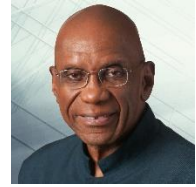




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The Time Has Come to Permanently Retire All Our Caribbean Currencies

Caribbean currencies served a crucial purpose when they were first introduced, but they have now become a nuisance in today's digitised world.

The world of commerce and finance today bears no resemblance to the world for which Caribbean currencies were devised. Up until the 1960s in most Caribbean countries, all retail transactions and many wholesale transactions were settled with notes and coins. The means of payment were always scarce in those days, because our countries are so distant from the European capitals that issued the world's major currencies.

In the first half of the 20th century it became commonplace in countries of the British Empire to issue local currency notes and coins, with values fixed to Sterling (for the most part; the Bahamas and Bermuda were exceptions). These currencies were issued by special Government departments, termed Currency Boards. The Currency Board held an amount of Sterling with the Bank of England or with the British Crown Agents, and issued an equivalent amount of local currency. In this way the amount of the local currency issue could be more easily tailored to local needs.

This system worked well, so long as currencies were anchored on a single universally used reference, the US dollar price of an ounce of gold. However, the whole system of currency values fell apart when the US effectively moved off the Gold Standard at the time of the Smithsonian Agreement in December 1971.

Nowadays, currency notes and coin, mostly of uncertain value in terms of purchasing power of the everyday goods and services we need to source abroad, are little used domestically. Mostly we use electronic transfers, cheques and credit cards. Since these are all computer records, it is immaterial how they are denominated, so long as both ends of every transaction match. There is no reason to link the denomination of the electronic transactions to the value of notes and coins.

Replacing the Barbados dollar with the US dollar for all transactions, domestic and foreign, enhances the range of choice open to the country and its residents, in all international commerce. International transactions are conducted in US dollars or in currencies that are convertible to US dollars. In contrast, with Barbados dollars you cannot buy or sell anything outside of Barbados, not even in nearby St Lucia, much less in the rest of the world. The GDP of Barbados in 2018 was about US\$5 billion, but the country had access to less than US\$3 billion of international goods and services, because that was the total availability of US dollars and other foreign exchange from exports, tourism and other services, and foreign financial inflows. Once the economy is fully converted to US dollars and the local currency fully retired, the entire US\$5 billion may be used to obtain the best value for money, in transactions anywhere in the world.

This is an executive summary of my Working Paper of the same title, issued at DeLisleWorrell.com.