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RESEARCH ARTICLE

# Impact the choice of Exchange Rate Regime on Country Economic Growth: Which anchor Currency leading the 21st Century

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**Abstract**
This study provides a comprehensive currencies history of the exchange rate arrangement of 195 countries; exchange rate regime impacts on countries growth and macroeconomic stability period of 1961 to 2020. New measurements of foreign exchange regimes and under controlling the income level of high, upper-middle, middle, and lower-middle economies; This Study adopt Generalized Method of Movements (GMM) to investigate the impact of exchange rate regimes on the economies and macro-economic stability through Per Capita GDP, GDP growth, Inflation and Foreign Trade. The U.S. Dollar dominated currency in world with a high margin. World countries desire to stabilize exchange rates, reduce exchange restrictions and currencies influence. We find that post Bretton woods transition from fixed to flexible management: Strong relations exist among the choice of exchange rate regime and countries growth. Policy implications are clear; the choice of exchange rate arrangement prevails no impact showing on the long-term countries growth, exchange rate anchor currencies of US Dollar, British Sterling Pound, Euro, Chinese Yuan, French franc, Deutschmark, and Basket currencies have a highly significant impact on countries growth of different income level. Suggest Chinese Yuan may consider alternate anchor currency for World and new measure of exchange rate controls developed. Central banks may be secure advanced country bonds, safe assets, and multi-currencies pegged systems adopted for the reserve to overcome the declining effectiveness of exchange controls.
**Keywords:** Foreign Exchange Arrangements, Macroeconomic Stability, Exchange Restrictions

## Introduction

This study explores the global exchange rate system's arrangement in the last two decades. It shows the trend of peg world currency and its effect on countries growth and macroeconomic stability of the global economy. Robert Mundell and Marcus Fleming model of sixties; countries' central bank can practice an active monetary policy as a floating exchange rate regime that stabilizes the economy. Over the past decade, the choice of exchange rate regime and the macroeconomic has linked, received extensive attention and effects on trade flows (Eichengreen, Rose et al. 1996);(Rose 2000); (Rose); (Glick 2003); (Frankel and Rose 2002);(Rose and Stanley 2005); (De Vita and Kyaw 2011); (Abbott and De Vita 2008); (Adam and Cobham 2007); and literature identify empirical regularities between exchange rate arrangements, terms of trade shocks and price level of countries (Broda 2004); (Edwards and Yeyati 2005).

This paper investigates the relationship between exchange rate regimes and the stable growth of the economy of 195 world countries. The U.S. dollar remains the most virtual currency when considering the integration of China, the Soviet bloc, into the international financial system and performs macro-economic stability in Latin America. A de facto exchange rate regime suggests that dollar cross-rate stabilization is as extensive after the postwar Bretton Woods fixed exchange rate system. Means new measure of exchange rate controls developed, central banks may be secure advanced country bonds as a reserve for overcoming the declining effectiveness of exchange controls(Farhi, Gourinchas et al. 2011);(Gourinchas and Obstfeld 2012);(Bruno and Shin 2017); (Farhi and Maggiori 2018).

## A review of previous empirical work

An empirical study suggested; Firstly, the central bank can practice an active and quick monetary policy under a floating exchange rate regime depending on react and effects on the economy; second, stabilizing output as the fact of wages, prices in the content of Inflation. Third, central banks reduce uncertainty and destabilize exchange rate movements (Obstfeld, Rogoff et al. 1996).The study examined how the real exchange rate volatility affects long-run countries economic growth; Analysis used 82 emerging economies and advanced countries data from 1970 to 2009. Panel growth model and GMM model Results showed volatility effect on countries economic growth negative(Vieira, Holland et al. 2013).

Researchers argue that the share of the U.S. reduced in the global economy, and the U.S. dollar's role as the de facto global currency was also reduced (Eichengreen 2011). Researchers argue that the World was a multi-polar system where the Euro dominated Europe, the U.S. dollar in the Americas and the Chinese currency

Renmimbi increased the influence of Asian currencies markets. The researcher estimated a large panel of exchange rate regime durability and performance of advanced, emerging and developing countries' economies from 1970 to 1999. They find developing countries more flexible regimes with high Inflation. Still, They do not directly gain the country's economic growth at the same time as fixed regimes deliver lower Inflation without surrendering growth (Husain, Mody et al. 2005). Exchange rate arrangement impacts macroeconomic stability(Ghosh, Gulde et al. 1997). Empirical Study panel of 60 developing countries for the period 1973to 1998 examine the impact of exchange rate regime on country growth by using GMM estimation and regime aggregation (flexible, fixes and middle). The exchange rate regime is classified into de jure and a de facto classification. The pegged regime was positively associated with growth; a middle regime was negatively linked with growth, others regime levels have no discernible impact on development (Bailliu, Lafrance et al., 2003).

The analysis comparing the economic development under alternative exchange rate regimes is interesting because we find answers to questions like:

1.How necessary are the exchange rate arrangements for global countries to anchor currency and economic stability? Is the development about under the top seven anchor currency regimes, or does it extensively deviate between different exchange rate regimes?

2.What is exchange rate controls developed and the central bank's possible to stabilize the global economies under an exchange rate (arrangements) regime? (3) Was the choice of exchange rate arrangement prevailing, and does the new option anchor currency and its impact on the long-term countries' economies; which exchange rate regimes optimal from a world economic stability point of view?

**Data and Methodology**

The main objective of this research is to investigate the exchange rate impact on world economies (income level). At the same time, our collection of countries on income level, i.e. high income, upper middle income, middle income and lower-middle-income (according World Bank data base), principally concerning exchange rate arrangements (regimes), we get anchor currencies (US Dollar, British Sterling Pound, Euro, Chinese Yuan, French franc, Deutschmark, and Basket currencies), which Pegged 195 global countries' currencies (0 & 1) and his Pegged share of World in percentage i.e. 58 countries pegged with US Dollar and his World share 30.25%, 54 countries pegged with British Sterling Pound and his share World 27.18% and 22 countries pegged with French franc and his World share11.28% in 1961. Macro-economic variables GDP, Per Capita GDP, Inflation and trade data is collect according Income level countries rank i.e. GDP (high income), Per Capita GDP (high income), Inflation (high income), and trade (high income); GDP (upper middle income), Per Capita GDP (upper middle income), Inflation (upper middle income), and trade (upper middle income); GDP (middle income), Per Capita GDP (middle income), Inflation (middle income), and trade (middle income); GDP (lower-middle-income), Per Capita GDP (lower-middle-income), Inflation (lower-middle-income), and trade (lower-middle-income). We were able to use annual data for 195 global countries; data from 1961-2020.In addition to the exchange rate arrangements (regime) dummies, several factors identified in the growth literature are accounted for (Levine and Renelt 1992).

We adopt Generalized Method of Movements (GMM) to investigate the global impact of exchange rate regimes on the economy and macro-economic stability due to macro-economic variables, i.e., Per Capita GDP, GDP growth, Inflation, Foreign Trade. Due to estimate the symmetrical and asymmetrical relationship and impact between countries growth, and exchange rate regimes with panel data and endogeneity issue GMM is best option for analysis. The initial econometric model we used in our research regression is as follow:

$$Y_{i,t} = ßx_{i,t} + ηK_{i,t} + Y_t + Q_i + ε_{i,t}$$

Where the dependent variable $Y_{i,t}$ is showing the growth rate of real per capita GDP of the country I at time t, $X_{i,t}$ is a vector of explanatory variables, $K_{i,t}$, is a vector of exchange rate regime dummies, $Y_t$ are time-specific effects, $Q_i$ are country-specific effects, $ε_{i,t}$ are error terms and the ß's and η's are parameters to be estimated. The estimators designed to incorporate individual and time products (Hall, Hondroyiannis et al. 2010)(Manuela Jr 2011, Le, Kim et al. 2016)to hold the systematic trend of $ε_{i,t}$ to be higher for some being countries than for others and higher for several periods than for other.

**Results and discussion**

**Table 1.** Descriptive Statistic

| Variable | Mean | Median | Maximum | Minimum | Std. Dev. |
|---|---|---|---|---|---|
| USD | 47.07 | 46.92 | 57.95 | 29.23 | 9.56 |
| GB | 6.05 | 0.51 | 27.18 | 0.00 | 10.04 |
| EUR | 10.11 | 0.00 | 28.21 | 0.00 | 13.41 |
| YUAN | 0.37 | 0.51 | 0.51 | 0.00 | 0.23 |

| | | | | | |
|---|---|---|---|---|---|
| FRF | 6.42 | 9.74 | 11.28 | 0.00 | 4.95 |
| DEM | 5.15 | 2.56 | 15.90 | 0.00 | 5.28 |
| BASKET | 1.55 | 0.00 | 4.62 | 0.00 | 1.98 |
| High-Income GDP | 2.96 | 3.03 | 6.35 | -4.64 | 2.04 |
| High-Income GDP Per Capita | 2.15 | 2.31 | 5.28 | -4.97 | 1.91 |
| High-Income Inflation | 2.38 | 1.87 | 13.52 | 0.00 | 2.80 |
| High Income Trade | 40.03 | 41.45 | 63.25 | 0.00 | 19.36 |
| Upper Middle Income GDP | 4.96 | 5.00 | 9.64 | -0.65 | 2.29 |
| Upper Middle Income GDP Per Capita | 3.58 | 3.52 | 8.91 | -1.16 | 2.24 |
| Upper Middle Income Inflation | 4.02 | 2.60 | 22.57 | 0.00 | 4.94 |
| Upper Middle Income Trade | 33.99 | 32.78 | 62.42 | 12.20 | 16.36 |
| Middle Income GDP | 4.76 | 4.71 | 8.93 | -1.45 | 2.02 |
| Middle Income GDP Per Capita | 3.01 | 2.84 | 7.66 | -2.43 | 2.01 |
| Middle-Income Inflation | 5.07 | 4.65 | 13.77 | 0.00 | 4.37 |
| Middle Income Trade | 35.54 | 32.94 | 61.29 | 14.90 | 15.17 |
| Lower Middle Income GDP | 4.30 | 4.62 | 9.26 | -3.87 | 2.25 |
| Lower Middle Income GDP Per Capita | 2.21 | 2.54 | 6.73 | -5.18 | 2.28 |
| Lower Middle Income Inflation | 5.62 | 5.26 | 14.70 | 0.00 | 4.39 |
| Lower Middle Income Trade | 40.36 | 39.23 | 61.94 | 20.89 | 12.11 |

The table above shows the descriptive statistic results of 195 countries comparing income levels of High, Upper middle, Middle, Lower Middle of indicators of GDP, Per Capita GDP, Inflation, Trade and Currency Regimes. U.S. Dollar 47.07 mean showing major role player compared to other World currencies. Upper middle-income countries GDP are 4.96 and GDP Per Capita 3.58 high responding mean showing as compare to others high, middle and lower-income countries. As lower-middle-income countries most impacting variables mean of Inflation is 5.62 and Trade 40.36 comparatively others.

**Table 2.** U.S. Dollar Regime and Economy

| Variable | High Income | Upper Middle Income | Middle Income | Lower Middle Income |
|---|---|---|---|---|
| USD | 0.009908<br>0.542819 | 0.072089***<br>6.206046 | 0.070933***<br>7.26507 | 0.157892***<br>6.724494 |
| GDP PER CAPITA | 1.202876***<br>10.18396 | 1.268218***<br>15.05036 | 1.303879***<br>17.55859 | 1.154766***<br>10.48226 |
| INFLATION | 0.024056<br>0.850667 | 0.097382**<br>2.64649 | 0.080425**<br>2.161129 | -0.00709<br>-0.15787 |
| TRADE | -0.0045<br>-0.3018 | -0.0982***<br>-9.2791 | -0.08448***<br>-8.64691 | -0.14056***<br>-6.35301 |
| R-squared | 0.972939 | 0.940303 | 0.941912 | 0.93485 |
| Adjusted R-squared | 0.971463 | 0.937047 | 0.938743 | 0.931296 |
| S.E. of regression | 0.345771 | 0.556877 | 0.492552 | 0.594688 |
| S.D. dependent var. | 2.046849 | 2.219478 | 1.990101 | 2.268808 |
| Sum squared resid | 6.575683 | 17.05615 | 13.3434 | 19.45095 |
| J-statistic | 3.315577* | 4.210312** | 5.780851** | 6.363311** |
| N(Observations) | 260 | 260 | 260 | 260 |

The table above shows the U.S. Dollar regimes (Foreign Exchange Arrangements), Per Capita GDP, Inflation and Trade Impact on 195 Countries economies v-i-a high, upper-middle, middle and lower-middle-income level countries' sample period 1961 to 2020. The result shows GDP Per Capita is a highly significant variable in high-income countries compared to others for the period of 1961 to 2020. U.S. Dollar, GDP Per Capita and trade significant variable of upper-middle, middle and lower-middle-income group countries for countries economy during the sample period of 1961 to 2020.US Dollar

Pegged countries, i.e. Foreign Exchange Arrangement is more important for upper-middle, middle and lower-middle-income group countries and because of significant share in world foreign Exchange anchor currencies.

**Table 3.** British Sterling Pound Regime and Economy

| Variable | High Income | Upper Middle Income | Middle Income | Lower Middle Income |
|---|---|---|---|---|
| GBP | 0.038461***<br>11.21557 | 0.063834***<br>3.888964 | 0.082166***<br>5.89493 | 0.077197***<br>7.976766 |
| GDP PER CAPITA | 1.031388***<br>69.10724 | 1.3032***<br>9.152375 | 1.109505***<br>9.027201 | 1.070733***<br>11.15074 |
| INFLATION | 0.057847***<br>3.647196 | 0.120197***<br>2.930595 | 0.177546***<br>6.076091 | 0.172011***<br>5.493628 |
| TRADE | 0.00884***<br>7.887062 | -0.02221<br>-1.39743 | -0.00106<br>-0.10085 | 0.009556<br>1.119398 |
| R-squared | 0.994108 | 0.881914 | 0.929856 | 0.963215 |
| Adjusted R-squared | 0.993787 | 0.875473 | 0.926029 | 0.961209 |
| S.E. of regression | 0.161344 | 0.783217 | 0.541258 | 0.446854 |
| S.D. dependent var. | 2.046849 | 2.219478 | 1.990101 | 2.268808 |
| Sum squared resid | 1.431746 | 33.73861 | 16.11283 | 10.98233 |
| J-statistic | 5.056465** | 4.954213** | 5.768919** | 5.507097** |
| N (Observations) | 260 | 260 | 260 | 260 |

The table above shows the British Sterling Pound regimes (Foreign Exchange Arrangements), Per Capita GDP, Inflation and Trade Impact on 195 Countries economies v-i-a high, upper-middle, middle and lower-middle-income level countries for the period of 1961 to 2020. The results showing GBP, GDP Per Capita, Inflation and trade is highly significant for the high-income group. Compared to upper-middle, middle and lower-middle-income group countries showing GBP, GDP Per Capita, and Inflation most impacting and highly significant for economies during the sample period of 1961 to 2020. Bretton Woods's system regimes British Sterling Pound is the World's most prevailing foreign Exchange anchor currency, which impacts/influences the countries' economies.

**Table 4.** EURO Regime and Economy

| Variable | High Income | Upper Middle Income | Middle Income | Lower Middle Income |
|---|---|---|---|---|
| EURO | 0.005745<br>0.70528 | -0.135383***<br>-4.60487 | -0.154174***<br>-5.51371 | -0.100367***<br>-9.16667 |
| GDP PER CAPITA | 1.275091***<br>78.40312 | 1.021854***<br>13.93096 | 1.173978***<br>7.815015 | 1.098059***<br>12.79377 |
| INFLATION | 0.04228<br>1.221626 | -0.179375***<br>-2.8291 | -0.189602*<br>-1.87408 | -0.052472<br>-1.01632 |
| TRADE | 0.001117<br>0.255597 | 0.098971***<br>4.195637 | 0.10751***<br>3.216311 | 0.080215***<br>5.950328 |
| R-squared | 0.953919 | 0.873058 | 0.824378 | 0.93924 |
| Adjusted R-squared | 0.951405 | 0.866134 | 0.814798 | 0.935926 |
| S.E. of regression | 0.451213 | 0.812056 | 0.856441 | 0.574299 |

| | | | | |
|---|---|---|---|---|
| S.D. dependent var. | 2.046849 | 2.219478 | 1.990101 | 2.268808 |
| Sum squared resid | 11.1976 | 36.26894 | 40.34204 | 18.14006 |
| J-statistic | 2.942433* | 7.184672*** | 4.607818** | 5.611812** |
| N (Observations) | 260 | 260 | 260 | 260 |

The table above shows the Euro regimes (Foreign Exchange Arrangements), Per Capita GDP, Inflation and Trade Impact on 195 Countries economies v-i-a high, upper-middle, middle and lower-middle-income level countries groups for the period of 1961 to 2020. Primarily European countries currency is pegged with Euro and Euro exchange impacting the economies mainly in Europe. The above results also show the most significant impact of Euro currency and trade on upper-middle, middle and lower-middle-income groups' economies, even less impact leading in high-income countries. While Per Capita GDP is highly significant for all four income groups and Inflation is highly significant for an upper-middle-income group of countries' economies for the sample period of 1961 to 2020.

**Table 5.** Chinese YUAN Regime and Economy

| Variable | High Income | Upper Middle Income | Middle Income | Lower Middle Income |
|---|---|---|---|---|
| YUAN | -1.045689**<br>-1.9844 | 1.735894**<br>0.766351 | 0.139095**<br>0.043989 | 8.3586***<br>4.7465 |
| GDP PER CAPITA | 1.25262***<br>53.27082 | 1.783574***<br>11.52938 | 1.760679***<br>9.914859 | 1.095399***<br>6.85628 |
| INFLATION | 0.061104**<br>2.223782 | 0.139042*<br>1.747057 | 0.226419**<br>2.101237 | 0.348008***<br>4.632555 |
| TRADE | 0.011937**<br>2.559522 | -0.081408**<br>-2.12078 | -0.050469<br>-1.3655 | 0.071588***<br>4.507138 |
| R-squared | 0.961758 | 0.596407 | 0.61112 | 0.811777 |
| Adjusted R-squared | 0.959672 | 0.574393 | 0.589909 | 0.80151 |
| S.E. of regression | 0.411047 | 1.447956 | 1.274428 | 1.010803 |
| S.D. dependent var. | 2.046849 | 2.219478 | 1.990101 | 2.268808 |
| Sum squared resid | 9.292764 | 115.3117 | 89.32922 | 56.19476 |
| J-statistic | 1.966539 | 5.884385** | 6.031046** | 5.008741** |
| N (Observations) | 260 | 260 | 260 | 260 |

The table above shows the Yuan regimes (Foreign Exchange Arrangements), Per Capita GDP, Inflation and Trade Impact on 195 Countries economies v-i-a high, upper-middle, middle and lower-middle-income level countries groups for the period of 1961 to 2020. Per Capita GDP is a highly significant variable for all four income groups' countries' economies. As Chinese Yuan pegged impact is highly at the lower-middle-income group of countries of the economy. Primarily, Chinese influence increased by Africa and Latin America where chine trade highly significant effect on economies of low-income groups countries, as well as Inflation also showing highly influential of those areas of the group of countries and 2nd high significant showing in high-income group countries of Inflation and trade Yuan impact on high-income economies for the data sample period of 1961 to 2020.

**Table 6.** French Franc Regime and Economy

| Variable | High Income | Upper Middle Income | Middle Income | Lower Middle Income |
|---|---|---|---|---|
| FRF | 0.000543<br>0.01969 | 0.145684***<br>12.23006 | 0.161254***<br>13.69603 | 0.1500***<br>33.8326 |

| | | | | |
|---|---|---|---|---|
| GDP PER CAPITA | 1.270509***<br>17.0518 | 1.130854***<br>18.06904 | 1.101108***<br>16.56921 | 1.02603***<br>29.4355 |
| INFLATION | 0.025113<br>0.556041 | -0.03044<br>-1.20516 | -0.0408<br>-1.2415 | -0.0133<br>-0.6745 |
| TRADE | 0.003849<br>1.33774 | 0.003915<br>0.509297 | 0.018657**<br>2.344606 | 0.02937***<br>7.71944 |
| R-squared | 0.955188 | 0.975072 | 0.976523 | 0.984142 |
| Adjusted R-squared | 0.952743 | 0.973712 | 0.975243 | 0.983277 |
| S.E. of regression | 0.444957 | 0.359856 | 0.313133 | 0.293394 |
| S.D. dependent var. | 2.046849 | 2.219478 | 1.990101 | 2.268808 |
| Sum squared resid | 10.88926 | 7.122294 | 5.392859 | 4.734401 |
| J-statistic | 2.662372 | 5.25222** | 3.545166* | 3.159029* |
| N (Observations) | 260 | 260 | 260 | 260 |

The table above shows the Foreign Exchange Arrangements, Per Capita GDP, Inflation and Trade Impact on 195 Countries economies v-i-a high, upper-middle, middle and lower-middle-income level countries groups for 1961 to 2020. The results showing the impact of GDP Per Capita is highly significant for all four levels of the group's countries. The French Franc regime showed a highly significant effect on upper-middle, middle, and lower-middle-income countries' economies. Trade are an essential role player for countries economic growth, as French Franc regimes are more impacting and significance showing in the lower-income group of countries' economies for the data sample period of 1961 to 2020.

**Table 7.** Deutschmark Regime and Economy

| Variable | High Income | Upper Middle Income | Middle Income | Lower Middle Income |
|---|---|---|---|---|
| DEM | -0.0209<br>-1.4087 | 0.1065<br>3.7432 | 0.2239<br>4.0561 | 0.2033***<br>5.0955 |
| GDP PER CAPITA | 1.2899***<br>80.9612 | 1.4504<br>13.1914 | 1.3746<br>11.1673 | 1.2789***<br>10.3766 |
| INFLATION | 0.0554<br>1.6255 | -0.0138<br>-0.2131 | -0.1260<br>-1.1732 | -0.0893<br>-1.2215 |
| TRADE | 0.0036*<br>1.6863 | -0.0241<br>-1.5488 | 0.0045<br>0.2428 | 0.0218*<br>1.7494 |
| R-squared | 0.949406 | 0.839361 | 0.8015 | 0.855596 |
| Adjusted R-squared | 0.946646 | 0.830599 | 0.79067 | 0.847719 |
| S.E. of regression | 0.472789 | 0.913502 | 0.91052 | 0.885361 |
| S.D. dependent var. | 2.046849 | 2.219478 | 1.9901 | 2.268808 |
| Sum squared resid | 12.29414 | 45.8967 | 45.5971 | 43.11249 |
| J-statistic | 2.632025 | 7.0529*** | 4.8142** | 4.9698** |
| N (Observations) | 260 | 260 | 260 | 260 |

The table above shows the Deutschmark Regime (Foreign Exchange Arrangements), Per Capita GDP, Inflation and Trade Impact on 195 Countries economies v-i-a high, upper-middle, middle and lower-middle-income level countries groups for the period of 1961 to 2020.DeutschmarkRegime is not influential regimes like Dollar and Euro because of less pegged and influence in exchange anchor currencies. Deutschmark Regime is significant for a lower-middle-income group of countries for his economies. As Deutschmark Regime (Foreign Exchange Arrangements) Per Capita GDP is highly substantial for a high and lower-income group of countries' economies, Inflation and trade are fewer performing variables During Deutschmark Foreign Exchange Arrangements as compared to other variables for the data sample for of 1961 to 2020.

**Table 8.** Basket Regime and Economy

| Variable | High Income | Upper Middle Income | Middle Income | Lower Middle Income |
|---|---|---|---|---|
| BASKET | 0.0732<br>1.1297 | -0.5864***<br>-4.9604 | -0.7831***<br>-5.1385 | -0.6276***<br>-8.2365 |
| GDP PER CAPITA | 1.2806***<br>73.9576 | 1.3489***<br>13.0622 | 1.2805***<br>11.4568 | 1.0871***<br>14.1016 |
| INFLATION | 0.0566<br>1.5075 | -0.0669<br>-1.3125 | -0.1168<br>-1.4174 | -0.0499<br>-1.0670 |
| TRADE | -0.0015<br>-0.2855 | 0.0406**<br>2.0283 | 0.0795***<br>2.9364 | 0.0788***<br>6.3491 |
| R-squared | 0.952969 | 0.837032 | 0.809216 | 0.948288 |
| Adjusted R-squared | 0.950404 | 0.828143 | 0.79881 | 0.945467 |
| S.E. of regression | 0.455837 | 0.9201 | 0.892645 | 0.529818 |
| S.D. dependent var. | 2.046849 | 2.219478 | 1.990101 | 2.268808 |
| Sum squared resid | 11.42831 | 46.56209 | 43.8248 | 15.4389 |
| J-statistic | 2.389724 | 4.5482** | 5.5078** | 8.3501*** |
| N (Observations) | 260 | 260 | 260 | 260 |

The table above shows the Basket currency Regime (Foreign Exchange Arrangements), Per Capita GDP, Inflation and Trade Impact on 195 Countries economies v-i-a high, upper-middle, middle and lower-middle-income level countries groups for the period of 1961 to 2020. Per Capita GDP is a highly significant result showing during Basket currency regimes (Foreign Exchange Arrangements) for all four levels of income group affecting the economies. Basket currency performs well and highly effective results for upper-middle, middle and lower-middle groups of economies but less impact on high-income groups of countries' economies. Trade is a highly significant effect on middle and lower-income groups and upper-middle group countries on 2nd place for trade significant for economies. Inflation is not a big problem for basket currency regimes countries groups during the data sample period of 1961 to 2020. Most countries follow additionally basket currency regimes instead of main pegged currency regimes for the stability of countries' economies and exchange rate stabilities.

**Table 9.** Economy and Currency

| Variable | USD | GBP | EURO | YUAN | FRF | DEM | BASKET |
|---|---|---|---|---|---|---|---|
| High-Income GDP | -36.62<br>-0.25 | 0.07<br>0.01 | -10.55<br>-0.57 | 0.05<br>0.13 | -4.46<br>-0.10 | 1.32<br>0.09 | 0.95<br>0.19 |
| High-Income GDP P-Capita | 29.43<br>0.24 | -4.01<br>-0.08 | 9.97<br>0.56 | -0.03<br>-0.08 | 2.83<br>0.08 | -1.01<br>-0.08 | -1.06<br>-0.28 |
| High Income Inflation | 0.73<br>0.12 | 0.16<br>0.14 | 0.60<br>0.36 | -0.01<br>-0.07 | 0.43<br>0.56 | -0.09<br>-0.07 | -0.02<br>-0.10 |
| High Income Trade | -0.70<br>-0.22 | -0.67<br>-0.49 | -0.24<br>-0.71 | 0.01<br>0.40 | -0.19<br>-0.20 | 0.16<br>0.63 | 0.01<br>0.05 |
| Upper Middle Income GDP | -335.93<br>-0.37 | -212.66<br>-0.75 | -123.09<br>-1.12 | -3.49<br>-0.81 | -68.43<br>-0.35 | 36.06<br>0.46 | -32.99<br>-1.54 |
| Upper M-Income GDP P-Capita | 362.57<br>0.36 | 218.49<br>0.68 | 128.84<br>1.091 | 3.63<br>0.78 | 76.30<br>0.35 | -35.27<br>-0.42 | 33.57<br>1.41 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Upper Middle Income | -1.37 | -0.88 | -1.75 | 0.02 | -1.18 | 0.23 | -0.03 |
| Inflation | -0.11 | -0.38 | -0.49 | 0.16 | -0.71 | 0.08 | -0.09 |
| Upper Middle Income | 65.99 | 51.13 | 20.18 | -0.71 | 11.89 | -10.66 | -0.10 |
| Trade | 0.26 | 0.42 | 0.78 | -0.55 | 0.14 | -0.56 | -0.01 |
| Middle Income GDP | 822.58 | 493.07 | 270.58 | 7.29 | 173.28 | -72.29 | 68.86 |
| | 0.36 | 0.65 | 1.11 | 0.75 | 0.34 | -0.41 | 1.22 |
| Middle Income GDP P-Capita | -894.07 | -502.50 | -285.57 | -7.73 | -198.1 | 67.44 | -69.36 |
| | -0.35 | -0.58 | -1.03 | -0.71 | -0.34 | 0.34 | -1.10 |
| Middle-Income Inflation | -0.99 | -0.47 | 0.53 | 0.01 | 0.50 | 0.045 | -0.04 |
| | -0.17 | -0.13 | 0.24 | 0.16 | 0.22 | 0.03 | -0.17 |
| Middle Income Trade | -271.89 | -210.57 | -81.62 | 2.88 | -49.18 | 43.30 | 0.49 |
| | -0.25 | -0.41 | -0.78 | 0.54 | -0.13 | 0.56 | 0.01 |
| Lower Middle Income GDP | -442.72 | -259.65 | -145.86 | -3.78 | -93.37 | 37.75 | -36.25 |
| | -0.35 | -0.62 | -1.09 | -0.71 | -0.33 | 0.39 | -1.17 |
| Lower M-Income GDP P-Capita | 492.39 | 266.11 | 156.48 | 4.04 | 111.37 | -34.51 | 36.24 |
| | 0.34 | 0.54 | 0.99 | 0.65 | 0.34 | -0.29 | 1.01 |
| Lower Middle Income Inflation | 0.68 | 0.06 | -0.66 | -0.01 | 0.67 | 0.67 | -0.08 |
| | 0.17 | 0.05 | -0.83 | -0.01 | 0.97 | 1.12 | -0.68 |
| Lower Middle Income Trade | 205.32 | 158.86 | 61.89 | -2.17 | 36.80 | -32.81 | -0.38 |
| | 0.25 | 0.41 | 0.78 | -0.54 | 0.13 | -0.56 | -0.01 |
| R-squared | -0.69 | 0.56 | 0.88 | 0.78 | 0.43 | 0.65 | 0.95 |
| Adjusted R-squared | -1.28 | 0.41 | 0.83 | 0.71 | 0.24 | 0.53 | 0.93 |
| S.E. of regression | 14.16 | 7.49 | 5.52 | 0.12 | 4.33 | 3.65 | 0.52 |
| S.D. dependent var. | 9.38 | 9.73 | 13.46 | 0.23 | 4.95 | 5.32 | 1.99 |
| Sum squared resid | 8629.35 | 2412.25 | 1308.46 | 0.67 | 805.94 | 572.45 | 11.51 |
| J-statistic | 0.01 | 0.40 | 1.10 | 0.12 | 0.43 | 0.65 | 0.49 |
| N (Observations) | 260 | 260 | 260 | 260 | 260 | 260 | 260 |

The table above shows the Economy (GDP), Per Capita GDP, Inflation and Trade Impact on 195 Countries currency Regime (Foreign Exchange Arrangements) v-i-a high, upper-middle, middle and lower-middle-income level countries groups for the period of 1961 to 2020. The results show economies are not a big issue and do not have a high impact on exchange rate regimes. Per Capita GDP, Inflation and trade also do not have a big problem for exchange rate regimes arrangement for the data sample period of 1961 to 2021.

**Conclusion**

This study provides a comprehensive currencies history of 195 countries exchange rate arrangement and exchange rate regime impacts on countries growth macroeconomic stability of reference countries; New measurements of regimes foreign exchange arrangements over the time of 1961 to 2020. Under controlling the level of income of economies, we describe from alternative exchange rate regime organize schemes and monetary policy. These results, which prove robust to different estimation techniques and sensitivity checks, hold across exchange rate arrangements and apply irrespective of the level of economies of countries included in our sample.

By placing the issue of anchor currencies in useful quantitative historical data, this article offers new insight into current global finance issues of anchor currency; we find that post Bretton woods transition from fixed to flexible management: limited flexibilities in regimes. Strong relations exist among the choice of exchange rate regime and countries growth. The U.S. Dollar dominated in currency world with a very high margin. Most world countries desire to stabilize exchange rates reduce exchange restrictions, and influence dominant currencies. China is rapidly expanding its global role and connection through goods and services, growing international financial linkages. Chinese Yuan may consider alternate anchor currency. Chinese officials lend frontier, emerging, developing, middle and lower-income countries markets, not capturing governments through databases of the World Bank, IMF, or Bank of International system but entering with trade. The findings of policy implications are clear; the choice of exchange rate arrangement

prevails, no impact showing on the long-term countries' economies. Suggest a new measure of exchange rate controls developed. Central banks may secure advanced country bonds, safe assets, and multi-currencies pegged systems adopted for the reserve to overcome the declining effectiveness of exchange controls.

**Abbreviations**

USD: US Dollar

GB: British Pound sterling
FRF: French franc

GDP: Gross Domestic Product
IMF: The International Monetary Fund

Euro: European Monetary Unit

YUAN: Chinese Currency

DEM: Deutschmark

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