

# New Global Currency for Global Peace and Justice

## Shifting from a competitive global disorder to economic justice and cooperation

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### Abstract


The need to reform the present economic order based on the Washington Consensus and establish economic justice in the world is more and more admitted as an urgent priority by both the UN organizations and the civil society. Such transformation of the international economic order requires the creation of a new monetary order at the center of which stands the creation of a new world currency. That currency should be instrumental in the creation of a stable international order that would not be limited to compensating the excesses of the present economic standard dominated by financial forces, but to be fully part of a new economic pattern that would endeavor first and foremost to implement the universal Human Rights in their economic dimensions.


This currency, therefore, would not simply be an aggregate of any existing currencies, nor should it be subject to speculation and volatility, but would include a pivoting reference made of a basket of values such as gold, silver and other raw materials, managed as Global Commons under the supervision of all nations of the world.

It would likewise be a regulatory instrument in controlling the monetary expansion and be a privileged means of external funding for developing nations to monitor their own development.

**Key words and expressions** cooperation, justice, sharing of world resources, integration of all currencies, pivoting currency for convertibility, stop speculation, index value, non monetary commodities, control monetary expansion, new supervising UN agency, Global Commons, unconditional cancellation of national debts, cancellation of 'conditionalities', guarantee of access to loans.

### Introduction

CMDC President Gustav R. Grob has initiated a consensus on creating a new and unique world currency that would serve international trading and as a global reserve currency, called  for "Global Currency".

One of the many advantages of such facility, he foresees, is that it would overcome interest rate wars between nations and would free the nations from the threat of frantic speculations on currencies. According to Grob, the UN is logically the most credible and legitimate international organism to issue and monitor the .

As highlighted by Grob, one of the major patterns of a new international currency must be based upon a global ethical consensus, whereas so far national interests of the dominating nations have prevailed in the successive historical phases and led to all the failures of national reserve currencies like the Reichsmark, the Pound Sterling and the US\$ .

The present statement is part of this initiatory investigation work and, at the invitation of the CMDC Executive Council, I have elaborated on some specific issues related to this new world currency as a major instrument to create a sustainable and much needed economic justice in the world.

## **1 ) A competitive economy based on the supremacy of the US Dollar**

### **1.1 The major patterns of the neoliberal economic system:**

People seldom question the relevance of having one currency as the major instrument for international trade and reserves. What is money ? In principle, it is a 'caliber', a 'standard' currently admitted as such by economic agents as a way to value commodities, assets, productions and services, in order to ease the economic exchanges within a country and between nations. It is basically a way to measure commodities of different natures with a unique instrument. So money is, after all, an "in-between", a tool.

Until 1971, Gold was used as the pivoting standard to value most currencies and to limit the world monetary mass (particularly since the US Glass Steagall Act had not yet been shattered and the door had not yet been opened to unlimited, unrestricted emissions of capitals and bank notes – in particular those known as Quantitative Easing at present ). With the decision of US President Richard Nixon to disconnect the US dollar from Gold, began an era of monetary expansion through money printing, credits, and many other new financial instruments such as derivatives were born in the two subsequent decades. This, intentionally, paved the way for the US gigantic economic expansion worldwide. In the present economic dispensation, the US dollar is the prevalent currency for exchanges and is used as the dominating reserve currency. About 60 % of the global reserves are in US Dollars. China alone owns USD 2.000 billions of reserves, mostly in US Dollars. This has several consequences, among which two at least have a tremendous importance :

- the USA are *de facto* the ultimate guarantor of the world, which means that the whole world economy is to a greater or lesser extent dependent upon the good health of the US capitalistic economy.

Above all, it means that all nations, willingly or not, abide to the US supremacy and to the ideology which sustains and supports the US vision of what economic relations should be, at the national and international levels.

It is not possible to simply consider the US dollar as a relevant and practical account unit for trade and reserves purposes. The expansion of the US dollar is concomitant to the expansion of the US neoliberal economic ideology throughout the world, not only to serve the American interests first and foremost but as an imposed economic ideology for all nations.

The ruling international institutions such as the IMF, the World Bank and the WTO are totally impregnated by this neoliberal ideology. Originally, the IMF was set up as a result of the Bretton Woods Agreement after the second world war, in order to stabilize the world monetary system and to lend money to governments and help them protect themselves against the fluctuations of currencies. However, significantly, after the USA terminated the convertibility of the US Dollar into Gold in 1971, the IMF began to revise its Memorandum of Article and took the decision that it would henceforth grant itself permission to intervene in all aspects of governance of nations. This directly led to

- an unquestioned and compulsory subscription by almost all nations to the assumption that free and unbridled flows of capital are the best way to promote development everywhere

- the later implementation of drastic policies compulsorily imposed upon developing nations in order to comply with the requirements of foreign investors : free and unrestricted flows of capital and benefits, dismantling of import tariffs and barriers, severe cuts in public social and welfare expenses to reduce public deficits, opening up of almost all national industrial and agricultural sectors to international competition, massive sales at dumped prices of national strategic assets to foreign multinational corporations.

It is therefore important to understand that the use of the US Dollar as the major currency in world trade is nothing neutral but an obedience to a model of economic relations based on the neoliberal theory, of which the major pillars are

- a widespread “ *excessive competition of all against all*” (1), that is, the rule of force,
- the ultimate value of private interest and ‘greed’ as the basic *modus operandi* of this model of economic relations (2)
- The reduction to a minimum of public and governmental action and control and the consequent “*laisser faire*” of the market forces at work
- the extreme commercialization of all sectors of human activities.
- The oligarchic pattern of the present day world, with a very small number of wealthy global winners who control the economy, finance, and have a strong influence on political decisions everywhere (because of their lobbying and their financing of politicians), in contrast with vast masses of poor and destitute people whose Human Rights are consequently constantly denied.

Thus the enormous development of the materialistic approach of life in the world. Thus the short term vision of governments, corporations, institutions, banks...and the follies of repeated yet never tackled financial crises.

### 1.2 Wrong myths and real collapse of the present economic order :

This economic ideology has its credos, mottos, and myths. One of them is the famous 'trickle down effect' according to which rich economic agents necessarily provide wealth to others as their own needs become satisfied.

This myth has proved its nonsense a hundred times, with poverty increasing in the world during the last 25 years despite boosted markets, international trade and production capacities worldwide, with the number of billionaires increased by some 80 times whereas almost 3.000 million people now live with less than 2 dollars a day ; with the follies of the financial markets where speculation never ceases to rage (the famous “*irrational exuberance*” dear to former US Federal Reserve Chairman Alan Greenspan), where, in fact, there is never ‘enough’ for the global winners and leaders.

More than 4.000 billions of US dollars of rescue packages have been given in various forms to banks and financial institutions to save them guys “too big to fail”, but now these same demand the inhuman and criminal drastic reductions in social expenses by governments in the name of good governance and control over national debt. There is no fatality, it is a definite strategy to seize the opportunity of the present financial and economic crisis to push forward the interests of the tenants of this neoliberal ideology. Naomi Klein would probably, and rightly, call it the “strategy of shock”. The conclusion to this is that the only way to get out of this situation is to release the world from the grip of the US dollar and change the patterns of the world economic, monetary and financial system. There is no other course.

Life has its laws. We may or may not acknowledge their existence, we may believe in them or not, but there are fully part of the great cosmic experience in which we are engaged whether we are aware of it or not. One of them is called the Law of Cause and Effect.

Whatever we think, say or do, sets in motion a force which will result in a consequence, an effect. With the present ‘*laisser faire*’, we have unleashed forces of destruction, wrapped in the so-called free market forces, which are driving us to edge of chaos.

The economic system is entropic, it tends to disintegrate under the application of the forces which dominate and we are already witnessing this downfall. The crisis under way is not a cyclic crisis of capitalism, nor is it a simple and temporary setback or downturn of ‘growth’, this other myth of the neoliberal theory. We are currently contemplating the jumps of the collapse of the civilisation of

competition, the collapse of the competitive economy, based on selfish interests, individual or nationalistic, division, want and war.

The US Dollar has been instrumental in this crusade for an all-competing world. It is therefore bound to collapse as well, together with a US economy fuelled by debt, overconsumption, but characterized otherwise by devastated public infrastructures, and growing poverty stricken masses : ' *Out of 8 millions born babies every year in the US, an astounding 4 millions join the supplement nutrition program which is a cash subsidy to mothers who are unable to provide nutritious food to their babies, whilst the national budget defense is USD 790 billion dollars*' (3).

### 1.3 The necessity of cooperation :

Each day that passes brings us closer to the end of the game and no force will revamp this dying order imbued with frantic materialistic consumption in developed places of the world, an overwhelming abject poverty all over the rest of the world, the killing of social, cultural and spiritual relations within and between nations, the lethal destruction of the environment, a systematic grip of market forces over all human activities, individual or corporate interests made sacred to the detriment of public welfare, a constant violation on Human Rights in the name of free trade (since year 2000 water is classified as a commodity, not a Human Right, whereas already one billion people have no free and direct access to safe water...) not to speak about the starving million children of the world, despite food reserves available which overcome by 10-12% the needs of the 6 billion inhabitants of this planet. This is the most hideous crime of this time against life.

This order will die, inevitably, we should not regret it, nor have any fear in front of what may come.

We cannot consider the possibility of another reserve currency and trade currency without considering what type of economic relations we want to have for this world in the future. The two are tightly interconnected. With such a level of destruction nowadays, we are literally at risk of survival as a species. The only way out the present turmoil is through cooperation, justice and equitable sharing of the world resources between all nations and all people. Therefore, the Universal Declaration of Human Rights should be the guidelines to establish fair and stable economic relations.

A true and genuine cooperation must be implemented on the ruins of the present competitive order. This will require to give the power back to the United Nations General Assembly over all other international institutions in charge of supervising the world economic system.

## **2) Obstacles, difficulties and solutions :**

### 2.1 The case of Euro :

The first obstacle pertaining to the creation of a world currency is that..... it does not exist ! The creation of the Euro has shown how difficult it can be to create a new currency in a supposedly relatively homogenous economic region. And yet this was organised precisely and purposely with the aim of transforming the European countries into one big continental market. It has taken the Maastricht Treaty to compel nations to accept the convergence criteria, public governance objectives and methods, together with the creation of an 'independent' European Central Bank (independent from who, I still wonder...), in other words, the loss of their sovereignty. And some of the European nations have not yet adopted the Euro !

The story of the Euro is an interesting experimentation. The philosophy of the Maastricht Treaty is based on the neoliberal ideology and on the hypothesis that all nations can be at the same level of economic development, thus creating an homogenous economic zone. But this is contradicted by many facts, of which the following are significant

- Europe, as a continent, had a long record of competitive devaluations between currencies which enabled the weakest nations to use the monetary weapon as an adjustment

mechanism to compensate their economic imbalances (4). The convergence criteria and the Euro have prevented the use of such monetary adjustments but the strongest nations are still ahead of the weakest and the gap in development has not been fulfilled. Only through years of significant economic growth have the macroeconomic performances, as measured by the orthodox liberal capitalist theory, been able to mask the huge differences and the weaknesses of the most fragile nations. With the present financial and economic turmoil, this is being wiped out and countries like Spain, Greece, Portugal and others are in trouble and cannot be expected to respect the Maastricht convergence criteria anymore. France does not comply either with these criteria, though it is still the fifth of sixth national economic power in the world. Since the European nations have abdicated their sovereign right to decide their economic policy as they do not control their (lost) currency, they are helpless in trying to correct the consequences of the economic crisis. They have given up their independence to the profit of market forces.

- While the Euro zone was supposed to create a unique economic space profitable to its member states, it is in fact a wide market without borders which mainly serves the interests of multinational corporations, either they be European or not. The deregulation of both trade and finance altogether have resulted in a big market which is open to international competition from Japan, China, the US and all other nations of the world. The European market is like a big cake that multinational corporations and financial powers are competing to win, as they struggle for market shares and for acquisitions of assets of all kinds. Does this serves the interests of the European populations ? That is the question mark. Unemployment is rising, poverty gap is widening. Distressed ways of life under the rule of competition are driving people to the streets to demonstrate and express their discontent. Referendum in various countries have resulted in a reject of the European treaties but the political class has denied this democratic expression and enforced the treaties through Parliament voting.
- The strict application of the neoliberal principles results in huge disparities of income and social welfare between nations and between social classes within nations. More and more, the gap between “winners”, the middle class and the losers is widening, hence the social unrests in France, Greece... With the present crisis, the neoliberal mixture is being applied with even more strength and populations are requested to accept more bitter social conditions in the name of 'good governance' practices. It is obvious that these populations will not accept the scourge and burden resulting from the follies of the stock markets and the ineptitude of political leaders for long. Dislocation of the European unity is standing at the door. Especially in those countries like France, Netherlands or Ireland where popular votes rejected the ultimate Lisbon Treaty that their political elite nevertheless adopted against their will.

The conclusion is twofold

- unless there is a full adhesion by an educated, not deluded public and the respect of their rights, such experiences cannot succeed in the long run
- the unique currency itself is not a guarantee of success, nor is it a strong socle on which can a stable and balanced economic system be erected. Currency remains a tool. The type of economic system and ideology which sustains that currency is key. The biggest problem may be that the so called '*natural economic order*' has crept so insidiously into the life of our fellow citizens that we have apparently lost the capacity to analyze, criticize and to be politically alert and active in proposing alternative solutions to the present economic disorder. However, luckily, the civil society seems to awaken gradually and to become stronger and stronger every day.

So it is a daunting task to create a world currency *ex nihilo*. Some may even argue that such an attempt is not even reasonable and could result in nothing good but world chaos. Just imagine that tomorrow the value of the USD 2.000 billions reserves of China melts as snow under the sun ! But the reality is that the present economic order *does* jeopardy the future of the world as described above. We do stand on the edge of chaos, with major risks of geopolitical dislocations, environmental collapse, currencies and national debt crises, not to speak about the next financial crisis in the making, as the roots and causes of those crises have not been addressed and tackled. The old system and methods have been temporarily bailed out, but only temporarily. The world casino of the financial markets has been somewhat revamped, but the same causes will result in the same consequences, only will they even be worse.

## 2.2 Political leadership needed :

The most important obstacle, of course, is political. Will the US accept to surrender its supremacy and control over the world ? No, of course, unless forced to do so. Likewise, China, the next supreme economic power in the world, is not likely to renounce its capacity to use its reserves as weapons of expansion around the globe in order to increase its political influence and economic wealth, now that a wide segment of its population has tasted the sweet flavour of material abundance.

None of the other dominating nations is likely to accept the deal, and indebted developing nations will only be willing to enter a new system if their own interest is, at long last, taken into consideration, including the key issue of the cancellation of their national debt. No one can be expected to take the first step.

Therefore it is obvious that only a strong political push from the world civil society will compel the political leaders to overcome their national-interests driven policies and attitudes. In turn, this means that public awareness of the stakes and advantages of a complete overhaul of the international monetary, economic and financial order must be heightened. This is a huge task but NGOs together with the UN agencies, progressive media and all those of good will within the civil society could endeavour to do the job.

We need a coalition of good will to create the thoughtform of a new economic order based on justice and people's needs, and to carry out the educational endeavour to show the people of the world that the solution to economic and financial crises involves a reorientation of the economic system, and that includes the creation of a world currency. Every day that passes, the world civil society shows a growing awareness that it is more than ever conscious of its rights and that it has the capacity to make these rights acknowledged and respected by the political leaders. The present demonstrations in Tunisia, Yemen, Algeria or Egypt are the historical testimonial of this new trend and the demonstration that there are no exception to this in the world.

## 2.3 Creating a new world currency :

Another obstacle may come from the already anticipated solution to use the SDRs as the universal currency for trade and reserves. IMF Special Drawing Rights were initially issued in 1969 and were defined in Gold. With the downfall of Gold as the reference value, SDRs are now made of a basket of values : US Dollar, Euro, British Pound and Japanese Yen (5).

Clearly, the SDRs cannot become the supranational world currency in their present definition as this account unit is only made of a few of the strongest currencies in the world. Furthermore, with the present free fluctuation of currencies and the resulting harsh speculation on currencies worldwide, the option of SDRs as the reserve currency is not satisfactory, it would just mitigate the omnipotent influence of the US Dollar by an oligarchic group of powers. It provides no shield against international speculation on currencies, until the present system of floating currencies comes to an end. What if, tomorrow, the Yen or the USD melts down ? In other words, it is not only a matter of selecting the appropriate currency, it is a matter of ending speculation, that is, stopping

the predation by financial markets over currencies which are, ultimately, an expression of national sovereignties. Thus it is definitely compulsory to consider the new currency as

- Something different than a simple aggregate of a few currencies which would still have the stigmata of the old oligarchic competitive world order.
- The inclusive integration of all currencies in a new definition of this world currency. So far, it may be necessary to weigh each currency with respect to the GDP of each nation, to weigh every currency in comparison to the total fiat money. That could be a starting point.
- The pivoting currency for the convertibility all world currencies with a limited spectrum of variation allowed for each of them. In this way only will it be possible to stop speculation on currencies and work towards a stabilized and harmonious international monetary order.
- A stable currency upon which inflation would have no effect. This involves the creation of a mechanism that would enable the periodical adjustment of the value of this world currency (6). Such mechanism requires some kind of central index value. This index would likely include a basket of other non monetary commodities such as gold, basic raw materials....
- It is of utmost importance to control monetary expansion and avoid to fall again into the trap of unbridled material expansion, frantic consumption of manufactured products, excessive punctures on the world natural resources and frantic financial creativity and expansion which is the source to bubbles, boosts and bursts cycles which are so disruptive to the world economy and which compromise any attempt to an harmonious development for all nations.
- In parallel, a new UN agency could be created in order to supervise the monitoring of the world Global Commons, among which would be the commodities used in the weighted index. Their respective values and convertibility rates would be defined commonly by the 192 member states of the UN altogether, not by the Chicago Stock Exchange or any other financial place of the world, and would not be subject to speculation. In the creation of a new and fair world economic order, it is a must to withdraw the main commodities of the world from the hands of financial speculation and markets tribulations. Basic commodities such as grains, metals.... Should be commonly managed by the stakeholders nations of the world through a mechanism of agreed pricing and trade rules. We live in a limited world with limited natural resources, there is no reason why this should not be reflected in the international monetary system.
- These Global Commons, limited as they are by nature, would be the basis to the definition of the weighted index used as the socle of the new world currency. This would reduce the influence of national currencies and would be used to avoid erosion of this world currency would any particular national currency be subject to devaluation.
- In this purpose, the IMF could be used, under the supervision of the UN General Assembly, as a regulating organism, as it was originally planned to be, to help stabilize national currencies.
- Therefore, the creation of this world currency should likewise not be left in the hands of any so called 'independent' central bank but, rather, be controlled by the UN system.

### **3 ) Experts and decision makers that would contribute most to this phase of our discussion on a global currency :**

Such a process could involve the UN General Assembly, and certainly some of the UN bodies such as UNCTAD, as the promoting agency to give an impetus to the movement. UNCTAD in

particular, could be the hosting agency to call for a forum or a summit for discussions between all the nations of the UN.

The UN, not the G20, is the only legitimate international body to conduct such discussions at high level and to involve all nations in the talks on an equal status. Would the dominating nations impose that such talks be carried out under the auspices of the G 20, it would nip the reform in the bud.

It requires therefore that developing nations in general actively take part to the process. That is why it is likely to be expected that these nations will only overcome their reluctance if such talks also tackle some of the major problems they face

- a total and unconditional cancellation of national debts of the developing nations ( if the reader thinks it is impossible, one should remember how governments have easily set up national facilities to recycle bad debts mortgaged with junk assets such as subprimes);
- the guarantee of access to loans in that new currency at low interest rates (as opposed to the high interest rates on the financial markets) to fund national programs in agriculture, industry, education and health;
- the cancellation of the so called 'conditionalities' of current IMF loans and the guarantee that access to loans in the new currency will not include similar conditionalities. In this way the new currency has a chance to be an instrument of empowerment for these developing nations to regain sovereignty and be in a position to define and implement a more harmonious development.

#### Notes

- 1 : translated from Stéphane Hessel's book "*Indignez-vous*" page 22
- 2 : read Joseph Stiglitz' book "The triumph of greed"
- 3 : Interview of Biraj Patnaik, special adviser to the Supreme Court of India by Luc Guillory for *Partage international* magazine, September 2010, pages 6 to 9
- 4 : Source : GEAB.(Global Europe Anticipation Bulletin from LEAP ([www.leap2020.eu](http://www.leap2020.eu)))
5. Charles Le Lien and Philippe Simonnot, Le Monde.fr, 03.11.2010
6. Ibid.