

START



# One Coin to Rule Them All

Despite all the evidence that it could never work (we're looking at you, euro zone), the idea of a universal currency just won't die. *by David Wolman*

The euro zone maelstrom refuses to end. Thanks to the debt crisis, some Greek officials are contemplating dumping the common currency for the drachma. Meanwhile, Italy and Spain teeter. A decade after the shared currency was heralded as a 21st-century

tool for peace and prosperity, it turns out that currency unions aren't such a hot idea.

Not so fast, though. This is undeniably a period of epic turmoil, and many economists will tell you that sovereign states need sovereign currencies—full stop. But

this notion ignores a fundamental truth: Countries with their own currency may have monetary independence, but in reality—as gun battles in Libya, CDOs in the US, and tsunamis in Japan have taught us—we are only becoming more economically intertwined. ►

• regardless of what our coins look like.

Step back from the current crisis to consider the long view, and currency unions—or even a single global currency—have a fair share of appeal. A universal medium of exchange could eliminate currency risk and jack up trade. It would mean speculators couldn't short an individual country's currency. Exporters wouldn't have to fret over the gap between a price on a contract and the value of the payment. A single currency could halt spastic swings in prices and end conversion fees, leaving more of the pie for little stuff like R&D and employee health insurance. Oh—and it could put an end to international disputes over currency manipulation. Hello? China?

True, sovereign currencies afford the ability to manipulate the money supply, jiggle the handle of interest rates, and buy up piles of toxic assets. When a boom goes bust, devaluing currency is the least bad way for govern-

not to examine every possible way to protect against future shocks—including going all in on a universal currency. It's a bit like geoeengineering: radical and outrageous at first blush but, given humanity's current predicament, not as outrageous as dismissing it out of hand.

Some pundits insist that gold could do the trick or that we could achieve many of the benefits of a global currency by tying the value of national ones to a set amount of the shiny stuff. But most economists view a return to gold as anachronistic, absurd, and even hazardous. Maybe, but it's possible they're saying so because reviving the gold standard is so incongruous with the present and not necessarily because reordaining gold would result in a system inferior to today's tumultuous one.

Of course, the universal currency could be the US dollar, and in some ways that's already the case. The greenback is what central banks hold the most of on reserve, and it's the currency used for the vast majority of international transactions. But the dollar's special status seems less stable than ever—and will worsen if Washington can't overcome its paralysis to deal with the debt.

Perhaps the seed for that universal currency has already been planted. The International Monetary Fund uses something called Special Drawing Rights, a crossbreed of four of the world's key currencies, to make certain kinds of settlements between IMF members. Could SDR someday morph into the One Coin to Rule Them All? If so, some lucky designer will have a field day mashing up \$, ¥, £, and, yes, €.

A global currency may indeed prove to be a vision best left in the realm of fantasy. But it would behoove us to seriously analyze the pros and cons before ditching the idea in favor of today's smorgasbord of euros, pesos, yuan, and Malawi kwacha. *Contributing editor David Wolman*

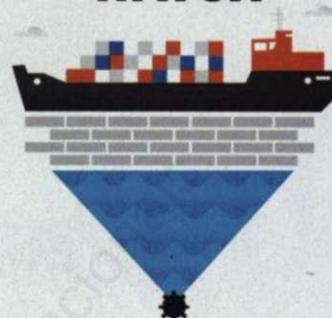
The whole idea of a global currency was planted in our heads by leftist utopians and science fiction authors.

ments to rein in wages and prices that are suddenly too high. But if you use the same currency as another country that isn't in dire straits, good luck convincing them to accept devaluation on your nation's behalf. (This is part of the reason for the euro zone impasse.)

But does this mean we don't see a global currency in our future? For many, the answer is no. A recent Pew Research poll reveals that 41 percent of Americans expect it by 2050. Maybe the idea has been planted in our heads by leftist Utopians and science fiction authors: a system of "credits" is used in everything from *Star Wars*, *Star Trek*, and *Babylon 5* to the *Foundation* book series. Yet the idea has also been touted by economics titans like John Maynard Keynes.

The fact is, the modern economy and monetary system are too damn precarious for us

## JARGON WATCH



### Antimag-net

n. \an-tē-mag-nēt\

An invisibility cloak for magnetic objects. If an item is sheathed in a special superconductor, its magnetic field can be hidden. Wrapped in antimagnets, pacemakers could endure the intense magnetism of MRIs, and ships could sail past mines.

### Bundestrojaner

n. \bün-dis-trō-yō-nēr\

German for "federal trojan," the nickname for spyware used by German law enforcement to covertly monitor Skype calls. Analysts discovered that this Trojan horse also gives the government illicit backdoor access to data on suspects' computers.

### Attaging

v. \at-āj-in\

Hijacking smartphones by embedding malware in innocuous-looking QR codes. Attaging (or attack tagging) recently hit Russia, where phones that scanned a rogue code started sending premium texts at \$6 a pop.

### Megavirus

n. \me-gə-vi-rās\

The world's biggest virus, with more than 100 times as many genes as the average flu bug. The first megavirus, which had infected an amoeba, was recently found on the ocean floor. —Jonathon Keats  
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#### DATASTREAM

Average time to download a 4-MB music file (seconds)

