

A Single Currency: Utopia Today? Reality Tomorrow?

The first part of this paper gives a brief analysis of the international monetary disorder prevailing during the last few years. The study then proposes a radical solution for this problem: the adoption of a single currency .

The second part examines a series of technical aspects of the proposed reform, as well as the main preconditions needed to make it work.

The paper ends with a short *résumé* of the arguments advanced. The author does not presume to cover such a complex issue comprehensively in a single article, but hopes that his *exposé* will form the point of departure for more detailed studies.

He realizes that the adoption of the reform would call for considerable daring, come up against objections dictated by national prestige, and presupposes wholehearted confidence in international cooperation.

He ventures to hope that the decision-takers involved will be ready to pool their efforts with a view to realizing at some future date what at present seems a pure Utopia.

A Radical Solution for the International Monetary Disorder

1. The system elaborated at Bretton Woods for the regulation of international monetary relations collapsed on 15 August 1971, when the United States ended the convertibility into gold of the dollar, which was the basis of that system.

For several years the system had been threatened by a series of deficits in the United States balance of payments, and their cumulative effect gradually undermined the convertibility of the dollar into gold. Attempts were made to delay the crisis and to prolong the system basically by two methods: on the one hand, by agreements between the American and the European monetary authorities providing for reciprocal lines of credit with a view to reducing the conversion of dollars into gold; and, on the other, by unilateral American measures designed to reduce the deficits in the balance of payments, especially by curbing capital exports by means of the interest equalization tax.

However, these steps were unsuccessful in shoring up the system. Its disintegration brought out three important points: first, the extreme degree of rigidity imposed by the persistent attempts to maintain the fixed rate for the dollar in gold, which made it impossible to adapt the rate of exchange for the dollar in relation to other currencies, whereas some such adaptation would have been essential in order to take account of disparities arising in the respective purchasing powers of the currencies; secondly, the need for the United States, despite its size and exceptional position, to correct the deficits in its balance of payments; and third, the growing, and increasingly decisive role of capital movements in causing a disequilibrium in international payments as well as the contradiction between, on the one hand, the freedom and extent of these movements and, on the other, the maintenance of fixed rates of exchange.¹

2. Before the Bretton Woods system collapsed, the international monetary authorities had tried to adjust it, especially by trying to relieve the dollar of the exceptional role occupied by it in that system and by substituting for it an international means of payment which would have taken its place in the monetary reserves of central banks: the Special Drawing Rights issued by the International Monetary Fund.

In the view of the authorities, the new system would oblige the United States to adopt the same discipline as the other countries as regards balance of payments equilibrium and deprive it of an advantage which was both excessive and dangerous for international monetary equilibrium, that is, the possibility of settling its deficits on a practically unlimited scale by issuing dollars.

¹ It should be remembered that the agreement for the creation of the IMF provided for currency convertibility, fixed rates of exchange and monetary credits, but ruled out freedom for capital movements.

This reform, however judicious in theory, failed in practice, for it put an end neither to the disequilibria in the United States balance of payments, nor to the accumulation of dollars by the central banks. In particular, it did not prevent a huge inflation of the international means of payments in the hands of commercial banks over the whole world and an extremely large number of firms and individuals.

3. After 15 March 1971, numerous efforts were supported by national and international authorities with a view to re-establishing an international monetary system. And to that end they have held, and continue to hold, an endless series of meetings.

This is not the place to recapitulate the discussions or the results of these meetings. We need merely mention briefly the main issues raised and the decisions arrived at:

- the attempts to stabilize the dollar at new fixed rates;
- the organization of the system of floating rates with the adaptation of the Articles of Agreement of the International Monetary Fund;
- the regular confrontation of economic and financial policies;
- the coordination of interventions by the central banks in the exchange markets, and attempts to limit daily fluctuations in rates of exchange;
- the supervision by the International Monetary Fund of economic and financial policies, disequilibria in the balance of payments and exchange rate movements;
- the supervision by the major central banks, under the aegis of Bank for International Settlements, of developments in the Eurocurrency markets, of the growth of capital movements, and of the risks inherent in the proliferation of international loans.

Despite all these discussions, decisions and cooperative measures, there has been a serious and almost continued disorder since August 1971 in international monetary relations, reflected in particular in a marked instability in the rates of exchange, unprecedented disequilibria in balances of payments, vast capital movements, the excessive indebtedness of a large number of developing countries and the threat of defaults in the servicing and repayment of loans granted to these countries by commercial banks.

The period after 1971 has been still further complicated by the successive oil crises and the disequilibria in the balances of payment which followed in their wake, without it being possible to disentangle the reciprocal actions and reactions.

In addition, the world has gone through serious economic depressions as well as certain fundamental technical transformations which have led to the extraordinary development — and the persistence — of unemployment, particularly in Europe.

Lastly, capital markets have registered extensive fluctuations in interest rates which have been in turn cause and effect of the capital movements and variations in the rates of exchange.

4. The hopes placed in the floating exchange rates system were disappointed. These hopes ran high at the time when the international community had in a way institutionalized them by revising the statutes of the International Monetary Fund to that end. But floating rates of exchange did not, as was hoped, reduce tension on the exchange markets or ensure equilibrium in the balances of payments, or even curb capital movements.

This was fully grasped by the international monetary authorities, who sought to restore order by the methods mentioned above. These, alas, did not succeed either. Now we are obliged to bow to the facts. International monetary relations are dangerously unstable. They do not in the slightest correspond to the idea of a “system”, for there is nothing systematic about them.

Accordingly, the question now arises: after the abandonment of the fixed rates of exchange and after the failure of the fluctuating rates, adapted or corrected by the interventions of the central banks acting in cooperation, what is to be done?

5. Some experts have felt that a possible solution might be found in the organization of three regional monetary systems which would face, and tend to balance, each other: on the one hand, the United States and the countries with the closest economic links to it, with the dollar as the international currency; secondly, the countries of the European Economic Community, with the European Monetary Agreement and the ECU, and thirdly Japan, which would be joined by certain Asian countries.

The relative success of the European Monetary Agreement seemed to give grounds for hoping in a solution of this kind. But the serious

disequilibria affecting the international monetary scene have not been attenuated in the slightest by these regional arrangements, since they are to be found, not so much within the regional groups, as between them; in any case, it is largely these disequilibria and the discussions on the best way of coping with them which create tension within the European monetary system and hamper the achievement of a real European monetary integration.

6. Since monetary measures and arrangements were unsuccessful in restoring order in international monetary relations, the authorities, like a large number of authors, recommended the harmonization of economic and financial policies. At international conferences and institutions, great efforts were made in this direction, and one cannot praise those responsible for them too highly. However, though these efforts had some success, this was limited in both space and time, and they were unable to prevent profound divergences in developments in important and even decisive fields, such as economic growth, inflation, saving, investment and budget deficits.

Inevitably these divergences led in their turn to tensions in the balances of payments, rates of exchange, interest rates and capital movements.

More specifically as regards the rates of exchange, the events of the last few years have shown that disturbances in these rates are not caused solely by the fundamental divergences just mentioned, but also and even more by, at least at certain moments, the mere prospect of possible divergences. The exchange market has become extremely sensitive, so much so that the mere announcement, whether well founded or not, of a given development is enough to trigger the expectation of a change in the rates of exchange, setting off a process of currency conversions and capital movements, which rapidly produce cumulative effects.

7. In this way, we come to the central point of this analysis and to the very heart of the difficulties encountered. The conclusion is so obvious that one hardly dares to express it. The recurrent tensions in international monetary relations are mainly due to the contradiction between on the one hand the national monetary systems and on the other the increasing and by now almost complete internationalization of the money and capital markets.

Each country, large or small, maintains and intends to maintain, its currency, its central bank, its money market and its interest rates. At the

same time, short- and long-term capital movements have been freed from all hindrances, whether "regulatory" or technical, to the point that, in the fraction of a second, large amounts of liquidity can move from one national market to another and from one currency to another.

It can even be said that there are no longer any national currencies (at least in the case of the major ones), for they have become, in varying degrees, really international. In the same way, there are no longer any national money or capital markets, for the financial liquidities and availabilities of each country are accessible to the whole world.

The national authorities and the international institutions have prompted this "universalization" of the money and finance markets, or in any case have not opposed it.

The phenomenon has achieved a degree of intensity and worldwide acceptance which could not have been foreseen, but which is now a fact which must be faced. And yet this reality is not fully recognized, since each country continues to treat its currency as essentially national and regards itself as responsible for that currency. It should be added that it could not divest itself of that responsibility as long as a national currency is established and legally defined.

But the task has proved impossible. The currency slips through the fingers of the country's authorities. They engage in a labour of Sisyphus. By a whole series of measures, especially in the fields of monetary policy, credit and exchange rates, they strive to bring this currency under control, which, however, refuses to be caught within the narrow bounds where it is supposed to be held.

When a currency has a key international role, like the dollar, while at the same time its national importance is considerable given the size of the country, the fundamental contradiction is particularly serious. If, at times, economic and monetary policy succeeds in adapting the currency, and especially its volume and cost, to national needs, the international consequences are disregarded, and the country is accused of "benign neglect". If, on the contrary, the international impact were to be given priority, the authorities would no longer be in a position to adapt monetary policy to domestic needs.

How can this contradiction be resolved? Obviously not by restricting the international role of currencies or by preventing capital movements.

For decades, the world has undergone far-reaching transformations, and, as regards trade and payments, it has largely become one. This unification represents a progress. It has contributed to economic growth and has helped raise the standard of living of the peoples of the

world. Far from holding back this unification, we should on the contrary encourage it and eliminate the obstacles which continue to hamper its advance. The separation of the currencies with its whole train of violent changes in exchange rates, and speculative capital movements, is at the present time a major obstacle.

8. The proposal advanced here is to put an end to this separation, in other words, to induce all countries — or at least the major industrialized countries of the free world — to adopt a single currency, the universal currency (UC).

All these countries would conclude an Agreement, under which they would renounce their national currencies and convert into SC, at rates of conversion laid down in the Agreement, all the assets previously denominated in these currencies.

The respective rates of conversion would be based in principle on the rates current when the Agreement came into force, corrected by such adjustments as would be negotiated. The UC itself would have no value of its own, and would not be linked to any standard. The rates of conversion would be fixed in such a way as to avoid any risk of identifying the UC with any of the national currencies whatever. The rates of conversion would be laid down once and for all.

In all the countries participating in the system, the UC would serve as a yardstick for prices and values. The comparison of the prices in the different countries would be greatly facilitated, which would further free competition, the development of trade and the general rationalization of the economies. Since all prices and values would henceforth be expressed in UC, there would no longer be any exchange rates in the Universal Currency zone, and hence no further possibility of modifying competition by upvaluations and devaluations.

Thanks to the improved comparability of prices and costs, it would be easier to avoid the emergence of divergences, which are often at the root of disequilibria in the balance of payments. If such divergences were to appear, they would at once be fully visible, and the corrective measures could be adopted more rapidly.

In the same way, the expression in one and the same currency of all economic and financial magnitudes would make international comparisons easier, and might help achieve the convergence of actual developments and of economic policies which is regarded as a precondition of international stability.

It goes without saying that the adoption of the UC would further strengthen the internationalization of the money and capital markets, and, better still, there would no longer be anything but a single market which would include all the countries belonging to the system. All financial savings and all investments would be expressed in UC and would automatically form a fraction of this huge universal market, which would be at the disposal of everyone in need of funds.

All loans would also be expressed in UC, both for creditors and debtors. The problem of the exchange risks would be eliminated.

In order to give the system its full significance and to ensure its efficient functioning, provision should be made to remove all remaining regulations hampering movements of capital.

In view of the universal money and capital market thus created, differences in interest rates would tend to fade out, at least those now due to the differences between currencies. The rates of interest would of course continue to depend on the extent of the risk specific to each debtor (or of each operation) including those local economic and political conditions which might have a bearing on the assessment of the risk.

Technical Aspects of the Proposed Reform

The second part of this study will be devoted to the technical aspects of the UC. They will be examined starting from the functions carried out hitherto in each country by its Central Bank. It will bring out the changes called for by the adoption of the UC in monetary policy and in the cooperation between the monetary authorities of the countries belonging to the UC.

1. The central bank of a country is in the first instance the organization which issues banknotes. We need hardly remind that this form of currency has lost much of its importance and has been replaced by the instruments of payment made available by commercial banks: cheques, transfers, credit cards, electronic transfers etc. However, as long as there is a public demand for banknotes, it will be necessary, even in the UC, to arrange for their issue. For various reasons, especially for that of security, it will continue to be necessary to entrust this mission to a single official agency in each country.

Moreover, care must be taken to ensure that the putting into circulation of practically identical banknotes, since they are denominated in the same currency, but issued by different agencies, does not lead to new disorders. To that end, it will be essential to unify the conditions on which the notes are issued. The simplest and surest way to do so will be to agree that the issue will not lead to the creation of currency, in other words, that the issuing agency will not grant loans "en contrepartie" of its notes, but will deliver them solely against cash.² It will be seen below that the disappearance of this source of credit ought not to cause any problems.

In cases where, in certain countries, this agency were also authorized to grant loans to banks, to other economic operators or even to the public sector, these loans would have to be financed by the agency's own means or by borrowing on the money or capital market, like any other financial establishment.

The banknotes of the different countries will circulate freely throughout the world and will be accepted in payments everywhere. They will, however, only be recognized as legal tender in the country of issue. The degree of acceptance of the various issues will depend on circumstances and will probably evolve with time. In order to make the acceptance of the notes easier, it would be desirable for the issuing agencies to agree to take them back from each other against payment in the country holding them.

2. The second traditional function of the central banks is to grant credit, especially to commercial banks as lender of last resort. This function, too, has gradually lost importance as a result of the development of the monetary and credit markets. The commercial banks in need of financing and refinancing now almost always turn to the market either to borrow from it or to realize their assets, especially their portfolio of government securities and Treasury bonds. Recourse to the central bank has now become the exception.

In the world market of the UC system, with its huge range of possibilities, this function may disappear completely. No bank will find itself short of finance unless its solvability or its liquidity is endangered. The responsibility of the banks will perhaps be increased as a result, and no one will complain about that.

² That is by the transfer of funds in a sight account with a commercial bank.

The supervision of the banks' liquidity and solvency, as well as the preservation of the safety of the deposits will be treated later in the section on monetary policy.

3. The third traditional function of the central banks is to act as banker to the Treasury and to grant it loans on specified terms and within specified limits. This function will continue to be discharged by an official bank in each country belonging to the UC system. The difference from the present system will be that, since the issue of banknotes can no longer be a source of loans, the satisfaction of the Treasury's needs will have to be effected by the official bank on the same terms as all other loans granted by financial establishments, that is, on market terms.

Treasuries will therefore have no privileged access to credit, but they will, like all economic operators, have at their disposal the vast possibilities of the world market. The disappearance of exchange risks will open up this possibility wide to them, which will obviously be taken into account by those managing public-sector finances.

They will not be in a position to misuse these facilities, for, like any other borrower, the Treasury of each country must gear its borrowings to its ability to ensure the servicing thereof. The sanction on its management will consist of the rate of interest which it will have to pay. The Treasury, since it will no longer have access to the credit granted on favourable terms by the official bank or banks, will no longer be able to form a privileged cause of inflation.

Moreover, as the world market is open to it, and its needs, like the means of satisfying them, are all expressed in UC, its recourse to the market, in the event of a large deficit, will have only a proportionately limited effect, especially in the matter of interest rates. In addition, the major disturbances, such as those caused in recent years by the substantial United States deficit, will not recur in the same way since the destabilizing factor of the exchange rates will have disappeared.

4. At the present time, the main function of the central bank is monetary policy, that is, the set of actions designed to relate the monetary aggregates or the volume of loans to the needs of the economy. Monetary policy is carried out in the main by two groups of methods:

a) those tending to influence the creation of money indirectly, including the regularization of interest rates;

b) the direct regulation of the credit granted by the other financial establishments, for example, by fixing the liquidity or reserve coefficients or again by credit control.

As regards the first of these methods, which is the more traditional one, in the last few decades it has encountered considerable difficulties because of the internationalization of the money and credit markets. In the first place, it has become increasingly difficult to elaborate a method for the assessment of the monetary needs of a market which has become consistently more fluid because it is more international. Next, the procedures used to influence the national market have been circumvented by capital transfers to and from other countries, transfers which incidentally are largely caused by the differentiation of currencies.

In present circumstances, the creation of money is, it must be said, essentially a matter for commercial banks, and the intervention of the central bank is only marginal. No central bank can seriously claim, after the experiences of the last few years, to be in a position to keep monetary creation really under control, or to exercise a significant influence by this method on the national economy, and still less on the international economy. At most, central banks have been able, thanks to their intervention, to try to correct, especially by influencing interest rates, the effects on their market of developments in other markets or on the markets for other currencies.

Even in the United States, where the Federal Reserve System has hitherto remained faithful to money management based on short- or medium-term targets, it is not certain that it has really mastered the monetary aggregates. These seem to have reacted more to developments in the cyclical situation than to the impulses of the Federal Reserve System, operating mainly through the banks' compulsory reserves and interest rates. The monetary mass has not stopped fluctuating fairly widely within and even outside the margins laid down by the Federal Reserve System, and that agency has very wisely adjusted the margins to the changes registered.

Moreover, the Federal Reserve System has taken into account only the monetary mass within the United States, whereas it is hardly possible to draw a clear line between the money circulating inside a country and that spilling over the frontiers. It should be added that monetary policy has in certain circumstances had results which were

exactly the opposite of what was intended. Thus, in recent years, a relatively severe monetary policy has led to the encouragement of huge capital inflows which have not failed to increase the monetary mass.

In addition, the Federal Reserve System has, like all central banks which have set themselves targets for the monetary mass, come up against the almost completely elusive problems of the rapidity of circulation of deposits and the constant transfers of funds from M1 to M2 and M3 and conversely. In the light of the experience of the last few years, it is therefore indispensable to revise the opinion according to which monetary policy has an important role and a large degree of effectiveness. On the contrary, the growing internationalization of the capital markets tends to bring about an irreversible reduction in the influence of national monetary policies. The complete unification of the world market under the UC will cause the disappearance at the same time of the need and means for monetary policies specific to each country.

As to a monetary policy on a worldwide scale, we can dismiss the idea. The vast size of the market under the UC will make an indirect intervention by any international body impossible and unthinkable. Incidentally, it would be impossible to assess the needs of such a vast and complex area. There could therefore be no question of setting oneself monetary targets. No institution would be qualified to discharge this function. None of them, we may add, would have the instrument needed to do so.

The question arises whether, in these circumstances, if monetary creation is left solely to the market forces, we do not run the serious risk of an exaggerated creation, which would exceed requirements and would lead to inflation, all the more dangerous for being of worldwide dimensions. In this connection, two points must be noted. During the last fifteen years, the world has undergone an unprecedented inflation despite the monetary policy in force in all countries. It would be completely unfair to attribute the blame for that inflation to mistakes committed by monetary policy.

The causes of inflation have been many and pressing. They are well known, and this is not the place to examine them. Monetary policy, or the errors committed by it, have perhaps had a share in the responsibility, but their influence seems small compared with the fundamental causes.

In any case, in the UC system, the authorities would not forgo any kind of action in the monetary field, but that action would be taken, not in the form of steps designed to bring the monetary mass under control,

but by the control of credit, the aim of which is to ensure that credit is granted in ways and quantities that are sound, both for financial establishments and for the beneficiaries.

In every country, there is some supervision of financial establishments by the authorities, and these establishments have to observe the rules protecting depositors and investors, such as solvency and liquidity coefficients. In addition, in certain cases, certain more detailed rules restrict the types of operation carried out by financial establishments, the amounts or proportions of different kinds of loan or the facilities granted to certain categories of clients, etc.

In recent years, this supervisory function has become more extensive and complex, because in particular of the despecialization of credit establishments and of their growing internationalization. The latter factor has even called for a more and more close cooperation between the controlling agencies of the different countries, especially with a view to organizing the effective supervision of establishments with offices in different countries.

In the same way, the recourse by international or multinational borrowers to loans from a number of financial establishments which are often operating in different countries create information and security problems for these countries which call for close collaboration between themselves and between their supervisory agencies.

In the UC system, the question will be simplified, on the one hand, by the elimination of exchange risks, but will also, on the other hand, be complicated by a still greater multilateralization of markets and operations. The monetary authorities will have to adapt their regulations and controls to this new situation. They will certainly have to work in closer collaboration and gradually to uniformize their methods and rules. This common action will try to prevent excessive granting of credits, which could generate inflation. The credit institutions themselves will be induced to be more prudent, since they will no longer be able to count on a lender of last resort. The international financial situation might, as a result, be strengthened and put on a sounder basis.

5. In the present system, the central bank fulfils an important role as regards the balance of payments. It is that bank which holds the central monetary reserve (in gold or foreign exchange), which grants or receives international monetary loans and which manages the exchange rate of the national currency by its interventions on the market.

In all these fields, however, its role has gradually become relatively less important and has been taken over by banks and other establishments which deal with foreign countries. The foreign exchange reserves are no longer concentrated in the hands of the central bank. They are scattered among innumerable banks and financial, commercial and industrial companies. International loans are obtained or granted much more through all kinds of establishments which intervene on the market, rather than through the central bank. Even interventions on the exchange market are a matter for national or foreign operators who buy and sell in cash, forward or by options. The central bank, when it deems desirable to intervene, can do so only on a marginal scale.

Offers and demands on the market are the result of financial operations rather than of payments of goods or other current payments. They depend to a large extent on transfers of liquidities and capital made by both national concerns and foreign or multinational companies.

In this vast payments imbroglio, it has become extremely difficult for the authorities to establish the balance of payments of a country. Reliable data form a small proportion of the whole. Estimates are the majority and there is generally an important item of miscellaneous, of "leads and lags", which finally are classified as short-term capital movements.

However, one indication remains which gives an idea of the final equilibrium or disequilibrium in the balance of payments after offsetting movements in all directions: the final balance of the demand for and supply of foreign exchange, which is absorbed or provided, as the case may be, by the central bank if it decides to intervene in the market, or failing such an intervention (or in combination with it), the rise and fall of the national currency in relation to foreign currencies.

Under the UC regime, this index, as well as the role assigned to the central bank in this matter, would disappear, since there would no longer be any foreign exchange, any exchange market or any monetary reserves at least in the usual sense of the term. However, the balance of payments would not disappear for that matter. It would only be more complicated to assess it. The universalization of the markets would make it even less easy than before to determine with any precision the volume and nature of foreign payments. However, the disappearance of the exchange risks would put an end to movements of funds caused solely by reasons connected with these risks.

As at the present time, disequilibria in payments might arise due either to current payments or to capital movements, or to both. To be

more exact, the necessary mathematical equilibrium between each country's payments from and to foreign countries will no longer be obtained through an intervention by the central bank on the exchange market, but will have to be achieved by an increase in the foreign loans granted or received by the banks or by other residents of the country considered. The disequilibrium will be wiped out, or even better the financial effort needed to guarantee equilibrium will be ensured, by the market without it being possible to distinguish this action from the innumerable other international payments.

If the disequilibrium in the balance of payments can no longer be reflected in the foreign exchange market, how will it then make itself felt? To analyze this question, let us, for the sake of simplicity, take only the case of a deficit. A deficit could give rise to a certain tension on the credit market — a tension which, to start with, would be imperceptible, but, were the disequilibrium to continue to be pronounced, it would indeed be visible, and the borrowers of the country would gradually experience rises in interest rates or other indications of a decline in the eagerness on the part of the international market to lend them.

This difficulty in procuring means of payment abroad will inevitably be translated into a rise in interest rates in the country, and this may have a deflationary effect and help to correct the causes of the disequilibrium in the balance of payments. But it may turn out that there are a very large number of these causes, and they may not easily be corrected by adjusting the rates of interest. It will then be for the decision takers, and especially for the authorities, to take remedial measures which will deal with the real causes: the reduction of budget deficits if they exist, income restraint, price policy etc... The situation as regards the balance of payments in the UC system will therefore not be fundamentally different from the present one. The policies for dealing with disequilibria will also not be any different or any easier.

A question which it is not possible to settle *a priori* is whether in the UC system it will still be useful to organize international loans *via* such agencies as the International Monetary Fund. One might take the point of view that members of the system will no longer need to have recourse to this type of loans and should, to meet their requirements, turn to the world market.

If, on the contrary, the International Monetary Fund continues to offer the possibility of intervening in favour of the countries belonging to the system, it will finance itself in the capital market, and not, as in the past, from the central banks. Loans will be granted to States who will

use them for their expenditure and will thus place at the market's disposal the international means of payment which the country needs.

Such action might temporarily improve the balance of payments, but would certainly not dispense the country in question from applying the remedial measures called for.

Summary and Conclusion

1. The Bretton Woods international monetary system which collapsed on 15 August 1971 could not be revived or replaced despite the numerous efforts of the competent authorities. Disorder still reigns. We are completely dominated by a non-system.
2. The basic cause is the contradiction between the virtually complete internationalization of capital markets and the conservation of the national character of the currencies.
3. The solution proposed consists in the replacement of national currencies by a single currency (UC).
4. The adoption of the UC will stimulate trade and the convergence of economic and financial policies. It will complete the internationalization of capital markets. Rates of exchange will disappear, as will capital movements caused by fluctuations in these rates.
5. The UC will lead to profound changes in the monetary system:
 - a)* the policy tending to fix targets for monetary growth will be abandoned;
 - b)* the policy for the surveillance of lending capacity will be reinforced and coordinated;
 - c)* the grant of privileged loans to Treasuries will be suppressed;
 - d)* banknotes will no longer be a source of credit.

The adoption of the UC will not do away with problems inherent to the balance of payments. They will remain, but the UC regime could attenuate difficulties in this respect by facilitating the surveillance of disequilibria. The correction of these by appropriate economic and financial policies will have to be enforced all the more rigorously since it will no longer be possible to achieve the redressment by monetary adjustment.

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