Cross my palm with euros?

The dollar's days as the world's reserve currency are far from over.

Worries about the dollar's dominance of the global monetary system are not new. But debate about replacing the beleaguered dollar, whose trade-weighted value has dropped by 11.5% since its peak in March 2009, has resurfaced in the wake of a global financial and economic crisis that began in America. China and Russia, which have huge reserves that are mainly dollar denominated, have talked about shifting away from the greenback. India changed the composition of its reserves by buying 200 tonnes of gold from the IMF.

None of this threatens the dominance of the dollar yet, particularly as a dramatic shift out of the currency would be damaging to the countries (such as China) that hold a huge amount of dollar-denominated assets. But a new paper by economists at the IMF, released on Wednesday November 11th, acknowledges that the global crisis has reignited the debate about anchoring the world's monetary system on one country's currency.

Some say that America's role as the principal issuer of the global reserve currency gives it an unfair advantage. America has a unique ability to borrow from foreigners in its own currency, and wins when the dollar depreciates, since its assets are mainly in foreign currency and its liabilities in dollars. By one estimate America enjoyed a net capital gain of around $1 trillion from the gradual depreciation of the dollar in the years before the crisis.

In a sense the world is hostage to America's ability to maintain the value of the dollar. But as the IMF points out, the currency's primacy arises at least partly because China and other emerging countries have chosen to accumulate dollar reserves. The depth of America's financial markets and the country's open capital account have made the dollar attractive. So some of the advantage has been earned.

But large and persistent surpluses in countries like China mean continued demand for American assets, reducing the need for fiscal adjustment by either country. This, in turn, has contributed to the build-up of the macroeconomic imbalances that many blame for the financial crisis.

Dealing with these imbalances could begin by finding ways to reduce reserve accumulation in emerging countries. The IMF reckons that about two-thirds of current reserves (about $4 trillion-$4.5 trillion) are held by countries as insurance against shocks, including sudden reversals of capital flows, banking crises and so on. In theory, groups of countries could pool reserves, so that a smaller amount would suffice than if countries each maintain their own buffers. Other alternatives include precautionary lines of credit, such as the American Federal Reserve's with the central banks of Brazil and Mexico, or the IMF's flexible credit line.

But what are the alternatives to relying on the dollar? One possibility is a system with several competing reserve currencies. Over time, the euro and China's yuan (if it became convertible) could emerge as competitors. This would require a great deal of policy co-ordination among issuing countries. But by having several reserve currencies the "privilege" that America now enjoys would be available more widely, providing an incentive to compete to attract users to different currencies.

Another alternative is a greater reliance on SDRs, the IMF's quasi-currency, which operates as a claim on a basket of currencies: the dollar, euro, sterling and yen. Because the SDR's value depends on several currencies, it shares many of the benefits of a multiple-currency system. But even the IMF says that using SDRs seems "doubtful unless the system…fails in a major way".

The most radical solution of all is a new global currency that could be used in international transactions and would float alongside domestic currencies. The fund argues that this would have to be issued by a new international monetary institution “disconnected from the economic problems of any individual country”. This currency could serve as a risk-free global asset.

Radical as this may sound, it is not a new idea. John Maynard Keynes had something similar in mind when he proposed an International Clearing Union. This global bank would issue its own currency, called the bancor, in which all trade accounts would be settled. In the absence of such a bank the world will have to make do with the current system. So worries about the dollar’s value aside, its global dominance is secure for now.

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