

The monetary challenge

Present world monetary system has been built out of the Bretton Woods agreement on July 22, 1944. The dominance of the \$ was completed on August 15, 1971 when President Nixon refused to convert 5 B\$ into gold at the request of the French government. On January 18, 1976, the Kingston agreements confirm the renunciation to the legal monetary role of gold.

Now, 38 years after, a relatively short period in history, the world is facing a global financial crisis. Detailed and well documented analysis of the circumstances of this crisis have been published.

Let us only stress one point: for more than 40 years, United States, having the money emission privilege, could buy everything all over the world with \$ they could emit and, following their natural tendency stimulated by media advertisements, consumed more than they produced.

Their salaries went higher and higher, the competitiveness of their industries declined, and they became more and more dependant of foreign supplies. Their extra consumption accelerating, they invented new money creation systems, which generated the present crisis.

People who have experienced life in a central bank know how difficult it is to resist the pressure of the economic agents looking for currency creation. To be close to reality, one should assume that it is impossible for a human being.

At the time of the gold standard, there was a mechanical limit. Since the 70's, currency creation is in human hands, and has inevitably fallen at the service of military domination and business greed. But these two factors are clearly unable to solve the problems of the planet. On the contrary, they are deteriorating both human dignity and nature care.

Therefore, the governments and the central banks are facing a very difficult question. As shown by the case of US, short term interests damage long term well being¹, but the

¹ as it has been the case for instance during the renaissance when Spain could buy anything with the gold and silver extracted from south America

conceptual framework for a new healthy monetary system is not ready. It has to be built and at the same time to overcome short time pressures advocating emergency.

The experience of the € shows the feasibility of a true international currency with a central bank escaping the control of a particular nation. Therefore, the concept of a world currency has been formulated as the logical solution to the present difficulties.

Two ways lead to this scheme: 1-the direct track, through an agreement of the major powers (US, China, Europe, Japan, India, Russia and Brazil) to create a world central bank following the experience of the European one. 2-the two steps progression: in a first period, a three fold structure with the Amero², the € and a far-east currency to be established as a new international instrument. In a second stage, under the influence of these three poles, takes place the construction of a world unified system.

The problem raised by a world currency is not obvious, but it is a major concern. The weakness of a world central bank having the monopoly of currency control lies in one word: centralization. Central planning in the former USSR has proved to be ineffective. It was cheated by many. It also dissuaded and paralysed initiatives.

World central banking would suffer the same weakness or even, as Federal Reserve did, encourage the creation of money out of nothing with weak regulations and low interest rates. And the situation will inevitably turn to the benefit of the most clever manipulators, with the help of technologies where information goes as fast as light.

To find an issue, one has to take into account that there has always been not one money but a system in which several moneys interact. Moneys are based on trust, rooted in human relations, which are diverse. The problem raised is systemic, and therefore appeals for a systemic solution.

The idea of a central currency may not be rejected, but a stable system of currencies would include several others, not necessarily based on Nation states. Business relations would generate specialized moneys (as the WIR in Switzerland). Local solidarities (LETS) also.

² Amero is the name of the common currency for US, Canada and Mexico (leaving the \$ sink). The banknotes and the coins are ready to be diffused since 2007.

Through the Internet, the creation of virtual currencies has already started (in second life for instance). The software is ready to operate safe new currency systems, and one smart card would easily support several. It is likely also that the great actors built on the project to “organize world information³” will be in the game.

The important point is that diversity reduces the vulnerability. Of course, one cannot expect that there will never be any swindle. But the swindles limited to a particular currency will not have the magnitude to generate, as did the subprime, a planetary crisis.

³ This was the declaration at google foundation in 1998.