

Review of Political Economy >

Volume 21, 2009 - Issue 3: Special Issue Commemorating Nicholas Kaldor's Centenary

392 Views | 10 CrossRef citations to date | 1 Altmetric

Original Articles

Global Imbalances and the Key Currency Regime: The Case for a Commodity Reserve Currency

Leanne J. Ussher 

Pages 403-421 | Published online: 24 Jul 2009

 Cite this article  <https://doi.org/10.1080/09538250903073461>

Sample our
Economics, Finance,
Business & Industry Journals
>> **Sign in here** to start your access
to the latest two volumes for 14 days

 Full Article  Figures & data  References  Citations  Metrics Reprints & Permissions

Read this article

Abstract

This paper considers Kaldor's 1964 proposal for a commodity reserve currency (CRC) as a serious alternative to the current system, which has the US dollar as the world reserve currency. It argues that the reserve-currency status of the US dollar helped to create global imbalances and financial fragility pre-empting the current crisis. The primary goal of the CRC was to resolve the 1960s Triffin dilemma, which remains a problem. If implemented, the CRC is one of the few proposals that would fix their price in dollars, and thus prevent the price index from rising. It would allow individual countries to float their national currencies, and thus prevent the national resource allocation from being distorted by the creation of a CRC. A CRC would be a more effective demand from the periphery and balance growth between periphery and core countries.

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

Notes

¹Other variants of this scheme were proposed by Frank Graham (see Endres, [2005](#), pp. 85–93), and F.A. Hayek ([1943](#)).

²As the outflow of private long-term capital and government grants and capital transactions exceeded the US surplus in the balance on current account, the basic balance would be in deficit. This was financed by a fall in the US gold stock and an increase in the foreign holdings of dollar assets. Confidence that the US could continue to redeem dollar holdings in gold began to wane. In 1971 the US defaulted on this commitment when Nixon closed the gold window and made the dollar inconvertible into gold.

³For a discussion of the distinction between these two multipliers, see McCombie ([1985](#)).

⁴Devaluation is effective only when it does not lead to retaliation by others in a global sense.

⁵Williams ([1943](#)) argued that even under the gold standard, it was the strength of sterling at the height of the British Empire combined with Britain's accommodations with the periphery countries that stabilized the currency regime.

⁶A complete bibliography of commodity buffer stocks and a commodity reserve currency can be found at <http://bufferstock.org/biblio.htm>.

⁷Kaldor believed that every country in the European Community could improve its situation

instead of work and European

Central I

Essential Only

factory (Toye

Settings

ational

production,



About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings



Cited by
10

Books



Accept All

Essential Only

Settings