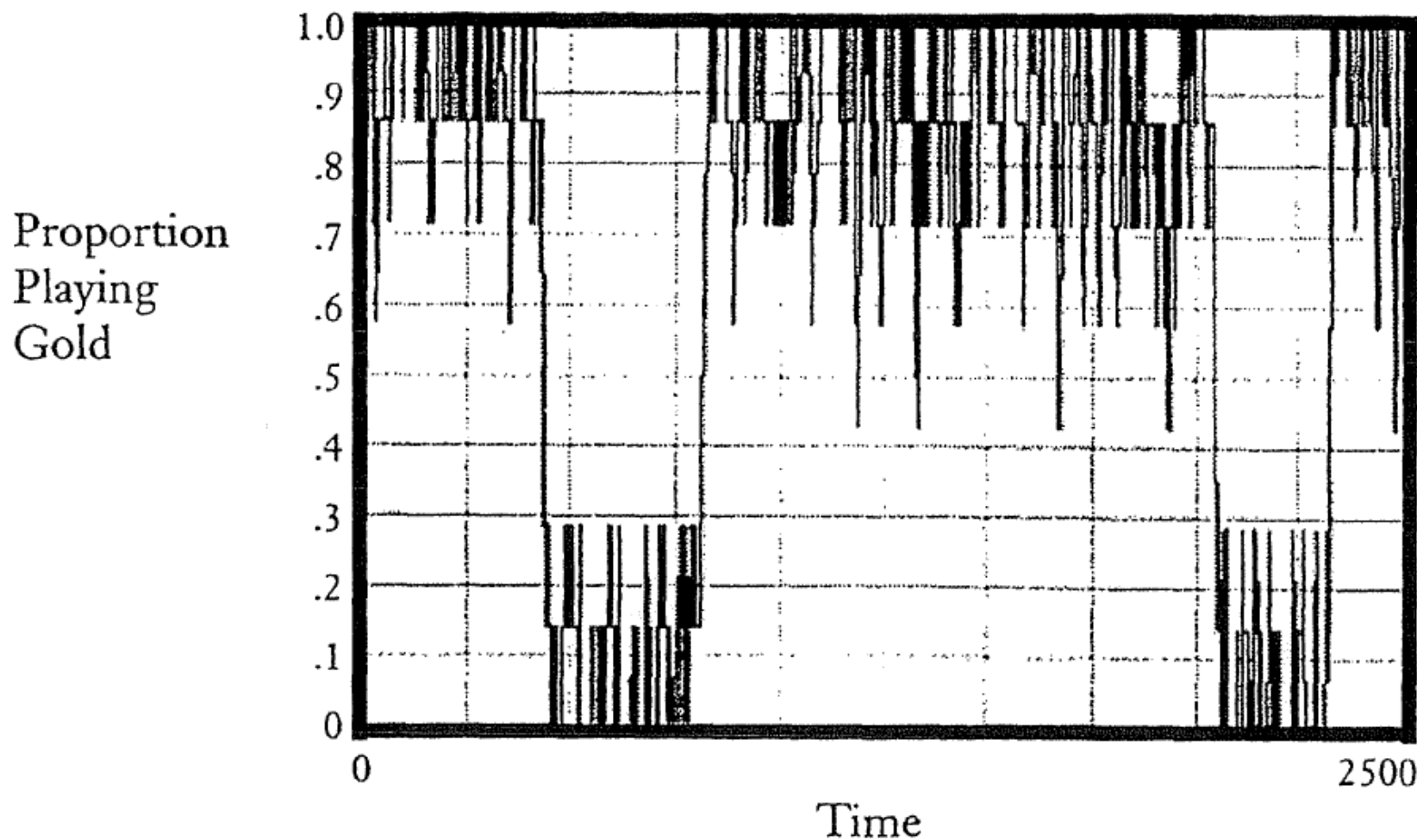


# Guinea – African Gold for Britain



# The Currency Game (H. Peyton Young)



# Elements of Understanding

- Hume
- Fisher
- Keynes
- Allais
- Friedman
- Samuelson
- Kaldor
- Stiglitz
- Young
- ...



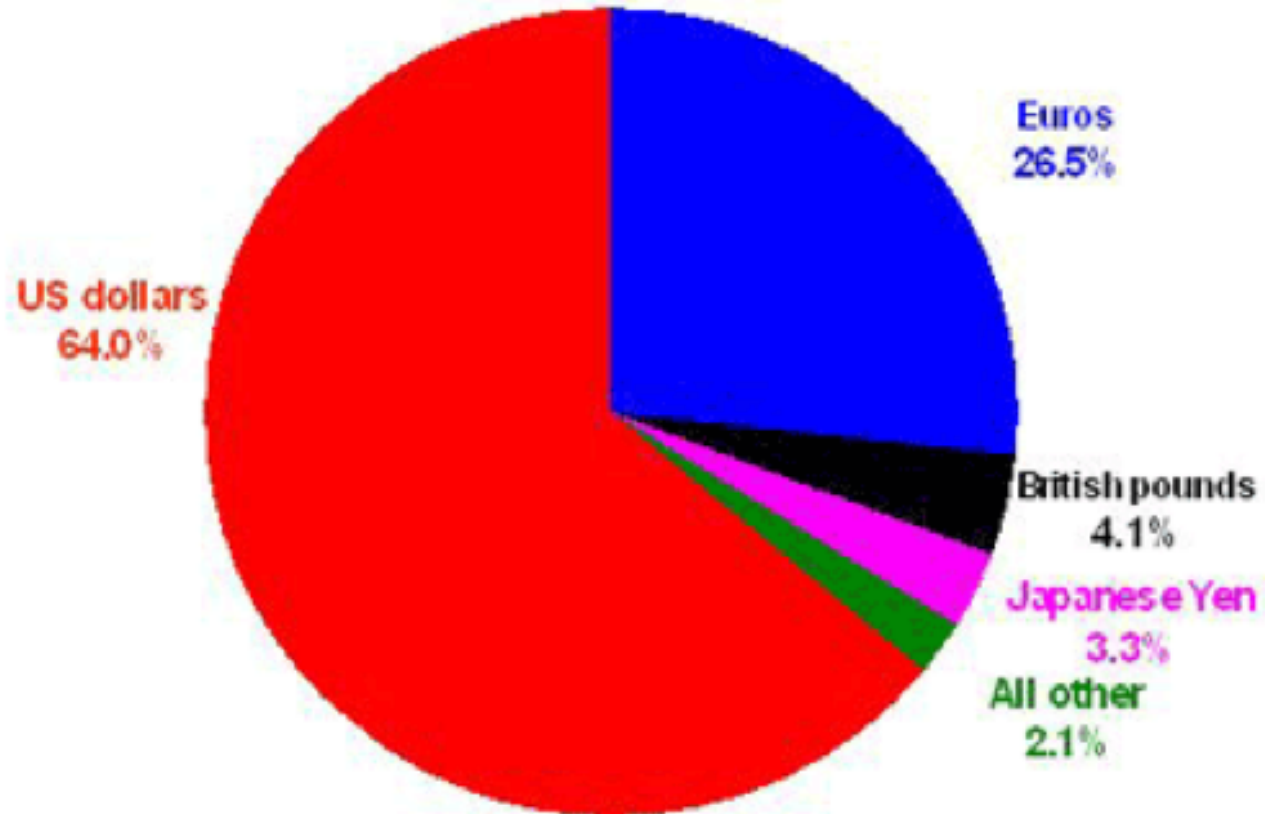
# No Bancor



# What Future?



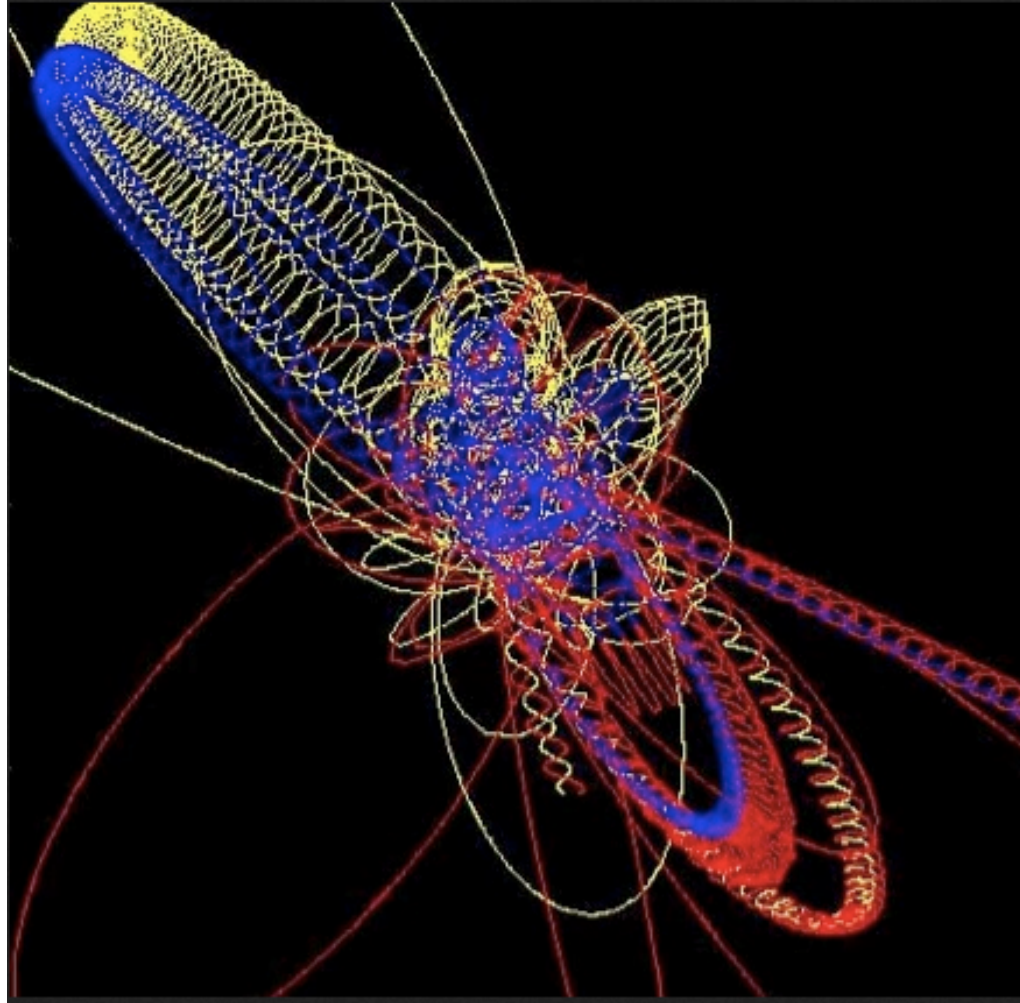
# The Currency Composition of Reserves



Source: International Monetary Fund, *International Financial Statistics*, COFER data



# The Three Bodies Problem



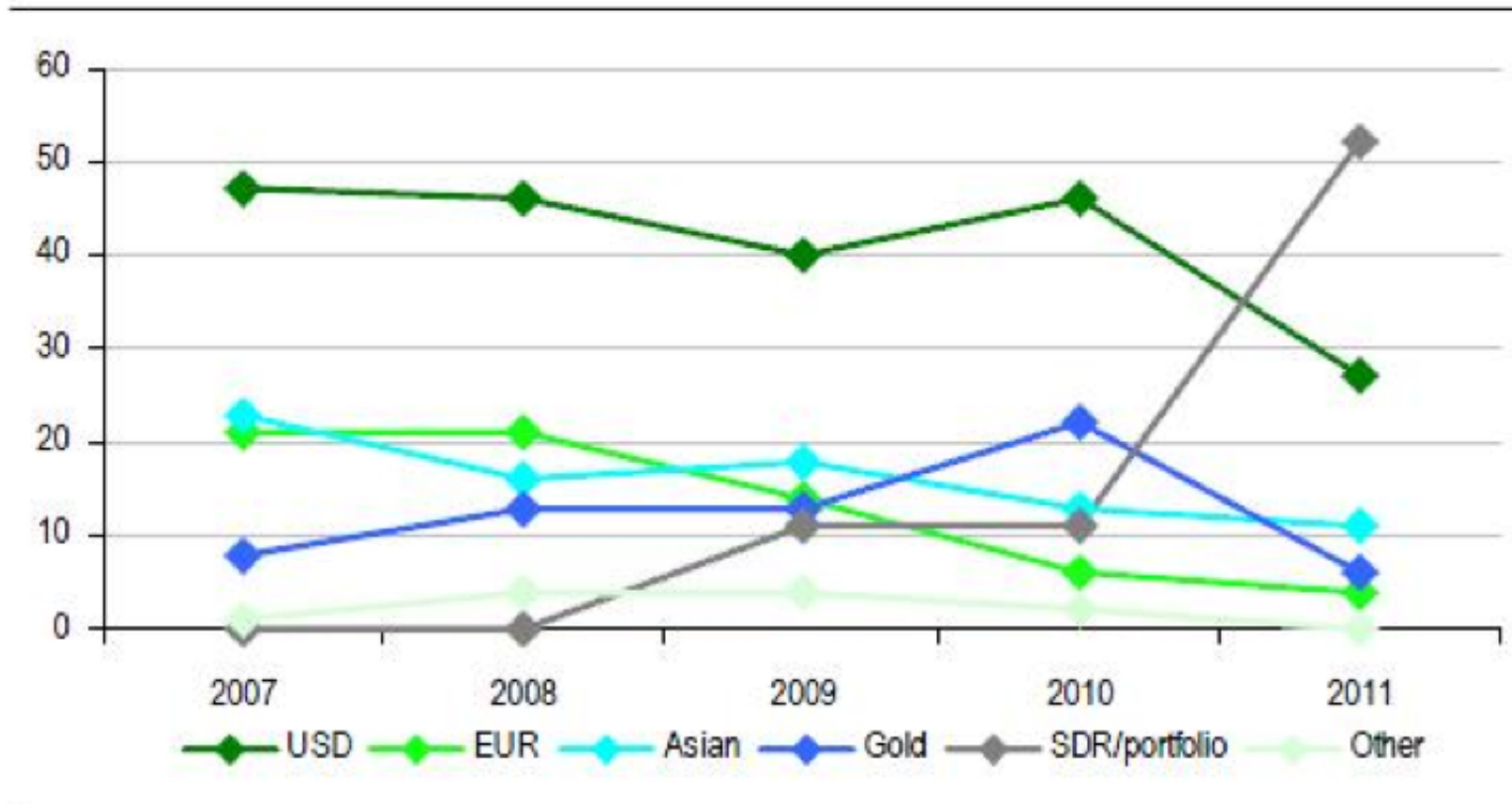
# Special Drawing Rights





# Future Currency Composition?

Chart 11: What will be the most important reserve currency in the world in 25 years?  
Question results in the past 5 years



Source: UBS

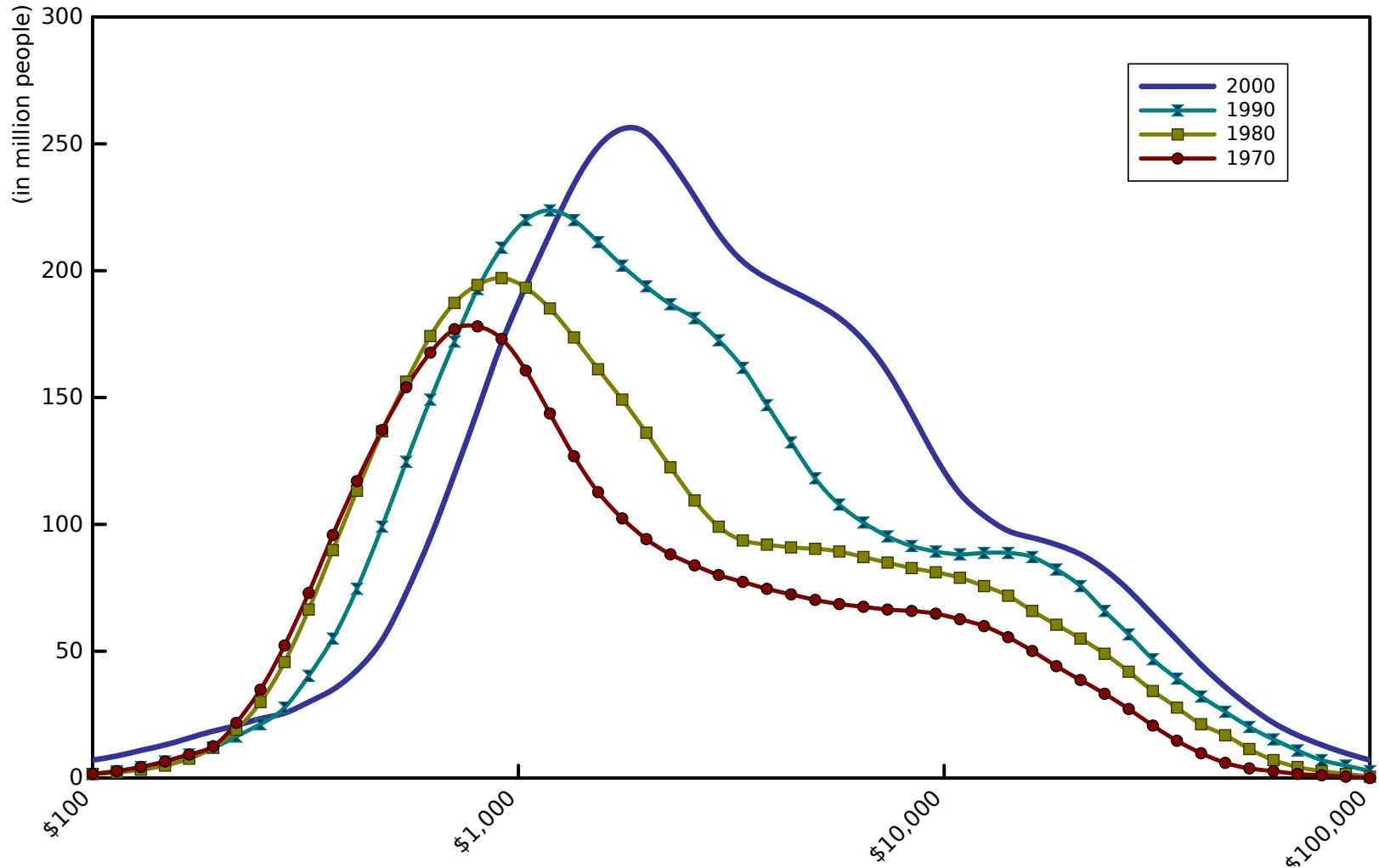
# Keynes for our Grandchildren

**We are suffering just now from a bad attack of economic pessimism. It is common to hear people say that the epoch of enormous economic progress which characterised the nineteenth century is over; that the rapid improvement in the standard of life is now going to slow down --at any rate in Great Britain; that a decline in prosperity is more likely than an improvement in the decade which lies ahead of us.**

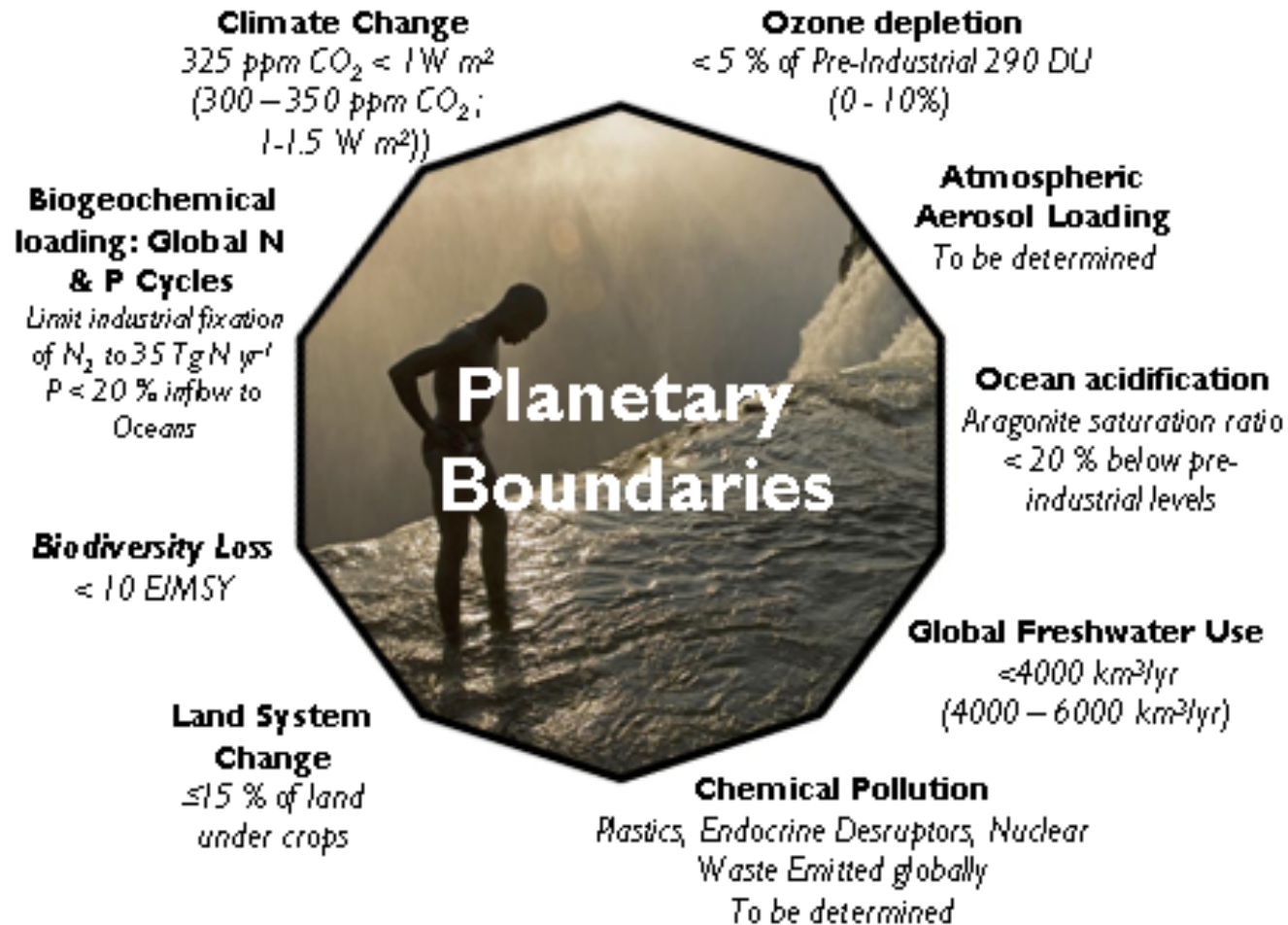
**I believe that this is a wildly mistaken interpretation of what is happening to us. ...**



# Global Inequality, 1970 – 2000

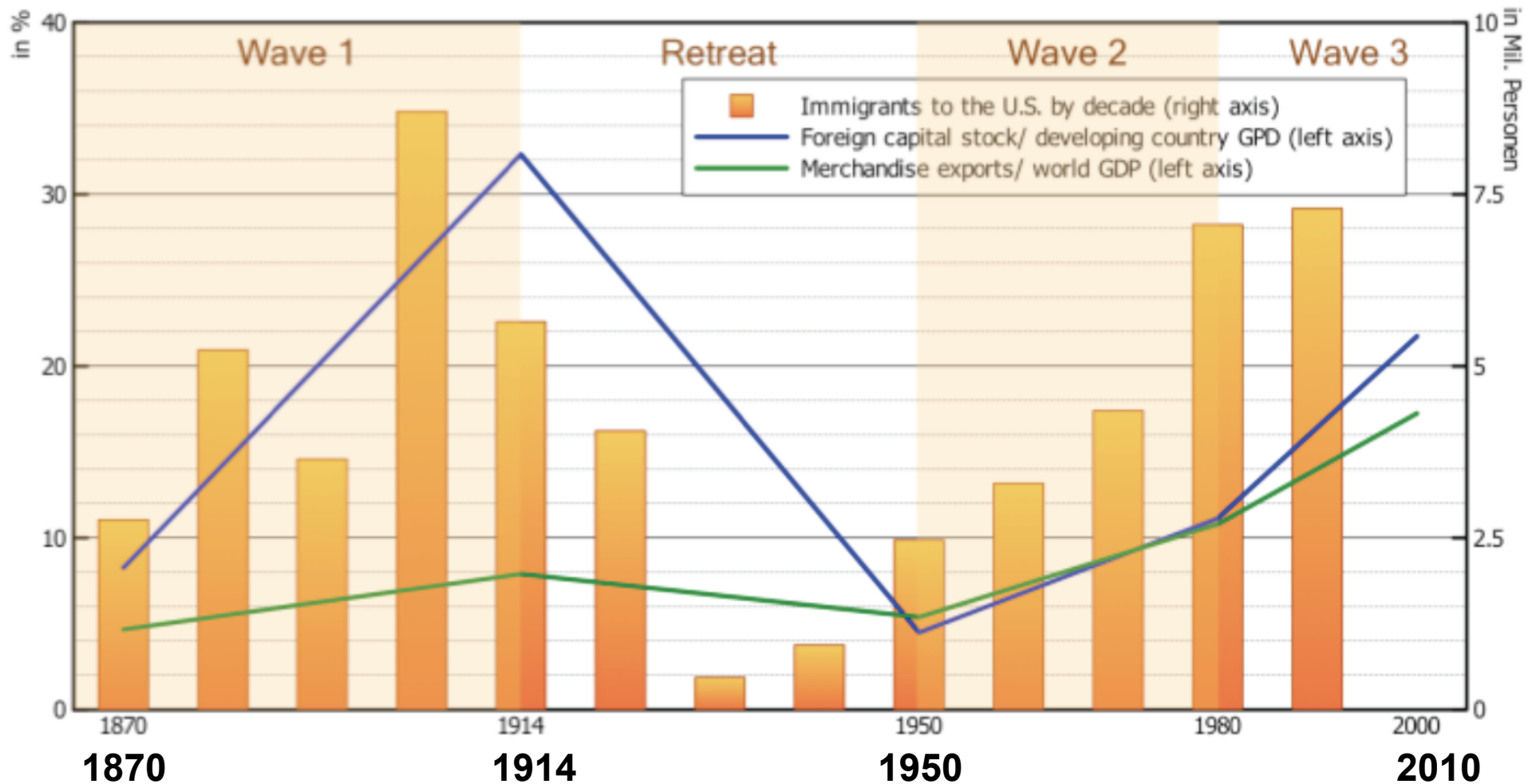


# Economics for our Grandchildren?





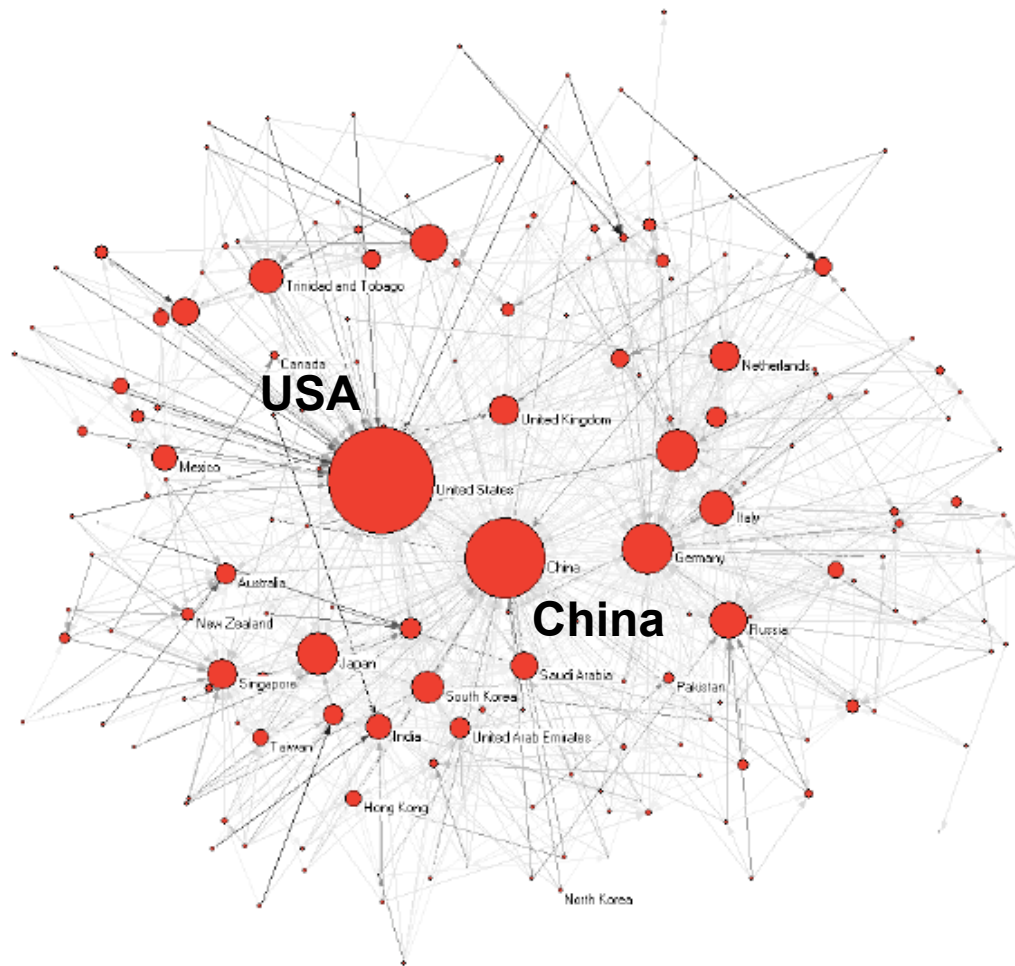
# Waves of Globalisation, 1870-2000



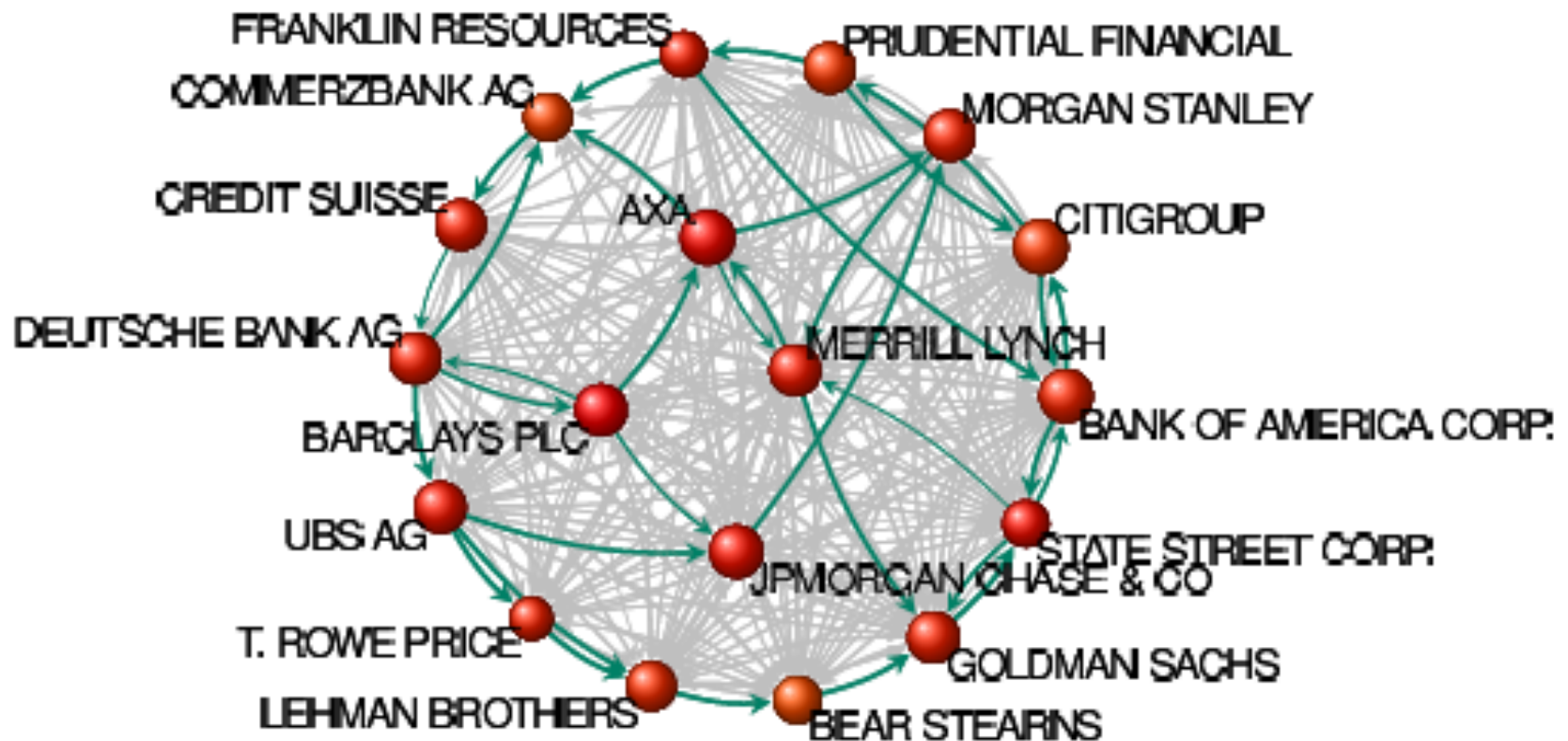
# The Centre-Periphery Model of Global Governance

- The first structure of global governance was the Spain-based empire of Charles V in the 16th century.
- Since then, nations have fought for hegemony in global governance, with disastrous transitions.
- First, the UK, then the US succeeded; various challengers failed.

# The Present Network of Global Trade



# The Global Network of Financial Firms





# The Coming Transformation of Global Governance: Challenges

- In the 21st century, the center-periphery model of global governance will give way to a new pattern.
- This transition can go terribly wrong; trade imbalances, financial instability, rising social tensions, attention deficits are major risks.
- The global financial crisis will not be the last global crisis.

# The Coming Transformation of Global Governance: Opportunities

- The need for global coordination can give rise to a global learning process
- A sustainable monetary system can be gradually developed
- Such a system must allow for fast global growth to overcome poverty worldwide
- It must prepare for a world respecting planetary boundaries.
- Past ideas will not be sufficient.



# Some Questions

- **Why is inflation below 1% dangerous?**
  - **Why is inflation above 10% dangerous?**
  - **Why are exchange rates bi-stable?**
  - **How effective is window guidance?**
- 
- **What would need to be monitored in view of expanding SDRs?**
  - **What would need to be monitored in view of commodity buffer stocks?**

# Purpose of this Workshop

- **Prepare a white paper on the proposal by governor Zhou, related ideas and questions for future investigation.**
- **The white paper will be useful for**
  - ❑ **Decision-makers in monetary policy**
  - ❑ **Researchers on the global financial system**
  - ❑ **Opinion leaders on sustainability**
- **IASS will undertake similar efforts with regard to other ideas about sustainable finance**