ONE COUNTRY
"The earth is but one country, and mankind its citizens" — Bahá'u'lláh

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PERSPECTIVE

Perspective: One world, one currency

Over the last few years, the monetary crises in Mexico, Brazil, Russia and Southeast Asia - to name but a few of the countries and regions whose economies have been especially hard hit - have demonstrated the fragility of the international financial system.

While some countries and regions have been relatively insulated so far from the very real economic hardship and dislocation caused by these crises, specialists in international finance have warned repeatedly of a possible domino effect, through which a deepening economic collapse in one region could spread elsewhere, if not worldwide.

Such warnings stem from the fact, now well established, that the world's economy is today entirely integrated. While this integration offers a degree of redundancy and resiliency, it also calls for a much greater attention to the whole system - and mandates greater cooperation to ensure the economy's proper functioning.

Government leaders, economists, business leaders and others have accordingly raised the call for some sort of reform of the global financial system. As policy makers consider the options, the long-neglected idea of establishing a world currency system deserves a thorough investigation.

In an age when international interdependence and integration are increasing on all fronts, a "uniform and universal system of currency" is one of a number of complementary measures that will help to "simplify and facilitate intercourse and understanding among the nations and races of mankind," as Shoghi Effendi, who led the worldwide Bahá'í community from 1921 to 1957, wrote in 1936.

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.

The idea of a world currency is not new. Economist John Maynard Keynes proposed an "international currency union" in the 1940s. His idea was watered down at the Bretton Woods Conference by diplomats afraid of something quite so dramatic, and in its place emerged the International Monetary Fund and the World Bank. More recently The Economist, among the most orthodox of financial journals, called for a re-examination of the idea, suggesting in a 26 September 1998 article that "One world, one money" might be worth "a moment's thought." Certainly, a world currency would go far to solving the immediate problem of the regional currency crises.

Under the present system, over a trillion dollars changes hands each day as investors seek the best returns for the least risk. These currency movements are managed by professionals who must anticipate or protect themselves against adverse changes in exchange rates, which often leads to speculation for or against particular currencies. Governments also frequently intervene to protect their currency's position or to seek trade advantages. The system is fundamentally unjust, inasmuch as countries whose money is held as a reserve currency receive undue economic benefits compared to less favored countries.

The instability in exchange rates between currencies creates difficulties for international trade and investment, for business planning, and for national economies, with impacts on prices and inflation. With any movement, there are not only winners and losers, but also general economic penalties. If a country opts for a fixed exchange rate, its monetary policy must defend that rate; if it chooses a managed float, it is open to speculative attacks. Central banks can intervene to defend their currency, but major currency crises today can quickly overwhelm national reserves and require emergency international assistance - assistance that in recent years has amounted to tens of billions of dollars.

The psychological dimension is important in currency crises, since much depends on the confidence investors have in a particular currency. Yet confidence is easily shaken and hard to restore. A world currency would not only eliminate the opportunity for speculation but also provide universal confidence.

In the past, various objections to a world currency have been raised, ranging from the rational to the emotional. A single currency would impose a common economic rigor on all countries and force them to face unpleasant realities. No longer could governments print money at will or ignore the fact that they cannot live forever beyond their means. Yet, in many important ways, these would obviously be positive developments.

Some argue that the best protection against international fluctuations is many more local currencies that people can manage for themselves, insulating their economies from the outside. Yet while this may apply in a world of fluctuating monies, a world currency would in fact eliminate a major source of outside impacts.

Another fear is that the abandonment of national currencies and foreign exchange markets would increase unemployment in some regions, both because some occupations would become redundant and because of the likelihood that a more open and level economic "playing field" would divert some jobs to other regions. But such transitions are occurring already - and without any underlying sense of justice that a world currency with its leveling power entails.

There are also those who fear such steps towards world unity as a further loss of control to powerful interests and distant bureaucracies. In the same vein, a national currency is a symbol of national sovereignty, and such symbols are rarely given up easily.

Yet, as shown by the launching in Europe of the Euro, a single currency for 11 countries that will by the year 2002 entirely replace the French franc, the German mark, the Italian lire and other long-established currencies, such symbols can be dispensed with when the promised benefits are strong.

A single currency must be accompanied by many other measures for integration and harmonization. It would require a strong and effective world monetary authority or central bank, working in the common interest and freed from political manipulation, to manage the world currency, regulate the money supply, and ensure adequate liquidity without inflation. The creation of such an institution would go hand in hand with the development of other mechanisms for global decision making aimed at building trust and consensus among the world's governments.

The adoption of a world currency by itself will not solve all the world's problems. It is one element needed to support a more just and effective world economic system, which in turn is but one facet of the world federal system necessary to accompany globalization and to achieve world unity and peace. Ultimately, technical solutions to economic problems will only work effectively if a new spirit permeates economic life and a new economic system is evolved based on the application of spiritual principles. Money itself needs to be put back in its place as a medium of exchange rather than the measure of economic performance or development. Economic values must be balanced by social and spiritual values.

A single world currency may seem like a distant goal, but the logic behind it as a solution to some of the critical problems threatening our present economic well being cannot be denied. Indeed, given the trends of global interdependence and integration, its desirability - and its ultimate inevitability - suggest that the idea should receive a thorough investigation by world leaders sooner rather than later.
