A new international monetary system must take the place of the old one

(from an European point of view)

By M. Sc. (Economics) Joern E. Vig, Denmark

In the years before World War II most of the nations in Europe were totally indebted. The New Deal Policy in USA, the Foundations Of Stability System agreed by Great Britain and other European countries from 1932 made it even worse. So did the German bilateral system of clearing under Hitler from 1933. The bilateral system meant that the nations pairs equalized their accounts. "Think of it as of choosing a system of account after a card-game. How do we find out who shall pay, and who shall receive money".

The Gold Coin Basic or classic gold standard and the Gold (exchange) Stan-dard had been the basis for the international trade and borrowing system from the 1880s till the late twenties. To succeed with the Reparation claims against Germany after World War I a system that could prevent Germany from receiving gold in any cases until the German war debt had been paid was the inspiration. Two systems were tried, the Foundations Of Stability System (from 1932), and the Tripartite Agreement System involving more European nations and USA from 1936.

With different national currencies a system of international account, and a unit of measurement were needed to be able to find out how much was bor-rowed of, and how much lent to other nations following deficits and surplus on the balance of payments. The old system had collapsed with the Gold Standard, and a new one was certainly needed. And who must pay for the war that perhaps would destroy the monetary system further, or more pre-cisely the destruction has already begun long before the war. Just like today with an international monetary system that collapsed in 1971.

While World War II was going on another war was then being fought be-tween the financial elites of the world. Let us not go into further details here. John Maynard Keynes represented Great Britain and Harry Dexter White represented USA, the two dominated powers of the Allies. The final system was agreed upon in Bretton Woods, New Hampshire, New England, USA April 21st 1944.

The dollar unfortunately got the dominating role in the Bretton Woods System to come, and the gold would have to leave this system finally, if the then fixed dollar price on gold was threatened. The Bretton Woods System stimulated the rulers of the nations to issue too much currency-notes and to j borrow more and more, a representative of the exiled Norway's Bank (Mr. Keilhau) maintained at the Bretton Woods Negociations:
To be credit-worthy (Norway's Bank considered) could be expressed in this way (quote):
"Ability of a country to bear credit was in the opinion of the bank dependent of a serie of qualitative factors, such as for example laws, traditions, nation-nal character, structure of businesses. To connect changes in the exchange-rates with problems of the balances of payments was, the bank considered, not durable, and it was a pure quantitative criteria that, if it was used, would lead to just crazy conditions".
(unquote)

Bear in mind that the Federal Reserve System in USA, and thereby the issu-ing of currency and credits finally were in the hands of a few privates from 1922, when the C.F.R. (The Council On Foreign Relations) began opera-ting. In 'The Worlds Crisis And Denmark' the Danish Professor L. V. Birck wrote in 1922:

"We live in a world, where 'the state-machine' we in reality should lean against is weakened in its foundation. It is hated by the riches, and just accepted by the poor. In Germany and Austria the owners of the economic society-power are the organized capital, who are preparing to destroy the parliamentary so-called democratic, and of the will of the people influenced state to take the power itself. In United States the conflict between political and economic temporary has been postponed by the fact that the political power at the latest selection of the president has got into the hands of the political oligarchy (mine: C. F.

R. and Federal Reserve System). Everywhere we find the signs of the powerlessness of the state, and the possibilities to establish the power outside the state without oligarchy seem very distant for the moment (mine:1922)"(unquote). More details about this:More detals Compare with the situation after year 2000.

The politicians have collapsed the monetary system, again:
The gold could not be exchanged in the originally old constant relation 35US$ an ounce fine gold, when the system had functioned for twenty to thirty years. Inflation (in the interest of the politicians and expensive wars of USA) made by money issuing and credits that finally made the prices increase generally when the bill was not in order.

Why do they print too much money then and issue the same in bigger digital figures? When the system stimulates re-election seeking politicians to put their country in debt, they certainly put their country in debt. It is much easier than to take the neces-sarry steps. But they do not tell you they do it, even though (perhaps because) you are the only one to pay. They have no money of their own, so they always take them from the tax-payers, even though (and in reality also be-cause) they just issue new amounts of (in the long run) worth-less paper or other credits. So they do not talk about the debt, I had to learn. They often promise much more than they can fulfil and more than they can finance by the taxation, so they have to borrow, if they still seek to be re-elected. And they al-most always do.

It must be told that not all the proposals of John Maynard Keynes were built into the final Bret-ton Woods System. But J. M. Keynes and his epigones sup-plementary also made the economic theories used by almost every Western economist in the After War Period until the midd 1970s. The way they wanted us to think was designed here. And we did, almost all of us reacted as ex-pected to the mind control. You cannot say that even though the international monetary system did not become like the one Keynes had wanted that his thoughts did not have an enormous impact of the minds of the coming economists and naturally a more and more wondering pu-blic.

J. M. Keynes in changing roles:
In 'The Selected Writings' on John Maynard Keynes, vol. 17 is written in chapter 1 page 3: (quote) "When J. M. Keynes left the Paris Peace Conference and resigned from the Treasury in June 1919, he gave up his influential role behind the scenes and emerged into the limelight as a publicist and propagandist. For the rest of his life he was occupied successive attempts to persu-ade the world to come round to his own way of thinking" (unquote).

In the first chapter of his 'Revision of the Treaty' Keynes separates between, what he calls 'the interior' and 'the exterior' opinion. 'The exterior' opinion was the public one told by politicians and newspapers, while 'the interior' was that of journalists, that of civil servants and advisers behind and above the scenes, expressed in closed circles. He wrote this last opinion in his book 'The Econo-mic Consequences Of The Peace' in August and September 1919. He then shows himself very critical towards the decided (later on reduced) claims on Germany, and he is also very critical towards the resulting consequences for Europe. He gives a very flattering expres-sion of President Woodrow Wilson and of the then British Prime Minister Lloyd George, who both were participants on the Paris Conference. Keynes thought that 'the exterior' opinion was ready for exposure of 'the interior' opinion. J. M. Keynes was famous for his book in certain pu-blic circles (those I had to join after the second half of wor-ldwar or the World War II as you like), but now some month followed, where his own future should be decided. He left his job in Treasury July 21st 1919. But he did not leave the scene. He just moved to 'the exterior' picture, to the propaganda-making section serving 'the exterior' opinion, as he called it himself.

Does state-debt mean nothing:
J. M. Keynes was awarded with the Nobel Prize of Economics for his "On Treatise on Money",

1930. The essence of his thoughts became the central ideas and solutions in all the textbooks made for students on economics after the war until the beginning of 1970s. I read these text-books, and I always wondered why debt of a nation did not matter at all. Something like, "some nations make debt in a period other nations lend in a period and vice versa". Unfortunately it is possible to account the debt of the nations fairly good (if you knew who the creditor was you could certainly turn to him). It is also possible to account what has been lent out from creditor nations. The problem then is that only a smaller part of the total nett debt are debt to a nation. More often it is debt to a private bank instead. "And a considerable amount of the debt is dome-stic debt, and creditors are the citizens of the country", they would say. Since 1960 Denmark made more debt every year till 2000 except for two years exactly in the 1960s, and one year in the 1980s. From the midd 1980s state-paper-debt of nearly all the European countries has been bought and sold internationally too to get foreign currency. So the so-called domestic debt (of-ten talked about as a temporarily extra taxation of the richest) truly is nearly nothing of that kind anymore.

In the late 1990s I heard on TV that Russia would not have intervened uncontrolled in the Ko-sovo War. The reporter said that the debt of Russia was such a heavy burden on the country (1999/2000) that this would prevent Russia from doing anything not wanted (by the creditors). I see, but can I be sure, later on they stopped the payments to IMF. "Until the debt burder beco-mes heavy enough the debt does not matter at all", I must conclude then, if they were right. I am not dealing especially with the so-called false money in this article (much more this subject in [http://www.lilliput-information.com/economics/gol1/gol1. htm](http://www.lilliput-information.com/economics/gol1/gol1.htm)). It is made by the banks, by the so-called responsible authorities, and a tiny part are made by coiners. And I am certainly not dealing with the private debt either.

The integration of the European nations has lead to the compulsive, unified Euro, and the Euro-pean monetary system with the European Central Bank (ECB) to secure monetary policy even in accordance with the European Council of Ministers. Will this integration of everything help? No, certainly not.

Inflation and speculators, Good-bye:
From the beginning the old system was throught out (as mentioned) quite differently from the actual Bretton-Woods-System that was built up. The US-dollar was playing a dominating role as reserve- and loan-currency. That lead automatically and quite foreseeable to nominal (inflation-dependent) determined currency exchange-rates in the member-countries, and also to domestic inflation-misuse.

Since the collaps of the Bretton-Woods-System 1972 every well-educated economist must know, what is needed, is Keynes' Fourth Essential: with the introduction of the rate of inflation incor-porated in the determination of exchange-rates: Real exchange-rates are needed. Bretton Woods did not handle this problem, because nominal determined exchange-rates are being fal-se and unreliable due to the feasts of inflation in the states of the nations (with USA in a role-model included). Inflation and debt had to come.

With this also the needed dependence of the power brokers.

Real exchange-rate:
Using real determined exchange-rates the problem disappears. The member-countries to be are given the choice: Either give up domestic inflation or decide for more inflation – and in conse— quence of this give up the real determined exchange-rates and devalue. But the exchange-rates always remain "right" and "truth-worthy", and to get such a system made permanent, the sy-stem is not bursted, and it will not force the countries to step out. This system is a little like the free ECU (earlier in EU) introduced by Great Britain before the fatal compulsive EURO was in-

troduced with the former German Minister Of Finance Theo Waigel ("on the scene").
Such a system could function next year, if the G-directories of the world, that are aiming to One -World-Economy, would come to an agreement, and also make enough expert knowledge available. Actually the Keynes-proposal that was not carried through in 1944 can be chosen now.

What the Euro mean:
The globalization means unlimited mobility of the markets including the financial markets. This globalization will destroy the democratic welfare states. The free mobility of the capital undermines the ability of the states to regulate. Especially the labor-market. Wage-pressure and reductions have to absorb the threatening lost of jobs. The global financial markets are not subject to any self-regulating competition-mechanism, and they create crisis upon crisis (Asia, Mexico, Russia, Latin America, and latest worldwide). And the crises aggravate the social pressure with claims about reductions.

The pressure of the crises are leading to either the disintegration of the welfare states into linked defending blocs (of currency like Euro-, Dollar-, Yen- or Renminbi-zones) or to the fallen back to the old enemy images (which is i full gear 2015), perhaps a combination of the two scenaria.

With disintegration of the democratic founded welfare and of the national state the globalization comes to an end, because the politicians cannot bear that their populations/voters have to bear more and heavy loads without any security or being recouped (compare with Professor Birck above).

Euro-Union is a prototype of this development. Its bad hidden double-motive is 1) fear of dollars-dominance and dollar-competition and 2) fear of the new reunioned Germany with its former (imagined) D-Mark-regime.

Fear is always based on a false analyse of the development. It is not the US-dollar that is threatening the market shares of Europe in the world trade, but Europe's lost of knowledge and technology and Europe's inertia with reforms and innovations generally. It is not the hardness and strenght of the D-Mark that is preventing the development and integration of Europe, but since "Maastricht" the aim has been the repeal of the D-mark. The explanation is that especially the D -Mark had driven the Euro-members out in a strong negative development against reforms and social limitations. Alone these fallacies and false assumptions do not allow realistic expectations about a hard Euro (and now 2015 everybody have seen it weaknesses). Inflation and stagnation are programmed. All the member-states are deeply indebted, and totally they make new deficits every year.

At the beginning of the Euro the national governments lost their instruments of management (the currency-rate of exchanges, the interest-rate, the amount of money and a flexible public budget) to secure the values of the money, of the labor market, and of the social and ecological standards which the same politicians have introduced. Differences of structure and competition will disappear without the suspension of the government.

The primery battlefield is the the labor market, the social- and the ecology-systems. The labor market suffers from the fact that the middle class is decreasing, and the wage- and the social-cost-competition from the workers in sou-thern EU-poverty-zones, and the liquidation of the until now ruling trade-union-wage-rates, and minimum-standards of the social nevel. The market is swee-ping them away, employees use more and more their potentials of threat that includes the tranfer of productions to favourable (wage-, social-, tax-, ecology-) EU-zones and countries outside EU.

Wage-rates, social standards and claims of environment in Euroland have to get harmonized downwards. socialdemocrates, other socialists and trade-unions have the naive imagination that things could improve by the signitures on the Maastricht-Treaty. In Euro-Union the social welfare policy has finally resigned – and this is happening with full consent of the socialdemocrats, other sociallists and the trade union (who even closes one eye to wagedumbing). The Euro-Union is not a mean against the employment-crisis of the globalization. On the contrary: Both of them strenghten the power of the capital and the helplessness of the state to something about the unemployment are to be taken in to considera-tion. That would have been "improvements" towards the 19th , not towards the 21, as they imaginedst Century.

The Euro-Union is no counterbalance to the unsocial tendencies of the globa-lization as incompetent analyzers of the left believe, it strengthens them fur-ther. It forces lift of work to fit to monetary commands. The European Centrale Bank (ECB) has to follow a totally common policy for the 12 differently strutured countries without the possibility to go back to equalize currency-exchanges. To prevent the capital from leaving Euro-Union the European Central Bank has to rise the interest rate or borrow more, but this will decrease the activity and increase the unemployment further.

Such a union are meant to end in the conflicts of the memberstates from where no help is to be found – if it is not extended to a transfer union or a federal state with public equalizing of the finances between the old and the new member-countries (it happening). Something like USA or the Federal Republic of Germany .

When this projections on the Euro-union show themselves as impossible or they meet too much resistance the question rises: Are there alternative models to save the worldpeace. There are. John Maynard Keynes' proposal of the Fourth Essential. Now you perhaps better understand why one of the founders of the western After War economic system died broken down and very disappointed after having finished his official work. Perhaps he became a victim of the power brokers (including all the considerations here on earth) as many be-ore him, and with e.g. EM U, Maastricht and the Euro many after him too.

Accuracy of the ruling Macroeconomic throughts

Sources:

Birck, L. V.: The World Crisis and Denmark.(in Danish). Gyldendal, Copenhagen 1922.
Birck, L. V.: The Wrap of Europe.(in Danish). Martins Forlag, Copenhagen 1925.
Birck, L. V.: Under the High Capitalism.(in Danish). Martins Forlag, Copehagen 1935.
Johnson, Elisabeth: The collected Writings of John Maynard Keynes, vol. XVII. Macmillan, The Royal Economic Society, London 1977.
Halvorsen, Dag M.: Norway and the foundation of Bretton Woods-System (in Norwegian). Oslo, Norway 1982.
Keilhau, W.: The new international arrangement of money. (in Norwegian). Olso, Norway 1946.
Vig, Joern E.: The Truth Is (That), What You Believe In(?)

Why metallic standards of gold and silver do not help
(historical outlines of the era of gold and silver standards)

Joern E. Vig, Denmark
Director of Info-Stat

Internet: http://www.lilliput-information.com/CENTRALTOVERBLIK.pdf
E-mail: joern132@gmail.com

Latest from here: Europe Driven To Suicide, 2014, Projections of real demographics and their certain consequences: Norway, Germany and United Kingdom: http://www.lilliput-information.com/Europe-driven-to-Suicide.pdf

For your information
My Background and carriere: Master of economics 1977. For 7 years in the Central Administration until I could not bear more lies. Consultancy on EDP, Statistics, Finances, and Investment, Info-Stat and lilliput-information.com. Two textbooks dealing with business economics and economic management, teaching Business Economics at Copenhagen Business School (CBS) and at Aarhus University for 12 years.

Motto: Everything has failed, let's try the truth