



Economic Letter May 2026



The Dollar is the World's Standard of Value

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On May13 I will be making a presentation at a webinar organised by the University of the West Indies. The time for the webinar is 16:00 hours Greenwich Mean Time (GMT). People who object to the reference to the Greenwich Mean, an imaginary line of longitude drawn through the site of Greenwich in England, prefer to quote time in Coordinated Universal Time (UTC). But my webinar remains 16:00 hours, whether you prefer GMT or UTC. It doesn't matter what you call it, the world standard for referencing the time of day is the longitude of Greenwich.

It is much the same with the dollar. The dollar has become the world's standard for the measurement of economic value. There are 180 currencies recognised as legal tender worldwide; the values of the 179 other currencies are all defined in terms of the US dollar. This is a reality which has nothing to do with the policies of the US Government, with the circumstances of the US and world economies, or with the value of gold, oil, or any other commodity. It is also unaffected by the emergence of blockchain currencies or any other new technology. All economic values are based on the dollar.

The status of the dollar as the world's common standard of value is, like the use of Greenwich Mean Time, an historical artifact. The world emerged from the Second World War in 1945 split into non-intersecting spheres, Western and Communist; in the West the US was the dominant economy, in trade and finance, and the dollar became the reference currency outside of the Soviet bloc. With the collapse of the Soviet Union, the dollar's use became universal.

The choice of the dollar is an artifact of commercial and financial markets, not a decision of the US or any other government. Individuals, companies and institutions engaged in trade, travel and financial transactions across the world choose the dollar as the reference currency for settling payments. A Jamaican consumer calculates how much of their income they must pay for a purchase from China by calculating the dollar price of the purchase and the amount of local currency they need to buy the required amount of dollars.

The International market has continued to use the dollar for the settlement of international payments despite the successive rise of Germany, then Japan and now China as the world's second largest economy.

The status of the dollar as the universal standard of value also remained unaffected by the global financial crisis of 2007/2008 and the subsequent deterioration in market perceptions of the credit-worthiness of US Government debt.

In spite of the unpredictability of current US policies and the economic uncertainties this creates worldwide, there is nothing to suggest a global shift from the dollar to the euro, the RMB or any alternative currency as the universal standard of value.

The recent appreciation of the values of sterling, the Canadian dollar, the euro, the Yen and the RMB has no economic consequence for the Caribbean. The prices of the region's tourist services, exports, imports, foreign borrowing and other external transactions are all quoted in dollars, and settlements are cleared via dollar accounts with US Banks and the US Federal Reserve Bank of New York.

The main impact of current global instability on Caribbean economies is the inflationary pressures that have been transmitted to these economies. Countries where government enjoys a large surplus of revenue over current expenditure - in excess of 2% of GDP - are in a position to offer subsidies to cap the prices of fuel and other essentials. In all other cases there is little that may be done to alleviate the inflationary pressure.

Any attempt to change the value of domestic currency to reduce the pass-through of foreign inflation would almost certainly be counterproductive. If the central bank supplied foreign currency from its reserves in sufficient quantity to cause an appreciation of the exchange rate, banks, importers, exporters and tourist establishments would almost certainly hoard the excess rather than trade US dollars more cheaply.

Caribbean countries are obliged to accept the fact that the dollar is the world's standard of value. Our governments' and central banks' responsibility is to maintain a predictable value of domestic currency in terms of the dollar for as long as that currency remains the global standard.

My Economic Letters may be found under "[Commentary](#)" at DeLisleWorrell.com. I welcome your comments.