

A PLAN FOR A WORLD CURRENCY¹

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I. CURRENT TENSIONS

The primary problem with which the financial authorities in the industrial countries have to deal at the present time is the problem of restoring world monetary order and ending inflation without bringing on a depression. The difficulty of attaining these objectives would be great enough in a stable world environment. But it is compounded today by the March breakdown in the international monetary system and by the fact that there is hardly any financial leadership left in the world. The March collapse of the gold exchange standard represents the culmination of the sordid scramble for gold of the preceding months and the dreary, incompetent financial leadership the world had had for at least ten years, and perhaps much longer.

We are, indeed, currently in the throes of another crisis. France has instituted a rather all-embracing system of controls, either in preparation for a new devaluation or to give its economy time to recover from the May uprisings, while the exchange markets are rife with rumors of an upvaluation of the Deutschmark. Although the dollar has, throughout the spring, been a bastion of stability against other currencies, there is a widespread belief that, in the final analysis, the U.S. may settle for a higher price of gold after the elections. This is particularly so now that the new amendments to the Articles of Agreement of the IMF have been accepted by the Board of Governors and have established a new reserve asset to replace the dollar, pending legislative ratification. This belief, unfounded though it may be, is going to make it very hard, during an election campaign and an interregnum, to keep the two-tier gold system in operation along the lines laid down in the March 17 Washington communique.

In the face of these tensions, it may be questioned whether now is the appropriate time to advance new ideas for removing obstructions in the path of international economic stability and inter-governmental co-operation, and moving toward a more efficient and stable international monetary system. The obstructions are, unfortunately, human in nature, and therefore particularly slow to adapt. The recognition, decisions and implementation lags in understanding and accepting innovations in the field of international finance have been notoriously long, and imaginative leadership has been wanting. We shall go into some of the reasons for that in this paper. For the moment, it is useful to dwell on the fact that international crises do not typically come upon us suddenly, like a bolt from the blue. They build up gradually, and usually give the authorities ample time in which to take positive steps to avert them. This was the case in 1914, and throughout the inter-war years. It was true during the 1931 crises. And it was true during the crises of 1967 and 1968. I have had a chart prepared for presentation to the Joint Economic Committee that reflects one way of measuring the stress or tension in the financial system. It shows how the build-up of tension signalled, well in advance, the threatening crisis, giving the authorities

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