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For a new Bretton Woods

The coronavirus pandemic beyond its health aspects, will profoundly disrupt the economies of the planet for a long time to come.

The brutal and widespread recession in the global economy this year will trigger a worldwide wave of public spending to limit the social effects of the recession such as unemployment or the disappearance of cash flow in many companies. It will however increase public and private indebtedness, which risks accelerating imbalances in indebted economies and slowing down structural reforms that have not yet been carried out, while new sources of imbalances are emerging with the violent fall in oil prices, the probable fall in the price of certain raw materials, the financing needs of an inevitable energy transition and the negative effects of geopolitical conflicts such as the Sino-American strategic conflict.

The European Central Bank and Member States have already implemented significant and timely monetary and budgetary measures to deal with this global crisis and to ensure there is ample liquidity across the EU. But Europe must fight the tendencies towards fragmentation accentuated by the national egoism visible in the health crisis. At the moment the EU is facing one of its biggest economic challenges, it needs to make a collective effort in favour of a “shared sovereignty» on the political, economic, industrial and health levels if it wishes to exist in the face of pressure from a China that is filling the void left by the American weakening that has been perceptible since long before the Trump mandate.

More generally, it is the entire system of international economic relations that needs to be the subject of in-depth review because the problems and solutions are cross-border. Even if this perspective may seem optimistic or even utopian, this crisis is an exceptional opportunity to make progress towards the implementation of stabilization mechanisms that take into account the major challenges common to the entire planet. Fortunately, elements of such a consultation have already been initiated, particularly in the climate field.

But if we want true global collaboration, we must also reorganize the international monetary system. Indeed, the “non-system»; in which we live has a great disadvantage: The absolute freedom that reigns in the exchange rate area raises suspicion. The easing of monetary policies by some countries is often seen as a disguised way of depreciating their exchange rates. In fact, since the end of the war, we have never been so close to the situation in the thirties (“beggar thy neighbour»).

Consideration must be given to the future pivot of the future system in order to stabilise exchange rates: should we envisage a return to gold, or to a revisable basket of raw materials - which would undoubtedly be better adapted to today's multipolar world, or to Special Drawing Rights additional to the rights stemming from a Monetary Fund with revised quotas? It is also necessary to work on the means of organising and monitoring, around the IMF, effective surveillance of the new system.

This work could be entrusted to a small ‘Group of wise men» including experts and representatives of the major international financial institutions: BIS, IMF, Central Bank of China, Central Bank of Russia, etc., in order to take stock in a forward-looking manner of the possible options and possible timetables.

It is time for the major dominant economies to understand that a minimum of stability is in the common interest. ●