

HOW THE DOLLAR BECAME A GLOBAL CURRENCY

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The industrial Revolution in the 19th century led to a rapid increase in productivity. The formation of a positive trade balance has led to the expansion of international trade. There was a problem when comparing different currencies in calculations, and gold began to be considered a universal monetary value. In most large countries there is gold, from which coins were minted. The combination of the national currency with gold helped to balance the reserves of the national currency.

The leading country in the world was the UK, and it was in pounds that gold rates were set at 4,248 pounds per ounce. Despite the fact that other currencies were also backed by gold, no one could compare to the volume of trade with the United Kingdom, and eventually the countries came to express their currency through the British pound.

Even then, the United States was not satisfied with this. They ensured that the US dollar was fixed at \$ 20,672 per ounce of gold, and established a rule according to which gold transactions can only be carried out in London or New York.

However, the outbreak of the First World War greatly shook the global financial system, and Britain could no longer provide its own currency. In order not to go bankrupt, in 1922 it was proposed to establish a "gold standard", assuming that the US dollar is on a par with gold as a universal measure of value. The US dollar is pegged to gold, and the British pound is pegged to US dollars, but it is no longer possible to exchange the British pound for gold.

The United States, which was not directly affected by the war, began to "seize" Europe economically. In order to protect the United Kingdom and European countries have introduced appropriate duties. International settlements have declined sharply. However, the US banking system was obsessed with the idea that with the help of the dollar, it could occupy the world market, and it would become the world's reserve currency. The Second World War made a huge contribution to this.

Therefore, the Bretton Woods Conference of 1944 can be considered the beginning of the expansion of the dollar on the world market, where representatives of 44 of the most economically powerful countries gathered to determine the further development of world financial laws. The reason was the chaos of the financial system from 1918 to 1939. The Americans proposed a system similar to the previous one, but with some changes, namely: the US dollar is pegged to gold at the rate of 35 US dollars per ounce, all other currencies have fixed interest rates against the US dollar, and to buy gold in any direction, you must first buy a dollar or pound, because other currencies did not replace gold. More than 70% of the world's gold belonged to the United States, and the US dollar was used in 60% of world settlements.

In exchange for the approval of the agreement, the United States provided huge loans for the reconstruction of post-war Europe, but on small terms: they could only print the amount of currency they owned in US dollars, the world's reserve currency. Thus, the United States controlled almost the entire economy of the earth [1].

References

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