# The Imperialism of International Currency

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**Abstract**

Our international monetary system is neither symmetrical nor democratic. Some countries create international payment instruments while others buy them. This gives rise to imperialism. Countries that create international money can benefit at the cost of the world. Countries in the world give up resources and wealth to countries that own international currencies from hundreds of billions of dollars to trillions every year for free. Countries that own international currencies create and regulate the international monetary system for their domestic interests, not for the world's interests. The current international currency system is the greatest empire of the modern age.

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## Introduction

The US dollar and the euro are not truly international currencies, but the currencies of the United States and the Euro, which are "adopted" into international currencies. The world does not yet have an international currency. Meanwhile, economic entities around the world need transaction tools cross-borders. Therefore, they adopt the money of the richest countries in the world as international transaction tools. This is actually a bit ironic. We are capable of sending probes to almost any planet in the solar system but unable to simply create a truly international currency. Our technology has explored the space but our currency system is still stuck on the floor.

The use of certain countries' currencies as international payment instruments gave birth to global exploitation. The country that owns the currency can exploit and profit at the cost of the user countries. Experts call this "exorbitant privilege" (Canzoneria, Cumby, Diba, & López-Salidob, 2013), (Cova, Pagano, & Pisani, 2014) and (Mayer, 2021). In the 1960s, Valéry Giscard d'Estaing coined the term exorbitant privilege (privilege exorbitant: France) to describe the privileges that the owner of an international currency has over other countries (Eichengreen, 2011). Furthermore, according to Eichengreen (2011), the US exorbitant privilege comes from and at the expense of countries around the world, that use the US dollar. The US can consume beyond its capacity. The US can get cheap funds and resources from all over the world. More than that, the US can impose its fiscal deficit on the whole world. Since this privilege does not come from space or other planets, but from other countries and at the expense of them, we call it "exploitation" or "imperialism". We note that there are at least three forms of international currency imperialism.

## First, free resources consumption

Based on the basic theory of money, money that is issued between countries is actually debt. If a particular country prints money and then other countries use the money, then the printing country, in principle, owes the user countries (Rahman, 2022). When country A uses the money printed by country B, country A must buy the money from country B with goods or resources. This means that country A provides debt in the form of goods or resources to country B. Conversely, when country A spends the money buying goods or services from country B, country B must provide goods or services worth the money. That is, at that time, country B has paid its debt.

The problem is that country A uses country B's money for transactions with other countries, with countries C, D, E, and many others. Moreover, country A collects B's money as FX reserves so that the money never returns to its origin country. Thus, country B never pays its debts.

The current international currency system work that way. The owner of international currency, namely the US and the Euro, print money, namely the US dollar and the euro. Then the countries of the world buy US dollar and euro notes with goods, services, and other resources. Then they use the notes as a means of transactions with other countries. They also accumulate them into FX reserves. Thus, the US dollar and euro never returned to their origin countries. Thus, the US and the Euro never pay their debts, forever. In this way, the US and the Euro can consume the resources of all countries in the world for free, as long as their currency is used as a means of international payment and FX reserves. Or, in another word, they get a free loan and don't have to pay it back, as long as their currency is used as an international currency. On the other hand, all countries in the world, to have sufficient FX reserves, so that their monetary and economic systems are stable, must accumulate FX reserves and allow their resources to be consumed by other countries, free of charge, forever.

From IMF records, in mid of 2021, the total foreign currency circulating the world reached 11.7 trillion US dollars equivalent and increased exponentially. About 60% are in US dollars denomination, 20% in euros, and the rest in Japanese yen, British pound, etc. (IMF, 2021). That number, 11.7 trillion US dollar equivalent, is the value of real resources and wealth that is consumed for free by countries that own international currencies from all countries in the world. This means that the world gives free debts or free resources of 11.7 trillion US dollar equivalent that do not need to be repaid to countries that own international currencies.

**Second, free lunch of international currency depreciation**

The value of every piece of international currency collected and piled up by all countries in the world is shrinking all the time. So, they always accumulate assets whose value always decreases. We usually call it “inflation”. Under normal conditions, international currencies depreciate on average 2% per year. The 2% inflation standard itself comes from Greenspan's policy in 1996. To this day, the Fed still uses this standard (in normal conditions). Recently, the ECB and other central banks have also adopted the standard (Brown, 2016). From 1913 to this day, the value of the US dollar has shrunk by 96.4%. The value of the dollar today is 3.6% of 1913. The euro is the same. In 20 years, the euro has lost value by a third.

Why are all currencies shrinking? The reason is the currency attached to the government budget. Meanwhile, all governments in the world create budget deficits, namely spending more than income, to encourage economic growth. The shortfall is then covered with debt and printing money. The money supply increases. Consequently, the value of money goes down. So, the value of money held by the public decreases because the government takes it by printing new money. The depreciation of money or inflation is an indirect tax taken by the government from the public. Then the government returns this value to the community in the form of development, public expenditure, and economic growth. So, in general, depreciation or inflation does not matter. Because the government gives the value back to the public through development and economic growth. The money that the public holds decreases in value, but their income increases. For the national currency, this is not a problem.

As for international currencies, it is a different story. Depreciation costs of international currencies or inflation is charged to the entire world population. While the US government gives the benefits back only to US residents and the governments of the Euro countries to the Euro community. So, the citizens of the US and the Euro drink beer while the citizens of the world pay the bills.

Please note that only half of the US dollar circulating on US soil. Meanwhile, the other half circulated abroad. This means that the US government's budget deficit, which, under normal conditions, is worth hundreds of billions of dollars each year (while under abnormal conditions can be more than 1 trillion dollars) is half-billed to the world. The world citizens pay half of the US government's deficit bill, worth some hundred billion dollars every year. The euro is the same. About one-fifth of the euro circulates outside the Euroland. That is, for one-fifth of the Euro budget deficit, the world community pays the bill. The world citizens provide subsidies to cover the budget deficits of the US government, the Euro, and owners of other international currencies. With total world FX reserves of 11.7 trillion US dollars, the depreciation cost of international currencies charged to the world, in normal condition, is more than 200 billion US dollars per year. All countries in the world contribute; pay the bill of the governments of countries owning international currencies at least 200 billion dollars every year. As for abnormal conditions, the value is much greater.

This is a free lunch. And, the disturbing part is that the majority of countries that provide free lunch are developing countries and poor countries where some of the population is still in starvation. Meanwhile, those who receive free lunch are the richest countries in the world. The amount of this free lunch is far greater than all the types of international aid that rich countries provide to poor countries. According to calculations of Mayer (2021) , between 2010-2019, the combination of free resource consumption and free lunch from depreciating currencies flowing from developing countries to the richest counties, owners of international currencies, is 800 billion US dollars per year or about 3.3% of the GDP of all developing countries in the world. In our real world, it is not rich countries that contribute to poor countries, but on the contrary, poor countries that contribute to rich countries. Of course, this disturbs the sense of justice. And, this is indeed exploitation or imperialism.

**Third, domestic interests above world interests**

Currently, 60% of the world's FX reserves are US dollars and 20% euros. About 60% of interstate bank claims and liabilities are US dollars and 20% euros. The share of foreign currency debt issuance in the US dollar is 64% and the euro 24%. The share of over-the-counter FX transactions of US dollars is 88% and euros 32% (out of 200%). In general, the index of international currency usage of the US dollar is 66.6% and the euro 24.3% (Bertaut, Beschwitz, & Curcuru, 2021). Then, based on empirical research conducted by Boz, et al. (2020), the patterns in invoicing currency in global trade, the US dollar is still dominating, followed by the euro. All these data indicate that the US dollar system with a little extra euro is the actual international monetary system. The monetary policy of the US and the Euro is the world's monetary policy.

The problem is, the US and the Euro make monetary policy for their own national or regional interests, not the world. The policies they make are also based on their conditions, not the conditions of the world. In many ways, these policies are not in accordance with the conditions and interests of the world. Like it or not, the countries of the world have to adapt, even if it is detrimental. For example, when the US presses the “brake pedal” of the economy by raising interest rates, all countries in the world must press the brakes too even though they are in the middle of booming. Of course, this is detrimental to these countries because they lost momentum during the boom. They do not have much choice, adapt or their national monetary systems are “vulnerable”.

This is one of the major problems of international currency originating from certain countries. The currency performs two functions at once, namely as the national currency in the owner country and as an international currency for the world. This causes a conflict of interest between the owner country and the world. A long time ago, Robert Triffin has identified this dilemma, or what is known as the "Triffin dilemma", namely the conflict between the national interests of the currency-owner country and world interests (Triffin, 1978) and (Jeanne, 2011). Thus, the interests of the world will always be a "hostage" of the interests of the country that owns the international currency forever. And, the owners always choose their national interests above the world's interests because it has become a constitutional mandate.

**Conclusion**

The status of the US dollar and the euro in the world today is more or less the same as the status of European imperial governments in the colonial countries in the 16th-19th centuries. They established governments in all the colonies. The colonial government ruled the society and resources not for the benefit of the colony, but for the empire. The colonies are objects of exploitation for the advantage of the empire.

On December 10, 1948, in Paris, the United Nations General Assembly declared universal human rights (UN General Assembly, 1948). Since then, imperialism that violates human rights has been officially prohibited. Imperialism in politics is officially ended. However, in economics, imperialism is not over. The international currency (monetary) system is still imperial and becomes the largest empire in the modern age. Our international monetary system is still a century behind politics and perhaps two centuries behind the technology. Our world economy is still living in the age of empire.

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