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Cryptocurrency: A Global Need To Make One World, One Currency

Praveen Kumar Verma,
(Assistant Professor, GL Bajaj Institute Of Technology & Management)

Abstract
The idea of cryptocurrency as a global currency has garnered significant attention in recent years, with proponents arguing that it could revolutionise the global financial system. This paper examines the potential of cryptocurrencies to serve as a global unified currency. By exploring the benefits of decentralisation, financial inclusion, and cost-efficient transactions, this research analyses how cryptocurrencies could simplify cross-border transactions and address economic disparities. However, critical challenges such as volatility, regulatory uncertainties, and technological barriers remain impediments to the widespread adoption of cryptocurrencies as a global standard. This study evaluates the prospects of a single cryptocurrency-based global economy and offers recommendations for overcoming key hurdles.

Keywords: *Cryptocurrency, Global Currency, Financial Inclusion, Blockchain, Central Bank Digital Currencies (CBDC), Decentralisation*

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I. Introduction

The concept of a unified global currency has been a topic of interest for economists and policymakers for centuries. Historically, different currencies have facilitated international trade, often leading to complexities such as fluctuating exchange rates and cross-border transaction inefficiencies. The advent of cryptocurrencies has reignited discussions on whether a decentralised, digital currency could serve as a global financial medium. This paper aims to explore the feasibility of cryptocurrency as a global currency and its potential to unify the world's financial systems under one currency.

II. Theoretical Background

Cryptocurrencies are decentralised digital assets that leverage blockchain technology to ensure secure, transparent, and immutable transactions. The blockchain, acting as a public ledger, records all transactions and eliminates the need for third-party intermediaries, such as banks or financial institutions. Bitcoin, the first cryptocurrency, introduced the idea of peer-to-peer transactions and challenged traditional fiat currency systems by providing a decentralised alternative. Since then, the global cryptocurrency market has expanded, with numerous coins and tokens entering the ecosystem, each with varying degrees of use cases and applications.

III. Economic Theory Of A Global Currency

Economists have long discussed the potential benefits and drawbacks of a single global currency. Traditionally, a global currency could stabilise international trade, reduce currency conversion costs, and eliminate exchange rate volatility. However, controlling inflation and maintaining economic sovereignty have been cited as potential risks. Cryptocurrencies provide a new framework for revisiting this idea through their decentralised architecture.

IV. Need For A Global Cryptocurrency

Several factors highlight the potential need for a global cryptocurrency, including:

1. Simplifying International Trade and Transactions

A global cryptocurrency would eliminate the need for currency exchange in international trade. Currently, businesses and individuals engaging in cross-border transactions face exchange rate fluctuations, high fees, and delays due to intermediaries. Cryptocurrencies offer instant, low-cost transactions across borders, reducing the friction associated with traditional financial systems.

2. Financial Inclusion

The World Bank estimates that approximately 1.7 billion people globally are unbanked. Cryptocurrencies offer a solution to this issue by providing access to financial services to anyone with an internet connection. Without the need for traditional banking infrastructure, cryptocurrencies could empower underserved populations, allowing them to participate in the global economy.

3. Decentralisation and Reduced Manipulation

Traditional currencies are subject to government control and central bank policies, which can lead to manipulation, inflation, and currency devaluation. Cryptocurrencies, being decentralised and governed by algorithmic protocols, provide an alternative where no single entity controls the currency's supply, ensuring stability and reducing the risk of political or economic interference.

V. Benefits Of A Global Cryptocurrency

1. Borderless Transactions

Cryptocurrencies eliminate the geographic barriers associated with fiat currencies, enabling individuals and businesses to send and receive payments anywhere in the world without the need for currency conversion. This seamless cross-border capability is one of the key attractions of cryptocurrency as a potential global currency.

2. Lower Transaction Costs

The traditional financial system involves intermediaries such as banks, payment processors, and remittance services, all of which charge fees for their services. Cryptocurrencies, operating on blockchain technology, significantly reduce or eliminate these fees, making them an attractive option for international money transfers.

3. Transparency and Security

Blockchain technology provides enhanced transparency and security for transactions. Each transaction is recorded on the public ledger, ensuring that it cannot be altered or tampered with. This level of security is critical in combating issues like fraud and corruption that are often associated with fiat currency systems.

4. Monetary Stability for Economies in Crisis

Cryptocurrencies could offer a more stable alternative to countries facing hyperinflation or economic instability. For example, economies struggling with the devaluation of their local currencies could adopt cryptocurrencies as a store of value or medium of exchange, mitigating the effects of inflation.

VI. Challenges And Limitations

1. Volatility

One of the most significant challenges in using cryptocurrencies as a global currency is their price volatility. Major cryptocurrencies like Bitcoin and Ethereum have experienced extreme price fluctuations, which undermine their stability as a store of value. For a cryptocurrency to be a viable global currency, it would need to exhibit the price stability of fiat currencies like the U.S. dollar or the Euro.

2. Regulatory Uncertainty

Governments and regulators around the world have taken varying approaches to cryptocurrency regulation. Some have embraced cryptocurrencies, while others have imposed restrictions or outright bans due to concerns over illicit activities, tax evasion, and the potential destabilisation of traditional financial systems. For cryptocurrencies to be adopted as a global currency, there would need to be a coordinated global regulatory framework that addresses these concerns.

3. Loss of Monetary Policy Control

Cryptocurrencies operate outside the control of central banks, which poses a challenge for governments that rely on monetary policy tools to manage their economies. The loss of control over money supply and interest rates could lead to macroeconomic instability, especially in developing countries with weaker financial systems.

4. Technological Barriers

Widespread adoption of cryptocurrencies requires access to reliable internet infrastructure and technological literacy, both of which are lacking in many parts of the world. Without sufficient access to technology, the goal of creating a global cryptocurrency system could further deepen economic inequality.

5. Environmental Impact

Some cryptocurrencies, particularly those that rely on Proof of Work (PoW) consensus mechanisms, consume significant amounts of energy, raising concerns about their environmental sustainability. Solutions such as transitioning to Proof of Stake (PoS) mechanisms could alleviate this issue, but environmental concerns remain a barrier to the widespread adoption of cryptocurrencies.

VII. Future Prospects: Stablecoins And CBDCS

Stablecoins, which are cryptocurrencies pegged to stable assets like fiat currencies or commodities, have emerged as a potential solution to the volatility issue. Central Bank Digital Currencies (CBDCs) are another potential avenue for achieving a global digital currency. CBDCs, issued by central banks, could combine the benefits of cryptocurrencies with the stability and trust of government-backed money.

VIII. Conclusion

While the concept of a single global cryptocurrency holds significant promise, there are numerous challenges that must be addressed before it can become a reality. The benefits of borderless transactions, financial inclusion, and reduced manipulation are compelling. However, volatility, regulatory uncertainty, and technological barriers remain critical obstacles. A hybrid solution involving stablecoins, CBDCs, and cryptocurrencies may offer a more practical path toward achieving the vision of "one world, one currency."

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