

# UN wants new global currency to replace dollar

The dollar should be replaced with a global currency, the United Nations has said, proposing the biggest overhaul of the world's monetary system since the Second World War.

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In a radical report, the UN Conference on Trade and Development (UNCTAD) has said the system of currencies and capital rules which binds the world economy is not working properly, and was largely responsible for the financial and economic crises.

It added that the present system, under which the dollar acts as the **world's reserve currency** (<http://www.telegraph.co.uk/finance/financetopics/financialcrisis/5325805/Chinas-yuan-set-to-usurp-US-dollar-as-worlds-reserve-currency.html>), should be subject to a wholesale reconsideration.



A number of countries, including China and Russia, have suggested replacing the dollar as the world's reserve currency

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Although a number of countries, including **China** (<http://www.telegraph.co.uk/news/worldnews/asia/china/5793308/China-criticises-dollar.html>) and Russia, have suggested replacing the dollar as the world's reserve currency, **the UNCTAD report** (<http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=11867>) is the first time a major multinational institution has posited such a suggestion.

In essence, the report calls for a new Bretton Woods-style system of managed international exchange rates, meaning central banks would be forced to intervene and either support or push down their currencies depending on how the rest of the world economy is behaving.

The proposals would also imply that surplus nations such as China and Germany should stimulate their economies further in order to cut their own imbalances, rather than, as in the present system, deficit nations such as the UK and US having to take the main burden of readjustment.

"Replacing the dollar with an artificial currency would solve some of the problems related to the potential of countries

running large deficits and would help stability," said Detlef Kotte, one of the report's authors. "But you will also need a system of managed exchange rates. Countries should keep real exchange rates [adjusted for inflation] stable. Central banks would have to intervene and if not they would have to be told to do so by a multilateral institution such as the International Monetary Fund."

The proposals, included in **UNCTAD's annual Trade and Development Report** (<http://www.unctad.org/Templates/Webflyer.asp?intItemID=1397&docID=11867>), amount to the most radical suggestions for redesigning the global monetary system.

Although many economists have pointed out that the economic crisis owed more to the malfunctioning of the post-Bretton Woods system, until now no major institution, including the **G20** (<http://www.telegraph.co.uk/finance/financetopics/g20-summit/6147075/G20-rules-spark-fears-of-more-bank-bail-outs.html>), has come up with an alternative.

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