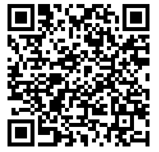
New American



Written by **Charles Scaliger** on August 20, 2018

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Manage the Money, Manage the World

In January 1988, *The Economist,* the influential British economics journal, used its cover to exhort its readers to "Get ready for a world currency" by 2018. Illustrated with the image of a phoenix rising above flames consuming various national paper currencies, the article predicted that "thirty years from now, Americans, Japanese, Europeans, and people in many other rich countries, and some relatively poor ones will probably be paying for their shopping with the same currency. Prices will be quoted not in dollars, yen or D-marks but in, let's say, the phoenix." The new "phoenix zone," *The Economist* predicted, would

impose tight constraints on national governments. There would be no such thing, for instance, as a national monetary policy. The world phoenix supply would be fixed by a new central bank, descended perhaps from the IMF. The world inflation rate — and hence, within narrow margins, each national inflation rate — would be in its charge. Each country could use taxes and public spending to offset temporary falls in demand, but it would have to borrow rather than print money to finance its budget deficit.… This means a big loss of economic sovereignty, but the trends that make the phoenix so appealing are taking that sovereignty away in any case.

The "trends" referred to are in fact the misbegotten consequences of decades of deliberate policymaking on the part of international financial elites to lay the foundation for a single global currency, to be issued by a single world bank. The sentiments expressed by *The Economist* in 1988 were hardly original then, nor have they lost any relevance today. While the predicted "phoenix" or its equivalent has yet to rise from the ashes of a bonfire of national currencies, we are far closer to that outcome today than ever before. A one-world currency and central bank are central to the long-range plans of globalist elites — and would mean the death of financial and monetary sovereignty.

The modern idea of a single world currency owes much to John Maynard Keynes, the British economist who helped to organize the Bretton Woods international economic conference in New Hampshire in 1944. There, representatives of the major Allied economic powers, including U.S. Treasury official (and Soviet spy) Harry Dexter White, who headed the American delegation, created a blueprint for a postwar world financial and economic order. A key point of discussion at Bretton Woods was the creation of an international currency standard as a means of stabilizing world finances, and in particular discouraging "beggar-thy-neighbor" policies practiced during the currency wars of the 1930s. During those volatile financial times, countries frequently devalued their own currencies to gain advantages in trade by making their own products cheaper in foreign markets.

Prior to the 1930s, the use of currency devaluation to gain competitive advantage in international trade was virtually unheard of, because the entire world was on a precious-metal standard — gold for the

wealthier countries, silver for some of the less-wealthy, such as Mexico and China, and both gold and silver in the case of the United States. National currencies were simply different amounts of gold or silver, and their issuing governments had very little power to manipulate their value.

The American Founders had ample experience with currency woes. During the American Revolution, the Continental Congress, which had very scant resources, issued paper money called Continental dollars. This money was not backed by precious metal, and was used to pay Washington's troops, to purchase supplies for the Continental Army, and to defray other public expenses. This inevitably produced inflation, the result of printing "fiat money" (money with no precious-metal backing). The value of Continental dollars plummeted, leaving the newly fledged postwar American republic with an acute economic crisis. Savings had been destroyed and large numbers of American households were bankrupt, unable to pay taxes or debts.

Photo: AP Images

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As a result of this experience, the Founders included in the U.S. Constitution ratified in 1788 explicit requirements for a precious-metal standard. Wanting to make sure that no future U.S. government would be able to create inflation by printing money at will, they included in the Constitution congressional authority to "coin [not "print"!] money" and "regulate the value thereof" (Article I, Section 8). Moreover, Article I, Section 10, which lists powers forbidden to the states, reads, in part, "No state shall coin money nor emit bills of credit nor make anything but gold and silver coin a legal tender in payment of debts."

For the next 140 years, few in America questioned the Founders' intent. America remained on the bimetallic (gold and silver) standard through war and peace. Her economy grew at an unprecedented pace. Because inflation did not exist, America was a nation of savers; people knew that the money they put in the bank would maintain its value.

By the early 1930s, however, most of the world had gone off the gold standard, beginning with the war-ravaged nations of Europe, which lacked the resources in their treasuries to pay the immense debts they had incurred in World War I. In the United States, the gold standard ended for ordinary Americans in 1933, when President Franklin Roosevelt issued an unconstitutional executive order prohibiting Americans from owning or trading gold anywhere in the world, with the exception of jewelry and a few coins. Private ownership of gold was not legalized again until 1975, but by then, the U.S. dollar was no longer tied to gold or any other precious metal.

Freed from the restraints of gold and silver, governments in the 1930s instituted the inflationary policies typical of fiat money, among which were the currency wars that contributed to the run-up in international tensions prior to World War II. The Bretton Woods Conference was an attempt by international financial elites to remedy a problem they themselves had created a generation earlier by urging the world to abandon the gold standard.

And what was the solution proposed at Bretton Woods? To stabilize world finances, a single currency issued by a single world central bank was proposed, to quell the financial anarchy created by dozens of national fiat currencies, whose respective valuations depended only the whim of issuing authorities in each country. Leading the push for a new global currency was Keynes, who proposed the creation of the "bancor" (from the French words *banque*, "bank" and *or*, "gold"), to be issued by a new global

authority.

Unfortunately for Keynes, the world in 1944 was still too nationalist; the American delegation in particular was reluctant at the time to subject American finances to international authority. The international financial architecture created by Bretton Woods was instead based on the U.S. dollar as the reserve global currency. According to the final agreement, the dollar would be the only currency redeemable in gold (and only by non-U.S. citizens and foreign governments holding U.S. dollars; ordinary U.S. citizens would continue being prohibited from redeeming their own currency in gold). This "gold window" for foreigners persisted until 1971, when President Nixon abandoned the last vestiges of the gold standard, effectively reneging on America's promises to redeem dollars for gold. Nixon's closing of the gold window was in reality a default stemming from America's inflationary policies during the Vietnam War, but given America's economic leverage, there was little the rest of the world could do about it.

Bretton Woods also failed to produce Keynes' hoped-for global central bank, creating instead the International Monetary Fund (IMF), which was tasked with the messy challenge of smoothing over rough patches created by ongoing instability in currency exchange rates. The IMF also became a lender of last resort for Third World governments that got into financial straits. And beginning in 1969, the IMF reckoned its assets in terms of a novel unit of accountancy, the Special Drawing Right (SDR or XDR), a quasi-currency made up of a weighted "basket" of hard currencies such as the U.S. dollar, British pound, and French franc.

Besides the IMF, Bretton Woods also created the World Bank, which, despite its name, has none of the features of a central bank, its primary function being to lend money to poor countries for development projects such as the construction of dams and other infrastructure projects.

Although the monetary arrangement agreed upon at Bretton Woods ended with the closing of the gold window in 1971, the IMF has persisted, with current assets of more than a hundred billion in SDRs. And it is the IMF that globalists continue to promote as a potential framework for an eventual global central bank.

In 1984, an article appeared in the American establishment's influential journal of record, *Foreign Affairs*. Entitled "A Monetary System for the Future," it was written by Harvard professor Richard N. Cooper, an academic and senior policymaker with impeccable establishment credentials. By 1984, Cooper had been an economics professor at both Yale and Harvard, had served on the Council of Economic Advisors during the Kennedy administration, and had been under secretary of state for economic affairs during the Carter years. Cooper would later serve as chairman of the Federal Reserve Bank of Boston and of the National Intelligence Committee. His voice in *Foreign Affairs* no doubt represented — and represents — a consensus among his elitist peers in global finance and politics.

Looking forward to the 21st century, Cooper proposed three necessary conditions that would eventually have to be met to stabilize global finance: A common currency "for all of the industrial democracies," a common monetary policy, and "a joint bank of issue to determine that monetary policy." Acknowledging that his proposal was "far too radical for the near future," Cooper nonetheless hoped that it would "provide a 'vision' or goal that can guide interim steps in improving international monetary arrangements, and by which we can judge the evolution of national economic policy."

Cooper went on to outline a plan by which such a common currency and "bank of issue" could be

phased in, using the American Federal Reserve System as a model, and roping in first all of the major economic powers:

> Exchange rates can be most credibly fixed if they are eliminated altogether, that is, if international transactions take place with a single currency. But a single currency is possible only if there is in effect a single monetary policy, and a single authority issuing the currency and directing the monetary policy. How can independent states accomplish that? They need to turn over the determination of monetary policy to a supranational body, but one which is responsible collectively to the governments of the independent states. There is some precedent for parts of this type of arrangement in the origins of the U.S. Federal Reserve System, which blended quite separate regions of the country, and banks subject to diverse state banking jurisdictions, into a single system, paralleling the increasingly national financial market. Similarly, we will need a world monetary system that parallels the increasingly global financial market.

Cooper also explains the real reason that "free trade" is so popular with globalist elites:

> It would be logical if this single currency regime were accompanied by free trade, just as the dollar area within the United States is accompanied by free trade. That would also be consistent with the collaborative political spirit that would be required for the single currency regime to be established. Free trade would insure one market in goods as well as in financial instruments.

As for the platform upon which a single global monetary system and global central bank could be built, Cooper suggests converting the SDR into that currency, and the IMF into that bank — precisely what the architects of Bretton Woods and their ideological descendants have been hoping for for generations:

> The choice of a currency for a one-currency regime is open and in a sense is arbitrary. It could be anything that is agreed, since money is above all a social convention. In fact the choice would be a politically charged issue, with strong if irrational objections to the choice of any national currency. If national currencies are ruled out, that leaves the European currency unit (ECU) and SDR in today's world. The ECU might meet the same objections in the United States and Japan as the U.S. dollar would meet in Europe. That in turn leaves only the SDR, which is now defined as a weighted average of five leading national currencies: the U.S. dollar, the Japanese yen, the German mark, the French franc and the British pound. The new Bank of Issue could not issue IMF-SDRs unless the Bank were the IMF itself. But the Bank could use the SDR as its measuring unit, and issue both currency notes and reserve bank credit in that unit.... The future of the SDR as a currency would be immeasurably enhanced if private parties could conduct transactions in SDRs; indeed, that would be a necessary condition. It would also greatly facilitate the use of the SDR as a central bank currency, since the modus operandi of central banks in most cases is through private markets, and they need a medium which can be used in private markets. Thus the IMF-SDR would be enhanced if some mechanism could be found to make this possible.

At the time Cooper wrote his proposal, the Eurozone and European Central Bank had not yet been created, but his insistence that the SDR could be converted into a true global currency, if only it were usable in private transactions and were more widely recognized, continues to drive policy at the IMF. And slowly, behind the scenes, the once-lowly SDR is being elevated to the level of a true currency, at the behest of international financial elites who are only too aware of the IMF's eventual intended role.

In 2009, writing in the aftermath of the great financial meltdown of 2007-2008, Zhou Xiaochuan, then-

governor of the People's Bank of China, Communist China's central bank, in a widely noted paper, wrote:

> A super-sovereign reserve currency managed by a global institution could be used to both create and control the global liquidity.… The creation of an international currency unit, based on the Keynesian proposal, is a bold initiative that requires extraordinary political vision and courage.… Special consideration should be given to giving the SDR a greater role. The SDR has the features and potential to act as a super-sovereign reserve currency. Moreover, an increase in SDR allocation would help the Fund address its resources problem and the difficulties in the voice and representation reform. Therefore, efforts should be made to push forward a SDR allocation.… Create financial assets denominated in the SDR to increase its appeal. The introduction of SDR-denominated securities, which is being studied by the IMF, will be a good start.

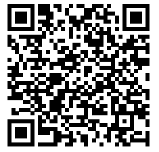
In other words, the SDR is the obvious platform for launching a global currency, but it has several deficiencies, namely, insufficient reserves of SDRs and a lack of SDR-denominated financial instruments, such as securities, that would require the use of SDRs as a bona fide currency. Interestingly, in the years since Zhou's paper was published, the IMF has greatly increased its allocations of SDRs, allegedly in response to the Great Recession, from a mere $21.4 billion in August 2009 to more than $204 billion in June 2018.

And in August 2016, the IMF's sister organization, the World Bank, launched the first-ever SDR-denominated bond as part of a brand-new SDR-Denominated Issuance Program — which is backed by the People's Bank of China. That same year, the Chinese renminbi was added to the basket of other currencies — the dollar, euro, yen, and pound — that make up the SDR.

Within the IMF proper, there is renewed emphasis on converting the SDR into the global currency it was intended to become. Mohamed El-Arian, a longtime IMF official, wrote candidly in *The Guardian* in 2017 that

> legal and practical factors, as well as some countries' political resistance to delegating economic governance to multilateral institutions, have prevented the SDR from meeting its creators' modest expectations, let alone the grand role of a truly global reserve currency that anchors the cooperative functioning of a growth-oriented global economy.… An incremental approach [to strengthening the SDR], starting with practical low-hanging fruit that does not require amendments to the IMF's articles of agreement, would face political challenges. But it would be worth considering. Areas of focus would include using the SDR for some bond issuance and trade transactions, developing market infrastructure (including payments and settlement mechanisms), improving valuation methodologies and gradually developing a yield curve for SDR-denominated loans and bonds.

The globalists' designs to convert the IMF into a world central bank and the SDR into a global currency are clear, but what about the other crucial ingredient recommended by Cooper, harmonization of monetary policy? This too is being carried out, using the recent global financial meltdown as a pretext, under the authority of another major multinational financial organ, the Bank for International Settlements (BIS). Set up in 1930 originally to be a clearinghouse for World War I reparations payments, the BIS was soon transformed into a bank for European central banks, facilitating the purchase and sale of debt instruments and helping the various national central banks coordinate policy.



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In the 1990s and 2000s, as the European Union and the European Central Bank were created, the BIS shifted to a more global posture, and has now become the world's settlement organization for all major central banks, including the Federal Reserve, whereby central bankers coordinate monetary policy and, increasingly, create international rules to harmonize their activities. In particular, the Basel Committee on Banking Supervision, an international body housed at the BIS tasked with regulating the world's central banks, produced in 2011 the Third Basel Accord (Basel III), a massive new set of guidelines and regulations intended to govern central banks in the wake of the Great Recession. These guidelines included stricter reserve requirements and other provisions designed to limit the exposure to credit risk for not only the world's central banks, but also all major private banking and financial institutions.

Within months of the Basel III announcement, the Federal Reserve announced its intention to comply, and warned that all member banks and systemically important financial institutions in the United States would also be required to submit to the new international regime. Wrote the *New York Times*:

> Under the [Fed's] proposals … banks with more than $50 billion in assets would be required … to maintain a cushion equal to 5 percent of assets…. But the Fed also warned that banks will be required to match significantly stricter international requirements in the near future…. The international standards, known as the Basel III accords, are expected to set capital requirements for the largest multinational financial institutions at 7 percent of capital.

Put otherwise, all major banks in the United States, including the Federal Reserve itself, are now being compelled to obey global banking regulations issuing from the BIS and its surrogates, a truly stunning development of which the American public is completely unaware.

In sum, we are now well on our way to a global currency, central bank, and banking regulatory regime. What can Americans do to win back our monetary and financial sovereignty? Every plank in the nearly completed global banking and financial edifice has been laid in the name of combating the instability produced by the fiat money system. Those incentives, and people happy to exploit them, will persist as long as the Federal Reserve and the world's other central banks continue to have the power to create money at whim. Only by shuttering the Federal Reserve and restoring the gold and silver standard required by our Constitution can America recover her financial and monetary sovereignty. If the Fed and its inflationary program are allowed to persist much longer, we will find ourselves stripped of our currency and our right to determine our own economic destiny.

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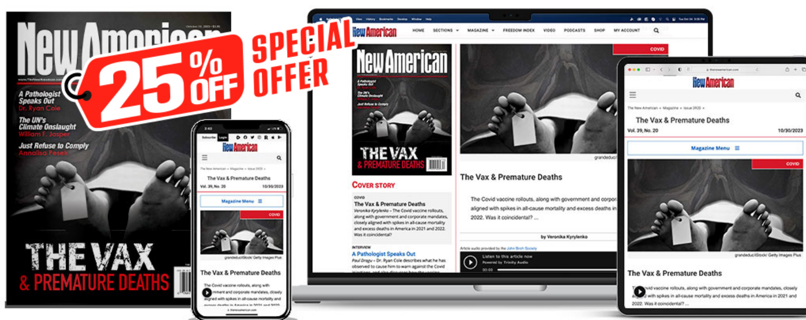

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