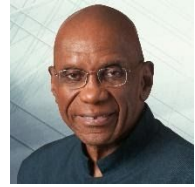




Economic Letter March 2020



The US Dollar is Caricom's Common Currency

Two weeks ago I took a taxi from Trinidad's Piarco Airport to the Port of Spain Hyatt Hotel. On arrival, I handed the taxi driver two crisp new TT 100 dollar notes left over from my last trip to Trinidad; only to be told that the 100 dollar bill had recently been replaced by a brand new polymer note. "No problem," said the taxi driver, "you can pay me in US." Throughout Caricom, from Suriname in the east to Belize in the West, and from Guyana in the south to the Bahamas in the north, the US dollar is in daily use. It is the only currency that is common to all countries in the region.

I had enough Barbados currency to pay the taxi fare in Port of Spain, but the possibility of doing so was never even mentioned. The Barbados dollar is of little or no value beyond the island's shores. The same is true for all currencies in Caricom. In contrast, with US dollars you may make payments anywhere in the region.

If that is so, our Governments need to explain what benefit there is to retaining the domestic currency. It is true that most Barbadians do not earn US dollars at the moment, nor do the citizens of other Caricom countries. However, were the Government of Barbados to replace the Barbados dollar with US dollars at the rate of 2 Barbados dollars to one US, all Barbadians would immediately start earning US dollars. Every Barbadian would then be able to travel and spend freely within Caricom, and indeed in most countries worldwide. The central banks of all Caricom countries, including Barbados, have sufficient foreign reserves to replace their domestic currencies, at the going exchange rate.

However, the switch can be successfully achieved only with careful preparation. The rationale and implications of the currency replacement would have to be publicised and fully discussed. A plan of action would have to be prepared, and a public information campaign mounted to ensure an orderly transition. Above all, Government would need to enjoy the confidence of the general public, in their ability to execute such a path-breaking public policy in a competent and timely manner.