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FINANCIAL GLOBALIZATION: A UNIFIED CURRENCY AND A CENTRAL BANK FOR FASTER DEVELOPMENT OF EMERGING ECONOMIES

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Abstract
In the current economic scenario, the national boundaries are diminishing and creating one large global market. There is a worldwide movement towards economic, financial and trade communication integration.The world markets have integrated into one, wherein people can easily buy product from any seller from any partof the world but when it comes to payment the currency conversion comes into picture. Thus, we can though shop from any part in the world but when it comes to making payment the emerging economies are at a disadvantage due to the absence of a single currency. The conversion rate comes into play and the stronger currency wins against the weaker currency.Another, barrier is the existence of a Central Bank in each country that leads to separate set of rules to be followed when engaging into foreign investments or foreign trade. The paper argues that though we have achieved a stage of globalization we are still far from a stage of Financial Globalization. Through this is paper would like to furthermore that financial liberalization in term of a single currency and a global bank is a necessity for Financial globalization though may be not sufficient.

Key words: Globalization, Financial Globalization, Foreign Currency, International markets, Emerging economies, Single currency, Central Bank.

Introduction

Globalization is the process of interaction and integration among the people, companies and governments of different nations, a process driven by international trade and investment and aided by technology. Globalization as of today has made the entire world into one market place wherein there is free movement of trade, knowledge and technology. The next step forward is achieving financial globalization. **Financial Globalization** means the integration of financial markets of all countries of the world into one. Financial globalization is also known as Economic globalization. It involves movement of funds from one country to another without putting any of the two countries at a disadvantage.

We have already achieved a stage of globalization as we say, the entire world is one market -we can order, purchase or review from a hand-held set sitting in the comforts of our home or office space but the question lies have wereally reached the stage of financial globalization? Can we travel to a foreign country without exchanging our home currency for the currency of the country we are travelling to? Can we buy foreign goods at the price we can buy the same goods manufactured in our home country? Are we confident enough to put all our savings and hard-earned money into foreign banks or invest in shares of foreign companies?.

The answer of a common man to most of the above asked questions will be ‘NO’.
Financial globalization is possible if money can be invested as well as borrowed across national borders with uniform terms and conditions and without foreign exchange conversion risk. The presence of different currencies not only acts as a barrier in achievement of financial integration but also grants advantage to the developed countries which have stronger currencies. This problem can be eliminated if a single currency is introduced. Similarly, the establishment of one Central Bank for all the member countries will help setting forth a set of rules and regulations which can be followed by all. In the absence of a single currency and a Central Bank financial globalization will remaina distant reality.

Purpose: The purpose of this paper is to throw light on the need of a single currency and a Global bank to attain financial globalisation.

How presence of a single currency will put emerging economies on the same foot as the developed ones. The presence of a Central bank eliminates the barriers to free movement of foreign investment and foreign trade.

Literature Review

PHILIP ARESTIS, SANTONU BASU, ANDSUSHANTA MALLICK (2005)-Financial globalization: the need for asingle currency and a globalcentral bank.
https://www.researchgate.net/publication/5172970_Financial_Globalization_The_Need_for_a_Single_Currency_and_a_Global_Central_Bank.

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In this paper the authors have discussed,the existence of different currencies with theirdifferent degrees of convertibility prevents uniformity in the terms and the conditions for loans. Consequently, not only does the existence of different currencies act as a barrier to such integration, but it disproportionately benefits thedeveloped countries. This problem can only be eliminated provided a singleworldwide currency is introduced. In its absence, financial globalization remains incomplete. Achieving true financial globalization would re-quire a global financial institution that can play a central coordinatingand regulatory role. An international single currency, which does notdepend on any national currency, is also a closely related requirement.We have put forward the essentials of a system that is necessary for atrue financial globalization. This system is based on Keynes's (1980)"clearing union" proposal as further elaborated and extended by Davidson(2002; 2003). We may finally raise the issue of the difficulties of creating a supranational central bank that is politically acceptable. This is aserious problem that imposes severe constraints on the feasibility ofcreating the institutions we have referred to above. Ultimately, it mayvery well be that, under current circumstances, true financial globalization can at best remain only an academic exercise.

Analysis and Rationale

The premise and rationale for having a unified single currency and a Global Bank are numerous and some among them are listed below:

1. The existence of a single currency will eliminate transaction costs which are always there in international transactions. Thus, increasing flow of foreign investments.
2. Single currency will eliminate conversion costs involved when one currency is converted to another. This will enhance more overseas purchasing by consumers.
3. Single currency will enhance more trade to liberalisation of currency rules.
4. Single currency will increase tourism and easy participation for small entrepreneurs in fairs to showcase their produce.
5. Presence of a Global bank reduces the barriers in terms of different monetary and fiscal policies followed by countries.

Core

The 19th century saw the advent of modern globalization which furthered trade relations between the countries and led to voluminous exchange of goods, services and money. As the flow of money between the countries increased it led to integration of financial markets of the world and Financial Liberalisation and funds started moving from one country to another in the form of Foreign Direct Investment, International Portfolio Investment and Foreign Institutional Investors.However, the free movement of finance across the different nations made the global financial and economic unstable due to fluctuations in exchange rate of global currencies suchas dollar, yen, pound and euro. The fluctuations in currency exchange rates deter the free movement of finance as there is always large amount of risk involved in currency conversion. The development of a single global currency would help in curbing the risks involved in the exchange rate conversions. It will help bring the developed as well the emerging economies of the world on an equal footing in terms of foreign exchange rates.

The development of a Global Bank will further the advent of Financial Globalisation and financial liberalisation as there will be unity in the rules and regulations. And on the other hand, there will be lesser economic curbshence furthering the flow of funds across national borders. As in the current scenario we have the World Bank which comprises of International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) which assists in development of its member nation's territories, promoting and supplementing private foreign investment and promoting long-range balance growth in international trade.It issues Statutory Drawing Rights (SDR's) which is the common currency of the IMFand its value is based on the weighted value of the basket of four major international currencies which are US Dollar, Japanese Yen, Sterling Pound and the Euro. IMF member states that hold SDRs can exchange them for freely usable currencies by either agreeing among themselves for voluntary swaps, or by the IMF instructing countries with stronger economies or larger foreign currency reserves to buy SDRs from the less-endowed members. IMF member countries can borrow SDRs from its reserves at favourable interest rates, mostly to adjust their balance of payments to favourable positions. The world bank provides a set of rules which are only followed by the member nations, but the countries do have a Central Bank which formulates its own fiscal as well as monetary policy and that becomes specific for each country based on its economic, political and social scenarios. The SDR's which are the reverse asset of the IMF can be used only for transactions among the member nations or IMF and member nations. Thus, it does not serve the purpose of a single currency or a single global bank.

With the introduction of a single global currency, prices worldwide would be denominated in the same unit and there will be ease in comparison, this we would give rise to a healthy competition and increase industrial efficiency. A single currency is

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believed to be an effective way of alleviating the fluctuation of financial market, meanwhile increasing benefits and improving business certainty for business groups, especially financial institutions.Single currency would eliminate uncertainty of exchange rate conversions and thus enhance international trade, the balance of payments position of emerging economies will improve, and this may lead to more employment creation in the economy. Developing countries might benefit considerably with the introduction of a stable currency which would form a base for future economic development.
As we talk about the advantages of a Single currency and a Global Bank there are also some disadvantages most significant is that individual countries will lose the power of making independent monetary and fiscal policy to regulate national economies.This integration may lead to reinforcing the hegemonic control of a small number of global banking and financial institutions over the process of money creation. This in turn would overshadow the functions of national central banks, encroach on the sovereignty of the nation state. The same economic policy may have different effects on different countries.Moving into a single currency economic union involves short term transition costs.

Conclusions
However, the issue of a global single currency still faces many obstacles, for instance, which country will have the power to issue it, the independence of each country's monetary policies and the damage to the benefits of the nations who issue current global currencies, but it will have numerous advantages which will overshadow the small obstacles and will lead to establishment of Financial Globalisation.

Financial Globalisation with a unified currency and Global bank will help in the faster development of emerging economies and will accelerate the growth process of established economies. It will further trade relations, fund transfers and overall development. Though it is long road ahead of us which will lead to total financial globalization, these are steps which will smoothen our paths for reaching our goals.

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