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Can the U.S. Dollar Retain its Reserve Currency Status or be Replaced by Another Currency

[1]Donald Zullick, [2]Balasundram Maniam **a**nd [3]Geetha Subramaniam

[1]Department of General Business and Finance, Sam Houston State University, P. O. Box 2056, Huntsville, TX 77341, USA.
[2]Department of General Business and Finance, Sam Houston State University, P. O. Box 2056, Huntsville, TX 77341, USA.
[3]Faculty of Business Management, Universiti Teknologi MARA, 40450 Shah Alam, Malaysia.

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ABSTRACT

The United States dollar has reigned dominant in international finances for a number of decades as the de facto reserve currency. While this viewpoint is intransigent within the sovereign borders of the United States, recent trends driven by global financial crisis has fostered an expanding search for feasible alternatives. This paper looks into the exploration of recent options, with an analysis of prominent contenders and then moves on towards contemporary machinations to generate a replacement reserve currency. As fiat currency is the established standard, reputation and ratings support adoption and any replacement will have to provide a global reach with associated systems to support an overarching market displacement. This is an exploration of whether the dollar will remain dominant and ultimately, if there is a viable challenger.

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INTRODUCTION

Economic growth has spread across the globe, driving many nations to reach a point of international recognition that the outlook on a global reserve currency has been changing. Political ideologies are often the fundamental aspect motivating the alternative outlook, yet the bottom line is that the reserve currency has an important role in the global economy, either as a liquidity provider or economic stabilizer. The nation or organization that represents the reserve currency is the one that can affect macroeconomic changes worldwide.

The United States has enjoyed a place of prominence in no small part due to the dollar being the established reserve currency. While this has been true in the past, there are growing contentions to establish a realistic alternative. The Euro has been often mentioned as the most likely replacement, though it is not probable in the near future that it will replace the dollar (Wilson *et al*., 2012). The Eurozone has had issues within their nation states, which are very much in relation to the economic travails of the United States. The ties that are present in these relations have undermined some of the efforts for the euro to be a replacement. The entrenchment of the US dollar in global markets causes any potential option to face a nearly insurmountable challenge at this time.

China has experienced powerful growth and associated economic clout generated from their excess foreign exchange reserves. As they have grown in affluence while expanding their global influence, the Chinese have leveraged this trend and while they are not likely to replace the U.S. dollar as the global reserve currency, they are likely to displace the dollar as the trade settlement currency in Asia (Lo, 2013). China has historically been a closed economy with state driven controls, but to achieve greater influence, the Chinese government is taking actions to increase the international acceptance of the renminbi (Prasad and Lei, 2013).

In addition to sovereign challengers for the position of global reserve currency, some support a move away from a country-based solution. There has been discussion on the potential of adopting Special Drawing Rights (SDR) from the International Monetary Fund as an international reserve currency (Bird, 2011). There are many obstacles that preclude a move in that specific direction, first and foremost being that as of this study, the SDR are not an actual currency denomination.

There are many deliberations and explorations on available replacements, yet supplanting an established global reserve currency historically takes a shift in economic power and the financial paradigm. This paper will delve into the current situation and the viability that any currency will have the market adoption supporting a

Corresponding Author: Balasundram Maniam, Department of General Business and Finance, Sam Houston State University.
E-mail: maniam@shsu.edu

change in reserve currency status away from the United States dollar. After examining the underlying economic forces, how the macroeconomics of currencies is currently changing will be subject to analysis. Summarization of this study will ultimately generate a prognostication with a conclusion on the path of future global reserve currencies.

Literature Review:

Bird (2011) provides a historical perspective on global reserve currencies stretching back to Bretton Woods all the way up to modern trends of international currencies being accumulated in Asian countries, particularly in China. Moving from there is Faux (2012) who explores a similar historic arc but from a more industrialized perspective to establish the fundamentals of the economic and financial outlook in the United States driving the basis of the dollar. Gray (2013) delves into the Federal Reserve monetary policies and their subsequent ramifications in not only sovereign dollar value but the external implications as well. In summarizing the future of America and its ability to maintain dominance, Hormats (2008) analyzes where the economies are heading not so much due to the fall of America but because other countries are rising.

The research from McKenna (2011) explores the expansionary policies that have spread capitalism across the globe and how the emerging economies grow into legitimate economic challengers. Sharma (2011) moves into a discussion of the increasing debts and related fiscal deficits within the United States and how this is an increasing threat to the country's financial dominance moving forward. Smick (2012) investigates the tumultuous state of global finances by looking at the levels of debts and how countries, even the IMF, respond to the expanding balance sheets. Speth (2012) states that while the current system in America is failing in nearly all respects, it is not too late to alter the path and the policies in order to move towards future success.

Horton *et al*. (2013) analyze the euro with related implications and potential as a global currency. Next Komijani and Tavakolian (2011) research the pre-eminence of the dollar and whether the euro can replace it as the main reserve currency. As a contrarian point of view, Pittaluga and Seghezza (2012) express thoughts on the euro and how, due to regional and policy shortcomings, the possibility of supplanting the dollar is not feasible. Wilson *et al*. (2012) present a view that the established factors of the dollar help to cement its place as the global reserve currency while explaining the increasing importance of the euro.

Greenwood (2011) begins a discussion on the RMB (renminbi) and how there have been significant and substantial developments to support its inclusion in the discussion. Expanding on the previous point, Huang and Lynch (2013) further explore the internationalization of the renminbi and the implications for China in pursuing this strategy. Lo (2013) performs a region specific investigation targeted to Asia and the increasing prevalence of the renminbi as the chosen trade settlement currency. Next, in an exploration of the renminbi's ascension in global finance, Prasad and Lei (2013) focus on specific actions that would need to be taken in order to internationalize the currency. Looking at some of the driving factors for the renminbi, Shi and Nie (2012) describe the currency composition in the area of foreign exchange reserves.

As the world economies become ever more interlinked and, through their own emergence, expand their economic power, they will look to level the influence of the reserve currency markets. Macroeconomic parity is driving a non-tenable situation where many nations seek to extricate a currency advantage, but as with any modern financial market regulated by sophisticated systems and algorithms, no one nation can achieve the favored status that the United States currently leverages in the financial ecosystem. Moving away from sovereign currencies, the IMF has amendments aligned to set up the SDRs as a fundamental international reserve exchange (Bird, 2011).

The move towards an independent reserve asset stems from a number of factors, with the primary reasoning being that the amassing of disproportionate reserves can be presented as a flaw in the international monetary system as stated by Bordo and James (2012). The IMF seeks to give guidance to a dysfunctional global economy in an effort to preserve a sustainable paradigm according to Guven (2012). From an analytical perspective, while the existing ideologies and policies have not been perfect, they have produced a feasible status quo. Kenen (2013) posits that primary factors restraining the SDRs are that private sector bodies cannot hold them, and they are not typically utilized to pay cross border debts as they are prominently realized in key currencies.

Beyond SDRs are innovative technological options such as the Bitcoin, which Douget (2013) states can replace or reduce reliance on financial intermediaries. Plassaras (2013) asserts that while electronic currencies have suffered from negligence, Bitcoin, as an emerging digital currency, has been provided singular recognition as potential virtual cash. This trend goes beyond even the non-sovereign SDRs and international authority driven regulation. Throughout history, there has been an ideal of a world currency, yet Mundell (2012) makes the case that this utopian goal has never reached the point of reality in history, and modern market forces preclude this occurrence now. This research will begin with a look at the dollar as the currency holding its place as the pre-eminent global reserve currency and the standard-bearer of comparison for displacement.

Perspective on the Dollar as the Global Reserve Currency:

The United States dollar has held its place as the global reserve currency throughout modern economic history. While the basis was once the gold standard, starting with Bretton Woods reserves originally establishing a gold-exchange standard and then ultimately evolving to primarily foreign exchange holdings (Bird, 2011). This trend favored the United States as the dominant economic power during this period, elevating the dollar to the de facto holding.

The recent recessionary crisis was driven by a couple factors a long time in the making, by first sending more people into the workforce and then by nearly doubling consumer debt through money lent to the Chinese (Faux, 2012). These market forces helped facilitate a modern expansionary fiscal policy that powered a long running trend of increasing wealth, propped up by the façade of debt fostered ownership and purchase of lifestyle-enhancing goods. Fiscal policies were supported by the dangerous dichotomy of bloated deficits justified by GDP growth keeping the overall percentage of debt within a historically acceptable range.

Neither creation nor implementation of United States monetary policy occurs in a vacuum, and central banks around the globe react measurably to any these changes. Federal Reserve movements through liquidity increases and innovations on policy aggravated the situation by conciliatory actions in other countries in the early 2000s (Gray, 2013). The long running policies and more recent global interactions along with related economic growth have begun to modify the macroeconomic equation. From the outset of the recessionary forces stemming from global financial crisis of 2008, western leaders are gaining the realization of a redistribution of economic powers. The primary contemporary challengers come from China and India and are bringing about a concerned level of analytical discourse on the implications that are brought about by the western economies (McKenna, 2011).

While the recent government shutdown in the United States was the first one in over two decades, it was not the first or the last sign of discordant fiscal policies (Hook *et al*., 2013). Over the recent decades, the growth of debt driven spending by the U.S. is initiating discussions on the future viability of the dollar as the primary reserve currency. The U.S. Treasury department has paid the bills, notably through additional borrowing, and these actions are causing the largest foreign holders of the debt to question the eventual payback of obligations (Sharma, 2011). There is a long-standing history of maintaining their financial commitments, but the United States is charting new waters in the shear value and volume of debt spending.

It cannot be disputed that the global economies are changing in many aspects, not just in direct economic factors. A comprehensive analysis of all relevant factors sponsoring the levels of alteration go beyond the scope of this research, though all of the elements are fundamentally interrelated. Global financial partners would not be searching for change if the current systems disseminated by the U.S. were producing a positive performance (Speth, 2012). Other nations are looking to protect their own interests while seeking to maintain a realistic level of continuity. As economies across the globe grow, there is a need for policies to account for a more comprehensive set of guidelines. Agreements need to be negotiated that are transparent and supported by appropriate controls to encourage a recovery that is sustained by a structure designed to prevent another crisis (Smick, 2012). Complacency is the greatest threat to the continued dominance of the United States, along with inaction towards the large fiscal imbalances coupled with outsized budget deficits in the decades looming ahead (Hormats, 2008). Doing nothing is not an option, though financial policy implications should receive careful consideration in order to facilitate a continued leadership position in the global currency markets and maintain anything near the current financial status quo.

When it comes to the discussion of which currency would displace the dollar, a large aspect of the conversation has a relation to risk associated with United States monetary policy. While the United States has deviated from the Taylor rule, the European Central Bank followed similar patterns and, just as disconcertingly, other countries have a similar deviation correlation (Gray, 2013). If a significant percentage of the currency options follow or even mirror the policy actions of the dollar, then they are not really an effective hedge against currency risk. Sharma (2011) looks at the concerns of the Chinese on how dollar denominated assets may have their purchasing power reduced and perhaps even lead to inflation due to the United States government deficits. He added that the dollar has a significant number of drawbacks that have been primarily self-inflicted through policy decisions and government actions.

Currencies are not just theoretical market elements that are disconnected from the physical world and day-to-day life. Financial decisions on the macroeconomic scale do have an effect on microeconomic trends and related ramifications. By analyzing the real world implications, Speth (2012) highlights limitations on capital, whether it be social or economic, and how this increases the challenges on creating sustainable economic growth. Economics and sustainable growth are global factors that increasingly affect populations across all nations and are expanding beyond the myopic spectrum of the dollar and related policy definition. In order to provide potential alternatives, for example, there are movements to enhance the reserve viability of the Eurozone currency, the euro.

The Euro and Its Potential as a Reserve Option:

The fundamental aspect of a global reserve currency remaining entrenched is essentially that it is extremely difficult to displace the established denomination without some kind of market force, whether explicit or through necessity. There are many advantages for the nation holding the position currently leveraged by the United States dollar. In order to replace the reigning currency, the primary factor in the equation is that there must be a viable option. The formation of the European Union and the introduction of their common currency in 1999, the euro, has risen as a possible contender of the US dollar. Many studies have explored this possibility since the inception of the euro.

Through a demonstration that currency unification is possible, the euro has also created a cross border market with political autonomy, ultimately with implications as a viable option to the dollar (Horton *et al*, 2013). The creation of the Eurozone along with the fiscal power of the European Central Bank (ECB) has culminated a long running effort to enhance the global economic influence of the region. The possibility of the euro as a global reserve currency is driven by many factors, such as the depreciation of the dollar and subsequent growth of the euro as a chosen reserve which is demonstrated in Table 1 (Komijani and Tavakolian, 2011).

Table 1: Share of National Currencies in Total Identified Official Holdings of Foreign Exchange (Percent).

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dollar	67.1	65.9	65.9	66.9	65.5	64.1	64.1	62.0	61.8	62.3	61.9
Euro	23.8	25.2	24.8	24.1	25.1	26.3	24.6	27.7	26.0	24.7	23.9
Yen	4.4	3.9	3.8	3.6	3.1	2.9	3.1	2.9	3.7	3.6	3.9
Pound	2.8	2.8	3.4	3.6	4.4	4.7	4.0	4.2	3.9	3.8	4.0
Other	1.6	2.0	1.9	1.7	1.8	1.8	2.2	3.0	4.4	5.4	6.1

Source: IMF Annual Report (2013) Appendix Table 1.2

The euro has grown in importance and presence as a reserve currency but even with the impetus in the market, the dollar still holds a comfortable margin. A majority of scholars are of the opinion that currency reserve restructuring is a distinct indicator of the euro's materialization as a substitute international currency as well as the deterioration of the dollar (Pittaluga and Seghezza, 2012). The movements are common knowledge at this point, as central banks across the globe and economic spectrum search for diversification for their reserve holdings in the chaotic macroeconomic climate. The euro is experiencing ongoing growth in acceptance and in some cases supremacy; still, the United States dollar has a distinct lead in immersion, acceptance, and its adoption in capital markets (Wilson *et al*., 2012). The euro is clearly a challenger and alternative, but not in a position of influence to supplant the dollar as the principal choice in reserve currencies.

According to Wilson *et al*. (2012) there are three core reasons as to why the euro is limited in quest for currency dominance with the first being the lack of a distinct advantage. Next is the fact that the euro is not as cohesive or able to provide the reliance of the United States government. Finally, labor constraints primarily related to mobility in the Eurozone plays a role in limiting the rise of euro (Wilson *et al*, 2012). This set of factors could be applied to most contenders in some form or fashion, but we contend that the euro is potentially the most prominent option. Pittaluga and Seghezza (2012) state similar yet distinct elements where they describe what drives potential acceptability as international money of a currency, such as whether individuals have trust in it and if the currency is used in exchanges. The euro has gained acceptance and, despite some of its obvious flaws and shortcomings, it is gaining ground. That has not kept other organizations or nations from trying to make their own place in the basket of global reserve currencies, and one of the more recent entrants is China and the official currency, the renminbi, with the common denomination of the Yuan.

China's Economic Rise Spurs Reserve Aspirations for the Renminbi:

Until recently, the euro was the currency that was most researched and studied as a viable reserve option to replace the US dollar. But that is not the case anymore, especially after the global financial crisis of 2008. Since 2008, because of the financial trends primarily being driven by the U.S. economic activity, the Chinese currency, the renminbi, has maneuvered into a position of potential contention. The Chinese government wants to develop the renminbi into an international currency. But as Greenwood (2011) puts it, this is not a realistic goal because this will be a long and drawn out process that involves major and essential restructuring in many sectors over a protracted period. He believes that China will be able to go through this process at this point in time. This is because contained within the aspirations for the renminbi is a framework of governmental intervention and controls that both support and constrain the efforts.

The policy drive is evident in currency actions by China and pre-eminence on global terms is not strictly a modern paradigm for the country. After the recent global financial crisis of 2008, many including China have attributed the crisis to western countries. Some of the statements made by the Peoples Bank of China Governor Zhou are very direct and he calls for changes in the international monetary system (Huang and Lynch, 2013). Fiduciary relevance in accordance with an increasingly strong balance sheet in comparison to other financial rivals coupled with internal support for extension of sovereign influence globally has driven the potential rise of the renminbi.

In reflecting the economic trends of the region, Lo (2013) explains why Beijing has taken the initiative to increase the demand for the renminbi. It is no secret that China has aspirations to undermine the dollar dominance and supplant the renminbi as a practical option. In reflection of the current state of the Chinese currency, Prasad and Lei (2013) analyze the fact that of the top five economies in the world, the renminbi is the only one that is not a reserve currency. As China has enhanced its economic importance and as the nation seeks alternatives to continue growth, there has been a significant amount of policy introspection on the placement of the country's foreign reserves. Further, along those lines of argument, Shi and Nie (2012) look into potential actions on the composition of the Chinese foreign reserves in the international markets relating to transactions and the exchange rate. Any investor will look to maximize the returns on their assets and the Chinese are no different, and that is why they are still investing in the United States dollar. This is very contrary to what the leaders say in the public.

China is not new to empire building, nor are their actions to become a primary driver in the global economy through transactions enhancing the feasibility of the renminbi. The challenge is to produce exchanges of currency that do not require conversion to U.S. dollars first. In this discussion, there will be a reference to the renminbi through its main unit of currency, the Yuan. In October of 2013, China initiated a currency deal with the Eurozone that will be active for three years and allow for swapping directly between the currencies without conversion into dollars first (Barnato, 2013). Moves such as these are indicative of the actions taken by the Chinese government to further enhance the renminbi and enable it to become a more commonly traded currency. Even with these moves, Greenwood (2011) explains the context of the renminbi currency convertibility constraints where it can only be on current account and capital transactions have a comprehensive analysis with related limitations. Internationalization of a currency is an extremely complex and regulated process that is subject to extensive inspection and moves are conservative in nature.

Actions such as these are to not only benefit the currency or the government, but also facilitate commerce and trade. A country that can directly exchange currencies can promote greater levels of interaction between nations that are not constrained by third party policy and currency factors. The currency changes occurring in the region fostered by actions from China signal a historic alteration in the balance of economic leverage as Asia, which has generally been a member of the U.S. dollar bloc, is now in the process of becoming a renminbi bloc (Lo, 2013). The Chinese will continue to support and actively promote the renminbi, yet they are not the only party looking to be a viable alternative and there is research and investigation into some less conventional options.

Alternative Reserves, Special Drawing Rights and Bitcoin:

The most recent financial crisis has fostered an exploration of options by investors and nations across the globe, each questioning the status quo and presenting options from a perspective that favors their own interests. Bordo and James (2012) look into potential alternatives to the conventional currency reserves which indicated that there is a renewed interest in synthetic reserves or perhaps a currency basket. Kenan (2013) states that the present system is not satisfactory because true alternative international reserves are absent, it lacks proper global governance and the reserves supplied is dependence on the volume of deficits in balance of payments by the United States. Investors at all levels are encouraged to diversify their holdings to offset risk in the market and it is believed that the recent trends in sovereign holdings are following this sage advice to protect the excessive reserves of positive income nations.

All of the previous examples of potential reserve currencies have explored the extension of a sovereign denomination into the international market much in the way that the United States dollar has become entrenched, but the question of who will be able to replace the US dollar is presented in Table 2 by Bird (2011). It should be noted that SDRs are included in the list of candidates although it is not an international currency at present. The SDR is a reserve asset which has a worth created from an array of currencies including the U.S. dollar (Sharma, 2011).

Table 2: Candidates for an International Reserve Currency Role.

Candidates	Output and trade	Domestic financial markets	Confidence in the Currency	Network externalities	Political factors
USD	Yes	Yes	?/Yes	Yes	Yes/?
Yen	?	Yes	?	No	?
Euro	Yes/?	Yes	?	No	?
RMB	Yes/?	No	Yes/?	No	?
SDR	Not an international currency at present, but an international reserve asset				

To a certain extent, a sound strategy would be a move towards a completely international currency based on an aggregation of sovereign currencies but will take a global scale agreement (like the Bretton Woods) with complimentary concessions by member nations. Unfortunately up to this point in time, all of the options presented have been generated through extensively regulated discourse. But as technology become a paradigm disrupter across a broad spectrum of society and business, it should come as no great surprise that it will play a role in the currency discussion. In part, Douget (2013) portrays the initial starting point of Bitcoin from its nascent proposition in 2008, delving into the creation of the system from that early proposal and developing the current framework. In discussing Bitcoin, Plassaras (2013) explores the virtual and regulation free nature of the currency through its transnational and decentralized environment along with its gaining popularity possessing the potential to be a market disruptor. With all this talk of alternatives and moving in other directions, Kenen (2013) states that as of 2010, the US dollar is still used in 42% of all transactions around the globe.

It was not too long ago that the international financial community relied on the explicit value of the gold standard and its application to currencies as a basis of valuation. In his research, Mundell (2012) explains some of the shortcomings of the current reserve system, including excessive gyrations in rates along with no global unit of account and no established settlement currency. Moving beyond the fundamental elements, Guven (2012) portrays an outlook that international financial institutions are responding to global economic dysfunction through a regeneration of the paradigm. The implication is that there is recognition that some sort of change must be implemented in global finances and along with the allocation and denominations of reserve currencies.

Both the SDRs and Bitcoin have no sanctioned position as an actual alternative to sovereign currencies. What makes them interesting is the footing each has gained as the exploration for a better solution has enhanced the relevance of unconventional options. While SDRs hold a clear advantage and relevance as part of the existing governmental framework, as the world moves into essentially uncharted territory, no option should be dismissed out of hand. As the global economy regains traction and revenues increase, the anxiety inherent in the current financial climate will abate and the impetus for fundamental change will most likely wane as it tends to do when times are good. The drastic nature of the most recent global crisis has modified the arc of complacency in the reserve currency market so while fundamentals will be restored, discussions and actions towards a better financial stewardship and progressive options explored here and others not yet imagined will continue to be a part of the process.

Outlook and Future Prospects for a Global Reserve Currency:

The United States dollar has suffered many setbacks in recent history, many of them not essentially directly correlated to commerce though the outcome is relevant to the currency. Our current global financial climate deserves description as tumultuous at best with divergent employment and hiring trends in nearly every region across the globe. The dollar has held its place as a safe haven and pillar of fiscal steadfastness while the economies of the world have gone through growing pains and worked through learning curves in contemporary macroeconomics.

As other countries have amassed financial reserves with the complimentary requisite knowledge and information on how best to leverage those assets, movement has begun to extricate the U.S. and the dollar from its overarching presence in global finances. While the Eurozone emerged early as a real potential alternative, the very similarity that gave the euro its immediate and implicit viability has come around in the form of recessionary factors closely tied to outcomes in the United States. China has aggregated large amounts of currency reserves that give it internal and external influence paired with a sovereign motivation to establish a global reserve alternative.

The core of the state driven controls in China are in no small part what has assisted their economic growth while at the same time, these controls have precluded any aspirations for widespread adoption of the renminbi. A significant aspect of the current shifting of global currency reserves is due to the macroeconomic results that policies of the Federal Reserve in the United States have along with the desire to move away from such sovereign hegemony. It is transparent that the renminbi is also a government controlled and manipulated currency, which would ultimately provide an alternative that suffers from many similar shortfalls that the exploration of options to the dollar seeks to minimize.

This is where the exploration of other options occurs such as the potential core alteration to the SDRs, which would allow them to become an international currency. The IMF has been active in global finances for a number of decades and while there are designed limitations to SDRs that keep them from explicitly becoming an internationalized currency, large scale regulatory agreement and policy change could alter the situation. The fundamental makeup of the IMF and the underlying necessity for aggregate complicity by a significant number of nations by its nature removes the sovereign advantage inherent in current reserve currencies.

Stepping outside of any established framework, this research covered the nascent appearance of a completely non-traditional option in Bitcoin. While the specific product has not proven viability and may be no more than a curiosity, it has opened a new avenue of discourse with an associated potential as an unconventional possibility. While a more traditional analysis may quickly discount this technological solution, the world is evolving quickly and many of the greatest disrupters of continuity in the financial community have been technology based. Inclusion in this paper by no means implies that Bitcoin is a valid solution; the implication is that the creation of an innovative currency option has entered the discussion. In fact, many nations are very concern about the wild fluctuations of the Bitcoin currency and its risk on the investing public. Most recently, the European banking authority sounded the alarm over the risks consumers and investing public run by using this virtual currency which has fluctuated between $340 and $1240 in the month of November 2013 alone (Fleming, 2013)

Many options exist in the international currency reserve markets, though none is in serious contention with the United States dollar at this time. Encompassed in the valuation of a currency are many factors, and while those elements expand well beyond the scope and breadth of this paper, they will be relevant to this discussion and the future of the dollar. Things will change and the dollar will give ground, though that will not be an expedient alteration and in moving into the future, the dollar will retain pre-eminence for a significant measure of time.

Summary and Conclusion:

The United States dollar has reigned supreme for many decades and throughout historical period of growth and affluence. Many factors have assisted in supporting this financial position over that period. While there are many outstanding questions on the continued supremacy and viability of the dollar as a global reserve currency, at this time there is no comprehensive alternative to supplant this position.

Other contenders will arise, there will be alternatives, and at the very least this is an economic foreign policy that the United States has implemented. The idea has been that for growth to continue domestically there must be growth internationally. This supports the dollar, even with excessive deficit spending, as the American economy is the support structure for the global economy.

More explicitly tied to global reserve currencies, there is no current or recently upcoming alternative to the established status quo. While the dollar may not always be the best answer, without some sort of global cohesion around another option, it is still the only answer. With the most recent global recession, the equation of risk vs. reward reset to recalibrate for higher than previously anticipated risk as the interconnected nature of global economies exposes a highly dependent correlation.

There are emerging trends and potential options that can serve the role of reserve currency, and consequently allow for diversification of related risk. These market movements will continue and will potentially increase the search for parity of currency status. The changes will be favorable to global commerce, but the current allocation of dollars will not face significant displacement at any point in the near future.

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