
A Feasible Study on World Currency Integration (Convergent Theory)

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Abstract

The contemporary world is undergoing continual transformations in trade and international exchange. The unrestricted movement of global currencies often contributes to a more volatile economic environment rather than stability. Particularly, developing nations frequently encounter hyperinflation and significant deficits in both trade and national financial reserves. Such circumstances commonly precipitate economic crises and impede the progress of the global economy. In view of these challenges, our scholarly research will concentrate on devising a viable new international currency. By gaining a comprehensive understanding of the current global trade dynamics, our objective is to formulate a novel international currency that can facilitate trade balance and inflation stabilization. This research paper aims to address the Triffin Dilemma, proposing the creation of a new world currency as a potential solution.

Keywords: International Trade, Global Currency, Triffin Dilemma, World Currency Approach, New World Currency

Introduction:

Given the current landscape of global macroeconomic and international trade dynamics, there remains an unresolved systemic issue that significantly complicates our economic environment: the Triffin Dilemma. This classical dilemma, which pertains to the inherent conflicts faced by reserve currency issuers, particularly the United States, regarding the trade-offs between maintaining global liquidity and ensuring currency stability, continues to exert considerable influence amidst ongoing geopolitical and trade tensions, including the protracted trade war. Prolonged exposure to these stressors is projected to sustain a period of global economic vulnerability. We anticipate that a pronounced recession is likely to occur circa 2028-2029, consistent with historical cyclical (100-year) patterns in financial markets (Wall Street). It is important to note that the U.S. stock market operates on an approximately century-long cycle, which correlates with the broader propensity for asset bubbles and subsequent corrections—often culminating in a systemic financial crash. Such a contraction is virtually inevitable within this cyclical framework, although there are divergent prognoses among economists and market analysts concerning the timing, magnitude, and specific triggers of the impending downturn.

As the primary currency, the US dollar's extensive asset holdings serve as a foundational pillar for the stability and resilience of the global financial architecture. However, this status can also

obscure underlying systemic vulnerabilities within financial markets, potentially leading to episodes of heightened volatility across markets. Therefore, there is an urgent need to find a new supranational currency as an alternative, and a new globally unified “World Currency” seems to be the only option [1][2].

Currency Dilemma Problem

The primary factors contributing to this phenomenon are multifaceted. Firstly, the "Triffin Dilemma" presents a fundamental conflict of interest between national trade balances and the stability of the global reserve currency. This dilemma arises because maintaining the reserve currency requires the issuing country to run persistent deficits, which in turn can undermine the long-term sustainability of the currency and induce recurrent macroeconomic imbalances. Consequently, this leads to persistent trade deficits and systemic discrepancies within the global trade equilibrium. Secondly, the international balance of payments (BOP) exhibits significant disequilibrium. Countries often experience asymmetrical capital flows: some nations accumulate substantial trade surpluses, whereas others suffer from persistent trade deficits, especially developed countries, which are usually financed through borrowing. In addition, developing economies tend to specialize in exporting manufactured goods—primarily industrial and consumer products—in exchange for financial assets such as debt instruments, equity stakes, or other financial claims held predominantly by advanced economies. This structural pattern perpetuates global economic imbalances and highlights the complex dynamics underpinning international macroeconomic relationships.

Imbalances in countries' balance of payments (BOP) have been a significant source of instability within the global monetary and financial systems. These persistent discrepancies between international receipts and payments induce distortions in the global currency markets, resulting in asymmetric asset flows across different regions. Such imbalances often lead to surges in capital inflows or outflows, which can precipitate liquidity shortages, thereby increasing the likelihood of sovereign debt crises, banking sector vulnerabilities, and systemic financial disruptions.

Consequently, the dominance of a few major reserve currencies in international trade—most notably the US dollar—further entrenches these distortions, enabling a cycle of persistent trade imbalances and excessive government expenditures. This environment diminishes the incentives for nations to correct underlying macroeconomic imbalances, thereby perpetuating a state of disequilibrium.

International trade imbalances distort the allocation of global liquidity and capital, leading to overheated asset markets in some regions and depressive conditions in others. These economic disequilibria foster conditions conducive to financial instability, volatility, and crises. Ultimately, these systemic vulnerabilities—rooted in its structural flaws—are fundamental explanatory factors behind recurrent financial crises across the globe, highlighting the need for comprehensive reform of the international monetary and fiscal architecture.

Literature Review:

Economist Paul Krugman emphasizes that the global trade and international economic relations are predominantly dictated by comparative advantage, yet the current global trade system is riddled with specific vulnerabilities and distortions that undermine its efficiency. Such deficiencies contribute to increased volatility and unpredictability in bilateral and multilateral trade balances, thereby destabilizing national export and import flows and amplifying the risk of systemic economic crises across nations. In addition, Nouriel Roubini has articulated that the fundamental issues originate from structural imperfections within the global economic architecture and international trade frameworks. These systemic flaws have the potential to precipitate future financial crises if unaddressed. Given these arguments, there is a compelling rationale for reevaluating and restructuring the existing international monetary paradigm. This paper advocates for the creation of a novel supranational currency—referred to herein as a world currency (unified)—as a strategic mechanism to mitigate the identified systemic risks and foster greater stability and resilience in the global financial system [3][4][5][6][7][8][9][10].

Methodology:

This research article offers a comprehensive and systematic review of scholarly articles subjected to rigorous peer review, sourced from reputable academic databases such as Google Scholar and Research Gate. The scope encompasses a detailed analysis of cohort studies and meta-analytical research findings published initially between 1991, 2000, 2001, 2008 and 2009 with an extension to include publications up to the year 2020. The review meticulously investigates critical variables pertinent to international macroeconomics and financial stability, including international trade flows, global currency regimes, convergent theoretical frameworks, and the dynamics of convergent match-up currencies. The view derived from these systematic reviews is substantively reinforced and empirically supports the theoretical foundations and hypotheses articulated within our proposed economics research.

Discussion:

The Function of the Global Monetary System

The contemporary international monetary architecture has demonstrated a failure to adapt in tandem with the rapid evolutionary shifts in the global economic landscape. Predominantly attached in the orthodoxy of a free-floating currency regime, this system is inherently vulnerable to exogenous shocks, leading to heightened volatility and financial instability across borders. Economists and financial analysts with a keen foresight recognize that such fragility amplifies the propensity for irregular distortions. This persistent reluctance to overhaul the monetary framework underscores the critical need for a paradigm shift. Implementing a supranational currency or a multilateral reserve world currency could serve as a stabilizing anchor, facilitating more efficient cross-border capital mobility, enhancing monetary sovereignty, and reducing exchange rate risks. Such reform initiatives hold the potential to recalibrate the global monetary system, fostering macroeconomic stability, mitigating asymmetric shocks, and addressing persistent liquidity shortages affecting emerging and developing economies. Consequently, a

comprehensive overhaul, including the creation of a global world currency, is imperative to recalibrate global financial stability and promote sustainable economic growth in a multipolar world economy.

A comprehensive and effective global monetary system holds the potential to fundamentally mitigate, and potentially eliminate, the occurrence of financial crises by enhancing macroeconomic stability and fostering resilience within the international financial architecture. Consequently, the concept of global monetary integration seeks to reform the existing international monetary framework by establishing a more cohesive and coordinated system. The adoption of a universal currency could serve to reduce transaction costs and currency exposure risks, thereby minimizing exchange rate volatility and transaction uncertainty. Such a shift would not only streamline cross-border trade by decreasing conversion-related frictions but also diminish real resource losses associated with currency heterogeneity, ultimately facilitating more efficient allocation of global financial resources and promoting a more stable economic environment.

Advantages of International Monetary Cooperation and Improving Special Drawing Rights

Some individuals may question the implications of a fully integrated global currency system on the existing trade settlement mechanisms, as well as the efficacy of currency unification in resolving persistent trade finance issues. To address these concerns, an initial step could involve expanding the allocation of Special Drawing Rights (SDRs) within the framework of the International Monetary Fund (IMF) or alternatively, establishing a new global monetary authority with a mandate to oversee international liquidity and exchange rate stability. This entity would introduce a novel, empirically balanced settlement mechanism designed to promote liquidity neutrality across member nations. Under this system, countries experiencing substantial trade deficits could utilize their SDR holdings effectively a basket of international reserve assets to satisfy cross-border payment obligations, thereby serving as a form of global currency. When a nation borrows SDRs from this global monetary authority, it would be required to post acceptable collateral, such as reserve assets or securities, to secure the loan. This arrangement would generate stronger incentives for sustained improvements in nations' export competitiveness and import management, fostering a more equitable and resilient pattern of international trade flows. Such a reform could enhance the macroeconomic stability of the international monetary system while promoting fairer distribution of international trade gains.

The existence of numerous factors contributing to global trade imbalances and the ensuing turbulence within the financial and monetary systems can be attributed, in part, to the phenomenon of freely floating currencies. While some argue that a freely convertible currency might promote market efficiency, it is increasingly evident that such a system does not serve as an adequate remedy for the underlying deficiencies inherent in contemporary monetary frameworks, especially from the vantage point of developing nations. In fact, unregulated currency markets often act as catalysts for inflationary pressures, undermining price stability. Furthermore, reliance on free-floating exchange rates can exacerbate macroeconomic volatility,

precipitating episodes of hyperinflation and financial instability, which undermine long-term economic development. Consequently, the notion that floating currencies inherently stabilize or correct systemic monetary failures is flawed, as they tend to aggravate global macroeconomic imbalances and amplify cyclical fluctuations without addressing structural issues such as monetary sovereignty, fiscal discipline, or central bank oversight.

If global economic integration is considered an irreversible and overarching trend shaping the future of international financial systems, then it is imperative to conceptualize and implement a novel global currency, alongside a comprehensive world monetary framework. Such a system should facilitate streamlined trade settlement processes and pricing mechanisms, minimizing exposure to volatile exchange rate fluctuations and currency risk. Developing a supranational, unified currency would be essential to transcend the limits of national monetary sovereignty, fostering a more stable and equitable global economic environment. This approach aims to enhance monetary stability, reduce transaction costs, and promote seamless cross-border trade and investment, ultimately contributing to a more resilient and integrated international financial architecture.

Given the increasing complexities of the global financial ecosystem and the limitations of existing national currencies in fostering seamless international trade and investment, establishing a new overarching monetary framework—referred to as the World Currency—emerges as a potential strategic solution. Such a system could facilitate greater monetary stability, reduce exchange rate volatility, and promote economic integration across borders by providing a universal medium of exchange and store of value that transcends individual national monetary policies.

Suggestion:

Therefore, this scholarly article advocates for a comprehensive reform of the existing international monetary system by proposing the development of a novel global unified currency and integrated settlement infrastructure. Such an initiative aims to foster enhanced financial stability, reduce exchange rate volatility, and promote equitable economic growth across nations. By establishing a universally accepted currency framework complemented by robust settlement mechanisms, this approach aims to create a mutually beneficial environment for all participating countries, ultimately advancing global economic potential and systemic resilience.

The selection of an optimal pathway to implement a unified international currency system and the development of a comprehensive aggregate currency are imperative strategies for all nations globally. The formulation of an aggregation currency serves as a pragmatic approach, facilitating the consolidation and integration of diverse national currencies into a singular, globally recognized monetary unit often referred to as a World Currency. This approach not only enhances financial stability and promotes economic integration but also addresses issues related to exchange rate volatility, bilateral trade imbalances, and monetary sovereignty. Developing such a currency involves complex considerations, including monetary policy harmonization,

macroeconomic stability criteria, and international financial regulations, thereby requiring a multifaceted and coordinated effort among global economic actors.

This proposed integration represents a strategic approach to establishing a comprehensive global monetary system, aimed at facilitating international trade and economic stability. By coordinating efforts, we can design a resilient and transparent currency framework that promotes equitable trade practices and systematic balance of payments among nations. The concept involves implementing a globally unified fixed exchange rate policy through a new sovereign currency, which would serve as the cornerstone of international financial architecture. This new currency is envisioned as a stable, widely adoptable medium of exchange, capable of underpinning global monetary stability and fostering economic growth through enhanced policy coordination.

Convergent Currency Theory (Currency Integration Ratio Base Approach)

Euro/Dollar Zone	+	Asia/Dollar Zone	+	USA/Dollar Zone	=	New World Currency
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World Currency Zone Formula

Zone A	Zone B	Zone C		$n_{iA} = n_{i1}$
				$n_{iB} = n_{i2}$
				$n_{iC} = n_{i3}$
$\ln \frac{\sqrt{(x_i - \mu)^2}}{n_{iA}}$	$+$	$\ln \frac{\sqrt{(x_i - \mu)^2}}{n_{iB}}$	$+$	$\ln \frac{\sqrt{(x_i - \mu)^2}}{n_{iC}}$
$\sum \ln \frac{\sqrt{(x_i - \mu)^2}}{n_{i1}} + \ln \frac{\sqrt{(x_i - \mu)^2}}{n_{i2}} + \ln \frac{\sqrt{(x_i - \mu)^2}}{n_{i3}} = \text{World Currency Zone}$				

Our new global currency framework will be based on the ratio reflecting each country's contribution to the world's GDP. First, a dedicated currency zone will be established to enable fast, efficient, and collateralized exchanges and settlements. These regional currency unions will then be integrated into a unified and stable regional monetary system. Next, the monetary policies and currency standards of individual regions will be harmonized into a comprehensive Global Currency System. This process aims to create an interconnected monetary network within the region while maintaining exchange rates of the US dollar and other currencies within predefined corridors for stability. The system addresses the ratio-based distribution of the international money supply by using a ratio-based allocation, where the global monetary base is distributed according to each country's GDP proportion. A new, World Central Bank will oversee the issuance and management of the global currency to promote international monetary

stability, reduce exchange rate fluctuations within a unified currency, and support balanced, low-inflation global economic growth.

Conclusion:

This research paper examines the Triffin Dilemma, a fundamental paradox in the international monetary system where the global reserve currency issuer must run persistent deficits, thereby risking global economic stability. To address this issue, this paper proposes the introduction of a new global world currency (unified) as a potential solution to mitigate systemic vulnerabilities. We assert that enhancing the reliability and efficiency of the current currency framework, alongside the development of a comprehensive, globally unified currency and settlement infrastructure, constitutes the most pragmatic approach to achieving equitable economic benefits across nations. In the transitional phase toward establishing this integrated monetary architecture, this research paper advocates for an aggregation-driven process, emphasizing that the reconstruction of a resilient and inclusive global monetary system is an urgent imperative. The implementation of a universal, supranational currency could substantially improve international welfare by fostering stability, reducing exchange rate volatility, and facilitating cross-border transactions within a more cohesive financial architecture. The New World Currency marks an exciting step forward it symbolizes a new chapter of unity and economic cooperation that we can all look forward to embracing together. Hope this research paper can benefit the world and mankind.

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