

The Almighty Dollar

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The dollar is more than a symbol of power and influence. It is one of the most trusted stores of value in this world.

Because the dollar is the most trusted currency in the world, it is a powerful tool in the creation of the global economy whether we like it or not.

‘Thalers’ or ‘dalers’ were silver coins used in the sixteenth century bohemia. The word evolved into dollars. The dollar was accepted as the single currency in the USA in 1792

The US economy is 25 % of the world DHP, however the dollar now crops up in 87 % of all transactions involving foreign Currencies. Half the dollars in circulation are outside the USA.

Walmart was one of the first companies to source from china at low prices. It is estimated that this move alone cost the USA some 400,000 jobs. Walmart denies this

In theory, globalization and free trade are in the interests of consumers and countries.

By 2015, china produced half the world's steel. The china Government gave subsidized energy for steel production and also the selling price itself. This led to 'dumping' and drove down the price of steel

Thanks to global scrutiny, companies like Wal mart have been forced to scrutinize the Chinese suppliers

The mass manufacturing in china comes with no compensation, workers can be laid off at will. It can be argued that workers pay a big price for globalization

Globalization has brought one unique ingredient to china- inequality of income. The gulf between the rich and poor is the same now in china as in the USA

Chinese middle class has grown from 5 million in 2000 to 225 million quickly, new middle class income has moved from \$11,000 to \$43,000.so, close to the American dream, yet very different

China is a new entrant to globalization, but it has embraced the dollar tightly to give it power at home and abroad.

If china management of the currency has made it a star, then why haven't other countries done the same? A low currency comes at a price. If a country imports much of its food, it can be dangerous. A weaker currency is good for business but bad for households

Risk and Chinese banks are not natural bedfellows. its more usual for the banks to play the long game

The dollars pole opposition was cemented in 1944 in a hotel in New Hampshire, named after the hotels location Bretton Woods. The dollar was fixed as the currency to settle international trade. In turn, the dollars value was pegged to the value of gold. This was done to ensure stability but this didn't work

The global map of ownership and control has changed drastically over the last 75 years and there are now flows of FDI everywhere.

The west backed away from dealing with Nigeria , but china strengthened its ties with Nigeria and went on to build the Nigerian railway. In a 2014 study, Nigeria was the most favorably disposed to China.

When a country like Nigeria tries to promote its local currency the Naira, the dollar becomes more of a trusted currency. Dollar is trusted in every corrupt environment

India and Nigeria have much in common. Nigeria has a young population and also eats rice. A third of pharmaceuticals sold in Nigeria come from India. India buys Oil from Nigeria

India has the largest area under cultivation for wheat and rice, India is also the largest producer of milk, spices and pulses.

Walter Rostrow stages of a country's GDP development

1. Traditional society
2. Pre conditions for take off
3. Take off
4. Drive to maturity
5. Age of mass consumption

India still shows little interest in harnessing power abroad. For every dollar India invests overseas, china invests thirty six dollars. India does not have the same export earnings or build up of reserves

The average Indians income has tripled since 2000 but that does not mean all Indians are doing well.

In 2016, hi tech companies accounted for 8 pc of India's economy and created some very rich individuals. Half of India's wealth belongs to 1 pc of its population

India like china is no longer a source of cheap wages.

Technology has created a limited super wealthy middle class in India. India's challenge is its tax base. It collects just 17 cents for every dollar of GDP output.

The poor physical infrastructure holds India back. If the future of India is in its people, then education and health care is needed for a skilled workforce.

The biggest guzzlers of Oil are USA, china, India, Japan and Russia in that order. Both India and China are doing it to get more development

**Crude oil refers to a range of products.
Brent Crude is the one that is tracked – it is
a light oil from the North sea oilfields. Brent
is the most desirable , since its easily refined
into petrol and easily transportable to the
other end of the world**

In the 1970s, the Dutch allowed their currency to float. The Dutch guilder rose sharply as they discovered some gas reserves in 1959. Exports became expensive and uncompetitive. Unemployment quadrupled between 1971 and 1977. Investment dropped and created a lasting scar in all non oil industries.

Russia produces 11 million barrels of oil a day, second only to Saudi Arabia. A \$ 10 price drop in Oil take away 1.5 % of the Russian GDP growth.

Russia's rouble has no intrinsic value. If a currency isn't trusted, it is useless

Many countries use the dollar as a parallel currency, the soviet Union did for a long time and Russia still does. Dollarizing officially hands over economic power to the USA. Being part of the dollar club means that you have to agree to be part of the American interest rates.

The dollar empowers the American system to act as the worlds police since any fraudulent dealing in the dollar affects the global economy

**Russians want to keep their money abroad.
In 2017, 100,000 rich Russians took the
Cyprus citizenship.**

Real estate has earned \$150 billion in foreign investments into London. the mayor Sadiq Khan has criticized this as 'goldbricks for investment'

The fall of the Berlin Wall led to the development of a common EU from 6 countries to 28. The EU became bold enough in 1992 to have a common currency.

The EU experiment did not work as badly managed countries like Spain and Greece and Portugal help back its progress.

London in 1986 deregulated its financial system by going electronic. This led to more transparency. By 2016, the financial industry contributed \$180 billion to the UK economy.

A stock market crash definition is a drop in value by 10 % in 2 days of trading

On an average, share indices have grown 7 % since 1950 in the US. All share markets have risks on the country and the company

The market traders buy on rumor but sell on fact. A British bank sounded the first alarm to the 2008 crisis. In Feb 2007, HSBC revealed huge losses in its American mortgage arm. Six months later BNP Paribas shocked investors by freezing three of its investment funds

As fear and suspicion grew, banks stopped lending to each other. A credit crunch ensued . All the big Florida lenders collapsed

Regulation suddenly became the buzz word around the world. Stricter rules were imposed .Consumer credit worthiness tightened. Almost 8 million Americans lost their jobs by 2010 as the economy contracted

Skills are nothing if no one wants them

Deflation is poisonous to growth as consumers put off spending thinking prices will drop further.

Productivity has become the holy grail of governments the world over. British central banker Andy Haldane pointed out that UK living standards measured as income per head have risen twenty fold since 1850. If productivity has been constant, they would have only doubled.

Since the financial crisis, something strange has happened in the rich countries. Productivity growth has slowed down. The result is that post the crash there are more jobs, not as well paid as in the past, lower wage increase and lower productivity increase. It is likely that bosses are not cutting jobs like before.

Consumer spending powers the global GDP, typically accounting for 60 % of the mix. Producing goods and improving productivity is the supply side, and consumer spending is the demand side balance

Avoiding taxes legally or not paying taxes illegally has the same end results. It means less cash raised for the government to spend. Taxes can also be used to influence behavior- high tariffs discourages people to buy.

Arthur Laffer, the economist to president Reagan argued that beyond a point taxes do not help. So, the Reagan administration reduced taxes from 70 pc to 28 pc and Income tax receipts went up from \$ 517 billion in 1980 to \$ 909 billion in 1988. Whether the tax drop was the cause or the stricter clampdown on tax loopholes and catching tax dodgers was the reason is not known.

Debt links governments, companies and individuals. The cycle of living beyond means is true for all three.