Forum: Economic and Social Council 2 (ECOSOC)

Issue: The question of one-world currency

Chair: Benjamin Chen, Deputy Chair

Introduction

A one-world currency. What a great concept, but it's feasibility is in doubt. Whenever we talk about universalizing anything, it would imply an universal consent. It is pretty much clear that the possibility of a one-world currency benefiting all the nations in the world is low if not zero.

The fragility of the international financial system has been demonstrated throughout the world as a serious monetary crisis continues to rise in places like Brazil, Mexico and the Southeast Asia region. Although certain countries and regions have been largely isolated from the very real economic distress and dislocation triggered by these crises, international finance experts have repeatedly warned of the potential impact that a deepening economic collapse in one country could spread elsewhere. Such alerts derive from the well-established fact that the global economy is now completely integrated. Although this integration provides a degree of redundancy and durability, it also calls for much greater attention to the entire system-and calls for greater cooperation to ensure the proper functioning of the economy.

Therefore, as the United Nations, we are now calling for an overhaul of the global financial system. As we are weighing the choices, the long-neglected concept of setting up a world currency system needs a much more detailed investigation.

Definition of Key Terms

One world currency

By definition, it is a currency that is being used and traded within every part of the world, it will replace existing currencies in the world.

Currency exchange rates

A country's currency value in regards to others. It is heavily related to trade, economic growth, capital flows, inflation and interest rates.

Inflation

Common problem caused by the government. It leads to general increase in prices and fall in the purchasing value of money, thus usually decreases the rate of economic growth.

Currency War

A condition on the international scale where countries are seeking to gain trading advantages by decreasing their currency exchange rate and increasing competitiveness in exports.

Quantitative easing

A practice where a central bank mitigates a possible recession through the increase in money supply for its economy. It is usually done through printing money and acts as a means to respond to financial crises.

Devaluation

The action of lowering the rate at which money can be exchanged with other foreign country's money. It has historically rarely been a preferred strategy. According to economist Richard N. Cooper in 1971, a substantial devaluation is one of the most "traumatic" policies a government can adopt.

Background Information

The History of the One-Currency Concept

'One world - One Currency", a very simple and straightforward concept but so hard to implement. Let's now look back in time and look at the key players within this economic concept:

Pre-World War I

Our new monetary system was established in the early 1800s. The downfall of Napoleon in 1815, after France was defeated at the Battle of Waterloo, made Britain the greatest country in the world, a position it retained for around a hundred years. In Africa, British rule spread from the Cape of Good Hope to Cairo at one time. British domination and control even spread to the Indian subcontinent, the Malaysian peninsula, Australia, New Zealand—which drew British settlers—and Canada. Under the flag of the British Monarchy, British firms have advanced worldwide and have become the biggest companies in many of the colonies, regulating commerce and trade. Throughout history, powerful

nations, calculated primarily in terms of military strength, have been able to advance the interests of businesses from their own countries—a fact that has persisted in recent times, as seen in the global prowess of American companies.

Post-World War II

The power of the British Empire was dwindling. In the early 1800s, with the help of both their currency and their trade forces, the United Kingdom extended its territory. By the conclusion of World War I, the British Empire spanned more than a quarter of the world; the general feeling was that "the sun would never set on the British Empire." British charts and globes of the time showed the expanse of the empire boldly painted in red. However, soon after the Second World War, many of the colonies fought for and gained independence. By then, the United States had clearly replaced the United Kingdom as the main economic hub of the world, as well as the diplomatic and military super-power.

The Bretton Woods Agreement

The British economist **John Maynard Keynes** was the father of Keynesian economics. Keynes argued, among other factors, that policymakers should raise spending and reduce taxes in the midst of a crisis in order to build employment and improve consumer purchasing power. Another fundamental theory of Keynesian economics is that countries that spend more than their reserves will face inflation. He is one of the most well-known economists that supports the idea of "one world one currency" and his opinion has been sparkling around for the past 70 years among economists. In the early 1940s, the United States and the United Kingdom began discussions to formulate a new international monetary system like what we can see John Maynard Keynes and U.S. Treasury officials are striving to create a new monetary system just lately. In July 1944, representatives from forty-four countries met in Bretton Woods, New Hampshire, to establish a new international monetary system. A central aim of the efforts of the 1940s toward a modern global monetary structure was to rebuild a war-torn Europe. The Bretton Woods Agreement **established a modern dollar-based monetary structure that retained some of the disciplinary benefits of the gold system**, thus allowing countries the stability they needed to handle the temporary economic losses that contributed to the collapse of the gold standard. The Bretton Woods Arrangement continued until 1971 and allowed for a range of main features.

Inflation Events

Hungary

Although hyperinflation is commonly perceived to be the product of government ineptitude and fiscal irresponsibility, wartime inflation in Hungary was apparently caused by the government as a means to bring a war-torn economy back on its feet. The government used inflation as a levy to deal with the budget shortfall required for post-war reparation payments and goods payments to the invading Soviet. Inflation has since helped to stimulate aggregate demand in order to recover productive potential.

Zimbabwe

Zimbabwe's hyperinflation started in 2007, the country's economic structure was in trouble. The average inflation rate of the nation was 47% in 1998, and this remained almost the same until hyperinflation started. With the exception of a marginal decrease in 2000, Zimbabwe's inflation rate continued to rise throughout its hyperinflation period. By the end of the hyperinflation period, the value of the Zimbabwe dollar had deteriorated to the point that it had been replaced by numerous foreign currencies. Zimbabwe wanted to adopt a series of economic policies characterized by fiscal prudence and disciplined investment but proved to give way to a more casual attitude to spending as government leaders began searching for opportunities to raise popularity among the public and make bad economic decisions that look good. Things escalated in 2000 when the government's land reform policies reverberated across the economy. The execution of the program has been weak and agricultural production has suffered significantly for many years. Food stocks were poor, and this pushed prices upward even higher.

Yugoslavia

Yugoslavia’s hyper-inflation states mainly because their internal trade was dismantled which led to decrease in demand in various industries. Furthermore, the old buracurracy of Yugoslavian government owned a massive military force and remained intact in the current federal government but occupying a really small region. So the wars in Croatia nearby made their government decide to reduce the bloated red tape and high cost it required. So, what exactly happened to Yugoslavia’s currency? In 1992, the United Nations placed a trade embargo on the country, furthering the problems caused by the production crisis and accompanied by the decimation of manufacturing capability. That is the thing that sparked hyperinflation, to solve this economic crisis, the government went to printing money. In conclusion, hyper inflation has significant implications, it is not only for stabilizing the economy but also a governance’s failure, It also shows an economic crisis is emerging. This condition gives us a snapshot of the true essence of wealth. Rather than being simply an economic commodity used as a means of trade, a store of value and a unit of account, currency is much more representative of the fundamental social realities. Its importance depends on the stability of the social and political structures of the world.

Advantages of One-World Currency

The trade charges related to international financing will also be reduced. Currency trading often involves transfer, which banks charge as a tax, and there may be a loss of profit in converting one currency to another. Getting a single world currency will remove all of this. Individuals going overseas will profit as well as companies working in other countries.

In addition, breaching the currency divide leads to expanded trade between nations. Again, if we use the EU as an example, moving to the Euro has improved trade between Member States a lot.

To add on, there will be a leveling of the economic playing field of one dollar, when countries like China could no longer use currency trading as a way of making their products cheaper on the world market. For a long time, China has distorted its currency, undervalued it, making its export rates more competitive across the world. This has been harmful to the economies of other nations. With a one world currency, China would not be able to do so and wouldn't have any incentive to do so. LEDCs would also benefit immensely from the adoption of a stable currency, which would form the basis for potential economic growth. Zimbabwe, for one, has experienced one of the worst hyperinflation crises in history. The Zimbabwe dollar had to be replaced by international currencies, including the US dollar, in April 2009.

Disadvantages of One-World Currency

The most noticeable downfall of the implementation of one-world currency would be the lack of individual autonomous monetary policies to control their national economies. For example, in the 2008 economic recession in the United States, the Federal Reserve was able to reduce interest rates to historic amounts to expand the money supply in order to boost economic growth. These actions also helped to reduce the severity of the crisis in the United States. Under a foreign currency, this sort of vigorous control of the national economy would not have been necessary. Monetary policy should not be enforced on a country-by-country basis. Rather, any adjustment in monetary policy will have to be taken at the global level and thus making it extremely hard to satisfy every country. Given the increasingly multinational existence of trade, the economies of any country in the world also vary considerably and involve separate governance. For example, Germany had to bail out Greece after its economy had all but crashed, paying billions of euros to keep Greece from going bankrupt.

The Implementation of One-World Currency from ECB's example

The supply and printing of a global currency will have to be controlled by the central banking regulator, as is the case for all major currencies. If we look again at the Euro as a model, we find that the Euro is governed by a supranational body, the **European Central Bank (ECB)**. This central bank was founded by a treaty between the members of the European Monetary Union8. In order to prevent political bias, the ECB does not respond solely to any individual country. In order to ensure proper checks and balances, the ECB is expected to send daily reports to the European Parliament and to a number of other supranational groups. If we were to look at this model, we would see that the formation of such a bank might cause powerful countries to fight over it's control and increase the risk of cyber attacks if we were to implement cryptocurrency. It will be up to member nations to decide whether certain countries will have autonomy in regards to currency control and build up a check and balance system.

The Practicality of One-World Currency

At present, it seems that the introduction of a single currency in the world will be particularly impractical. In truth, the prevalent theory is that a hybrid strategy is more suitable. In some countries, such as Europe, the gradual adoption of a common currency may give rise to considerable advantages. Yet in other ways, attempting to push a common currency would actually do more harm than good. We currently can only rely on machine learning algorithms to predict how this theory could help the economy. But do know that this concept if were to be implemented, it will be a hard time for the government and the UN.

Currency war's effect on a macro level

In short, currency wars lower export rates and stipulate economic growth. Yet, it is making imports more expensive. We must be aware that this hurts customers and contributes to inflation. In 2010, currency wars between the United States and China led to higher food prices. China is purchasing the U.S. dollar to keep its currency valuation low. This influences U.S. interest prices by holding them down and making home loans more affordable. Remember that US Treasury bonds have a strong effect on mortgage interest rates. If the market for treasury is strong, their yield is low—this allows banks to lower their mortgage prices.

Major Countries and Organizations Involved

Zimbabwe

Zimbabwe experienced a very high inflation rate. In responses to high national debt, decline in economic output and export earnings, Zimbabwe kept on printing money. In November 2008, the estimated inflation rate reached 79,600,000,000%. Zimbabwe has had high inflation since the 1960s. Later on, Zimbabwe stopped printing its currency and using US dollars instead. However, in june 2019, the Zimbabwean government reintroduced the RTGS dollar which is basically a new Zimbabwe dollar, leading to an annual inflation rate of 730% by July 2020.

The United States of America

The US dollar is the most common, according to the International Monetary Fund. As of the fourth quarter of 2019, it constitutes more than 60 per cent of all known foreign exchange reserves of the central bank. This makes it the world currency, even though it does not hold an official title. The relative power of the US economy underpins the importance of the dollar. That's why the dollar is the most strong currency. The United States had around $1,700 billion in circulation. It is known that half of this value is in circulation abroad. Many of these bills are in the countries of the former Soviet Union and in Latin America. They are also used as foreign currency for day-to-day trades, making the US dollar the most popular currency in the whole world.

China

In March 2009, China and Russia called for a new universal currency. They wanted the world to establish a one-world currency "that is disconnected from individual nations and is able to remain stable over the long term, thus eliminating the inherent deficiencies caused by the use of credit-based national currencies." China was concerned that the trillions it holds in dollars would be worthless if dollar inflation were set. This could happen as a result of increased U.S. deficit spending and printing of U.S. Treasury bills to support U.S. debt. China called on the International Monetary Fund to develop a currency to replace the dollar.

The European Union

Euro makes up 20% of the known foreign currency reserves of the central bank. The euro's prospects of becoming a world currency have been weakened by the eurozone crisis. It has exposed the complexities of a monetary union that is guided by independent political institutions.

Japan

Japan's currency - yen, kept on rising as other country's governments kept on purchasing relatively stable currency. During the Greek debt crisis, countries turned to countries like Japan. This proves countries with relatively more stable currency are the ones with more stable economies.

Timeline of Events

The following events demonstrates attempts to formulate similar currency system as one-world currency:

Date	Description of event
1800s	Napoleon's finance minister supplementing the uniform system of measures with a uniform currency
1865	The Latin Monetary Union established, with the agreement of member countries to mint coins to a single standard
1867	The International Monetary Conference tried to create a single monetary standard for all of Europe
1946	Hungary reached the highest hyperinflation rate with daily inflation of 195%
1957	First Eurodollars introduced
1962	The European Commission proposed a single currency for Europe
1999	EU countries created a monetary union with a single currency - the euro
2008	Tension rises as different EU countries are arguing over central bank policy
2009	The U.S. Treasury Secretary Timothy Geithner stated that he is "quite open" to the possibility of a potential shift towards a global currency run by the International Monetary Fund (IMF). This was around when Russia proposed to hold an international conference to discuss developing a global currency.

Relevant UN Resolutions and Treaties

- Council Regulation - Concerning medals and tokens similar to euro coins **(No 2182/2004)**
- N/A

Possible Solutions

Develop a flexible interest rate system. Countries raise interest rates when inflation gets too high; Countries can also lower interest rates to make borrowing cheaper, stimulate the economy and discourage people from saving money. However, a global currency system will lead to favouring strongest economies and possibly neglecting smaller countries. However, a single currency system might be able to allow for little autonomy for individual countries to control their economy while maintaining a one-world currency system.

Design one-world currency as a cryptocurrency. To avoid countries fighting over the power to print the majority of the currency in their country as it provides a huge leverage for those countries with the power, cryptocurrency might be a feasible option for a one-world currency system. As technology advances, countries can utilize blockchain technology to decentralize the risk of having cyberattacks. Things to consider: Transaction costs will be cheaper for cryptocurrency than for actual money, so since money is not traded, it often removes the need for bank charges. We will be needing an alternative baking system that is strong and sustainable enough to be able to keep the international currency working. However, remember, if we were to transfer the whole international currency to an online platform, that implies that automation will be accelerated, more economic policy will be needed for those low skilled workers but at the same time it might spark another conflict between countries as more control over technology means more international leverage on other countries. This might actually lead to a whole wash of international power. Delegates such as the US and China might hold extreme views on the resolution unless this problem is solved.

Stimulus packages and tax benefits to import/export businesses. As these businesses are profit-based, having an one-world currency system for the whole world wouldn't be beneficial to these businesses as they often rely on the value of certain currencies going up in the future and increases the money that they will waste during imports and exports. The duty of importing necessities would be on the government and non-profit organizations. A stimulus package and tax benefits would be very beneficial for businesses and further encourage them to import and export goods.

Removing/ Keeping leverage for strong nations. There will be a decrease in power for strong nations such as the United States. For example, the massive wealth of the US made their exchange currency for many people in return bolstering their power. It creates a global demand for US currency and makes American trades cheaper. An one-world currency system will eliminate US dominance in their banking system on an international scale and possibly even decrease the US's ability to sanction rough nations. It will be upto member nations to determine whether to continue to allow the US and other strong nations to keep their leverage while transferring to another currency system.

Increasing economic benefits to LEDCs. As a one-world currency ties all member nations together at least economically, it gives huge incentives for MEDCs to fund programs in LEDCs to maintain stability of the currency as it hugely impacts other country's economies as well.

Establishing treaties listing specific requirements for countries before implementing the system. Economic theories show us that currency would not allow the government to set their interest rates in ways which most benefit their economy as one-world currency would remove monetary policy of a government. To prevent countries fighting over, prior treaties and regulations must be agreed upon. Ways to achieve might be removing trade tariffs or humanitarian aid assistance in LEDCs.

Bibliography

Rogoff, Kenneth. "Why Not a Global Currency?" *American Economic Review*, vol. 91, no. 2, May 2001, pp. 243–47, doi:10.1257/aer.91.2.243.

"Economic Advantages and Disadvantages of a One Global Currency." *UKEssays.com*, 2018, www.ukessays.com/essays/economics/economic-advantages-and-disadvantages-of-a-one-global-currency-economics-essay.php.

Tejvan Pettinger. "Hyper Inflation in Zimbabwe - Economics Help." *Economics Help*, 13 Nov. 2019, www.economicshelp.org/blog/390/inflation/hyper-inflation-in-zimbabwe/.

"One World Currency." *Doug Casey's International Man*, 19 Mar. 2019, https://internationalman.com/articles/one-world-currency/

Kollewe, Julia. "Global Currency Flies with Push from Russia and Slip from Timothy Geithner." *The Guardian*, The Guardian, 26 Mar. 2009, www.theguardian.com/world/2009/mar/26/global-reserve-currency-world-agenda.

"Reading: What Is the International Monetary System | International Business." *Lumenlearning.com*, 2011,courses.lumenlearning.com/suny-internationalbusiness/chapter/reading-what-is-the-international-monetary-system/.

Inflation, consumer prices (annual %) | Data. (2021). Worldbank.org. https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG