Quebec's independence[11].

The exchange rate changes of these magnitudes happened on only one day demonstrating the influence that a political decision or set of political events can have on the currency at any point in time. This study just examined exchange rates and individual events that spurred rapid change but there are many other effects that government decisions have on currency. The study also showed the variety of political conditions that influenced the exchange rates. These events ranged from talks about trade, deciding on secession possibilities, and even sanctions. Many different political factors influence currency and for good reason. It is the governments of different countries that cooperate with each other and set laws for organizations to conduct businesses and transact. Therefore there is some logic behind the fact that government decisions would not only influence currencies of the world, but influence them to a great extent. Beyond government decisions, the perceived stability of governments also has an influence on currency. Many currencies have gained and lost value simply based on the stability of the governments at that time.

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[11] Lobo, B. J. "*Large changes in major exchange rates: a chronicle of the 1990s.*" Applied Financial Economics, Nov2002, Vol. 12 Issue 11, p805, 7p

Why would the stability influence a currency? Well a weak government can be an indication of weak nation which can than in turn indicate a risky currency. Investors do not like risk, and the riskier a currency the less it will be desired to be used in international transactions. Looking at Poland's currency, the zloty, we can see the effect that a risky political environment has on a currency. As of March 2004, the zloty had been trading at record lows versus the Euro for two reasons. One was the rising debt levels of the country and the second was because of political instability. The Democratic Left Alliance had been in power in Poland and over time they lost their control over the parliamentary majority. The political group changed party leaders and there was fear that the prime minister could possibly be leaving office forcing an early election. Now these political events do not have any direct relationship to the Polish currency but the indirect effect is that the events had caused the zloty to depreciate against the Euro. The government has to re-stabilize before there is a chance of the currency gaining any ground[12].

The Polish zloty example is fairly common throughout the history of currency stability. There have been many instances in which the political environment of a country has dramatically influenced the way the currency has performed. The United States dollar is in a current state of depreciation with regards to international currencies for political reasons as well. Interest rates are still at a very low rate and this is due in large part to political pressure. Since the United States are in what some experts agree as a jobless recovery, Congress as well as the president's office would not be happy if interest rates rose while Americans were still out of work[13]. Over the past year the United States has seen interest rates rising consistently. There has also been data showing that job recovery is beginning although there is still much work to be done. Also one has to look at political decisions regarding tax cuts and acts of war. Reducing taxes in a time where the dollar is shaky and deficits will hurt the economy may not be the wisest idea. The ongoing war effort is not viewed as a sound decision by many in the world. Both of these issues factor in to the state of the United States perception to the rest of the world, which is carried forward at least in part to the stance of the currency.

ECONOMIC FACTORS:

Political factors are not the only thing that influence currency or can impact the formation of a unified monetary system. Economic factors play an extremely large role. If we examine the economies of the world, we can see

[12] "*The Big Slide.*" Business Eastern Europe, 3/29/2004, Vol. 33 Issue 14, p3, 1p

[13] Coxe, Donald. *"Act Now, or Risk a Crash."* Maclean's; 3/1/2004, Vol. 117 Issue 9, p40, 1p, 1c

right off the bat that many of them are not even remotely similar. The value of total goods and services produced by a nation (gross domestic product) can give a good surface view into a countries economy. Looking at the 2004 figures produced by the World Bank, the United States has the highest GDP of any nation with just about $11.6 trillion. Compare that to the country with the second highest GDP, Japan, who has a little over $4.6 trillion. The United States has just less than three times the GDP of the second nation. Making the gap even broader is that the 61st country, Slovenia, has a GDP of a little over $32 billion. That is just over one quarter of 1% of the United States GDP! Slovenia is ranked 61st on the list which means that there are still 130 countries *below* Slovenia's level. This extremely large differential just gives a brief glimpse into the disparity of many of the global economies[14].

There is really no question as to why economic forces would impact the development of a worldwide currency. One might find it rather simple to just leave economic forces out of the equation and to adopt a global currency on faith that these forces have no bearing on reality but as Argentina found out in the three plus year recession that they faced in the early 1990's, it is not so easy to just adopt a currency, or in their case peg their Argentinean peso against another currency. The other currency in this example was the United States dollar and what had happened was that Argentina decided it would be a good idea to link its currency to that of the United States, which at first was very successful. Inflation went down, foreign direct investment increased and things were looking up for the economy. The problem was that Argentina wasn't the United States and thought that they could run their economy in a similar fashion (or did not realize the potential impact of what they were doing). The government issued a lot of debt that they couldn't afford to pay back. This debt was not so astronomical if you were comparing it to that of the U.S., but the Argentinean government did not do a great job of collecting taxes so there was no money to finance the debt. What made matters worse is as the dollar appreciated against foreign currencies, the peso also appreciated which meant that Argentinean exports were priced too high and out of the market. The government was left with a real dilemma of having little tax dollars coming in, little dollars coming in from exports, and a high debt that needed to be funded. All of this together led to an economic collapse[15].

So if the Argentinean peso was tied to the United States dollar why didn't the U.S. economy suffer a similar economic downturn? The United

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[14] *"Total GDP 2004"* 2004. Retrieved from the World Bank website on 3/26/05 at http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf

[15] Allen, Jodie T. *"Euros, pesos...and globos?"* U.S. News & World Report; 1/14/2002, Vol. 132 Issue 1, p39, 1p.

States even had, and still has trillions of dollars in outstanding foreign debt. This should make the country's economy even more prime for a recession just as Argentina suffered. Well the United States is interesting because they don't necessarily follow normal economic convention. Because the world has faith in the stability of the U.S. government and economy, they are willing to overlook the massive debt that the country has with regards to the value of the dollar. The U.S. plays by its own set of rules and what on paper perhaps looks like an incomprehensible scenario (the amount of debt the country owes versus the relative stability of the dollar) is actually reality. These circumstances can obviously not be replicated by every country and this is one of the inherent problems with creating a worldwide currency. Everyone has to play by the same set of rules, follow the same standards, and most of all have economies that are stable and reliable enough for other countries to want to do business in. I do not think many countries would agree to have a common currency with a country whose economy is risky at best and in reality we saw in the Argentina example that this cannot happen. Even looking at the Euro, the four criteria that a country had to meet were all based on the premise of comparability. The goal is to make sure that the economies were on par with each other so unifying the currency would be feasible. The less comparable, the less likely the currency will succeed.

TECHNOLOGICAL FACTORS:

We have seen how political and economic factors play a large role in the value of currencies as well as role in developing a new currency. Another very important factor in the quest for a worldwide currency is the level of technology within a nation. Once again this aspect falls back to the idea of comparability. Technologies in countries that would have the same currency must be on the same level for any hope of success. Given the times we live in and the wide variety of electronic transactions that are accomplished on a daily basis it is clear to see why technologies must be equivalent. If a worldwide currency was developed and over 50% of the countries did not have access to computers, how would electronic commerce, money transfers, and general information exchange take place? This would be very hard to do and is an area of concern that would need to be addressed before thoughts of a worldwide currency should enter into the picture.

Technology has an influence on the status of a currency for more reasons than just a means of making transactions. Technology has a direct affect on the economy of nations as well as production. In general the higher the level of technological advancement, the more productive and better off the economy is as a whole. This can be seen when looking at the level of labor productivity. The more productive the labor force in an economy, the more goods and services that can be produced and the higher the gross domestic product. A study was performed in 2001 by research analyst Michael Feroli for the United States Congress's, Joint Economic Committee Study which examined the revival of information technology during the 1990's and its role in productivity for the United States. His findings indicate that,

> "(1) Information technology contributed significantly to the productivity revival. At least half of the one-percentage point increase in labor productivity growth is attributable to IT. In all likelihood the contribution from IT is even greater than this conservative estimate. (2) Both the production and use of IT has had an impact on the productivity revival.[16]

It is evident that technology plays a large role in shaping the economy of a nation and that it is also playing a role in shaping how currency is transferred. The speed and ease of communication has increased dramatically and the level of technology is constantly advancing. It is therefore imperative that technology must also be comparable between nations from both an economic standpoint and logistical standpoint when attempting to use a global currency.

CONCLUSION:

The development of a worldwide currency in theory seems like a perfect idea. Instead of having to worry about exchange rates or transaction and translation gains and losses there could be one worldwide currency that would save time, effort, and money for all parties involved. This theoretically harmonious world however is not the world in which businesses and governments operate. The real world is filled with endless variables and factors that affect the environment of each country separately. What is successful for one country may not be applicable in another country. The political, economic, and technological issues that were discussed earlier are only some of the barriers that must be considered and overcome before a worldwide currency can even be a thought.

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[16] *"Information Technology and the New Economy."* Joint Economic Committee Study. July 2001. Retrieved from the United States House of Representatives website at http://www.house.gov/jec/growth/it.htm

DEVELOPMENT OF A WORLDWIDE CURRENCY

The world however is moving in the direction of a more unified environment. The introduction of the Euro as a common currency for the 12 member nations of the European Union is a positive step in the direction of simplified and convenient transacting. The strength of the Euro against many currencies, especially the U.S. dollar, indicates that this movement has been an initial success. The involvement of specific nations however was not an accident and it was carefully planned out for a reason. All of the nations are comparable on many fronts and it is essential they stay that way in order for continued success over the future. If a worldwide currency was to be issued, a similar level of comparability must be reached between all nations, which is unfortunately highly unlikely to happen for a long time. Nations are still so far apart on many grounds and this gap does not appear to be closing quickly. Perhaps that is the goal that should be focused on. Close the gap between the developed and developing countries in the world and there may just be a true global environment. Will that happen in the coming decades? We'll have to wait and see.

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