



*"Paper money as such is alright, provided that our authorities are perfect and the kings are of divine intelligence"*

Aristotles

*"Deficit spending is simply a scheme for the confiscation of wealth. Gold stands in the way of this insidious process. It stands as a protector of property rights."*

Alan Greenspan

*"Gold is money, everything else is credit."*

Ferdinand Lips

*"Debts are truly remarkable: they always have to be paid back, if not by the debtor, then by the creditor, or worse, by the taxpayer."*

John Exter

*"It won't take long for the world to come to the conclusion again, that in order to process business transactions an adequate measure of value is just a prerequisite as agreed units of measurements for length and weight are."*

W.P. Hogart und I.F Pearce

*"No one knows enough to be a pessimist"*

Wayne Dyers



## **CURRENCY SYSTEMS**

### **A UNITED TRANSNATIONAL REPUBLICS' VIEW**

**G**lobalisation is propelled by the „global players“ – globally acting corporations behaving like transnational superpowers constricting the influence of the traditional nations.

*Who then is still defending our global civil rights? Can nations act transnationally, or do they merely block one another? Is the traditional idea of the separation of powers rendered obsolete? Shouldn't we take money (and the media) into consideration as the „fourth power“? Does the geopolitical division of people into nations reflect the spirit of modern times? Could we learn from Coca-Cola, Shell and Microsoft how interests can be realised at a global level?*

*April 16, 2001, these questions led to the proclamation of the First TRansnational Republic whose citizens are not defined through blood or birthplace but through a similarity in their minds and their communal spirit.*

The *United Transnational Republics* are dealing with the question how globalisation could be aligned with democracy. The initial point are the following considerations:

- transnational corporations are more influential than most nation states
- the classical separation of powers (legislative, judicative, executive) needs to be expanded to include money as the „fourth power“.

- nations-states cannot represent their citizens' transnational interests, as transnational and national interests are typically contradicting each other (e.g. Bush and the Kyoto Protocol).
- at the time being there is no transnational citizen representation – the UN is an assembly of various national interests.

Since in our globalised world there is no citizen representation on a transnational level, today's situation could be compared to a nation that has no national government but only city mayors. In such a nation governed by mayors, many topics of national interest could hardly be organised (transport, education, health, environment...). To represent transnational citizen interests, an additional instance responsible only for transnational matters needs to be created: the „United Transnational Republics“.

In order to assure the independence of the *United Transnational Republics* from the nation states and in order to establish money as the „fourth power“, the Central Bank of the *United Transnational Republics* is issuing the transnational citizen currency PAYOLA. The PAYOLA is backed by Euro reserve funds and at the same time pegged to the Euro with four PAYOLAS being equivalent to one Euro. With other words: the Central Bank of the *United Transnational Republics* is buying national currencies at a fixed exchange rate, effectively replacing these with the trans-



national currency PAYOLA. Currently, the PAYOLA is both available as bank notes and as coins, with the planned introduction of electronic PAYOLA for monetary transactions in the internet.

For this discussion it is necessary to understand, that currencies are not only used as unit of account, medium of exchange and to accumulate assets but are also important means of power. Already Aristotle considered the power to enforce the use of a currency as a pre-requisite for an empire (quoted after B. Lietaer). This function of power becomes especially clear in the example of the US dollar: the economic and military expansion of the USA was only made possible due to the role of the US dollar as global key currency.

The role of the US dollar as global key currency was constituted at the Conference at Bretton Woods (New Hampshire, USA) in 1944, when the so-called Gold-Dollar Standard replaced the Gold Standard that had to be abandoned during the war. The International Monetary Fund (IMF) founded in connection with the Bretton Woods Agreement *“requested from the individual nation states to define the parities of their national currencies either in Gold or US dollar and limit the fluctuation of their exchange rates at a maximum of one percent within the ‘parity’.* In order to give nations the time necessary to correct temporary imbalances concerning their international monetary transactions, the Fund granted credits out of its resources” (J. Dines).

Whilst the US dollar was pegged to Gold at a price of 35 dollars per ounce, the other currencies were pegged to the US dollar.

Thereby the USA received the unique privilege to be able to print “paper gold”. *“The advantages to the USA were obvious. The new*

*system allowed for the painless financing of wars and economical campaigns around the whole world and made it possible to import expensive foreign products without any limit – simply because the banking system created the required dollars”* (F. Lips).

This behaviour resulted in the devaluation of the US dollar against Gold, which finally forced the USA on August 15, 1971, to renege on their promise to sell Gold at a fixed price of 35 \$ per ounce. Since then the currencies of the world are not pegged to Gold anymore (with the exception of the Swiss Franc, whose Gold Standard remained until it had to be abandoned due to Switzerland’s entry into the IMF in 1992).

However, the role of the US dollar as world key currency remained. Also IMF and World Bank – originally founded in order to implement the Bretton Woods Agreement – remained in existence despite the unilateral cancellation of the Gold Standard through the USA; today the IMF forbids its member states to peg their currencies to Gold, the USA are the only member with veto power.

The “means of power of national currencies” are a major pre-requisite to lead war: wars could practically not be financed without the possibility to manipulate (e.g. print) the own national currency. At the times of the Gold Standard it was common *“to loosen or abandon the bond to Gold at the beginning of a war and to use the unrestricted capability to create money [through printing] in order to finance the war”* (E. Fraenkel, K. D. Bracher). The possibility to lead wars and the inherent possibility of paper currencies to create money out of the nothingness (hence ‘fiat currency’) are directly connected. Without the possibility to simply print money, it becomes quite difficult to finance any war. Using the mind experiment of two city mayors wanting



to go to war against each other: a national government would certainly not finance such a war.

Just as nation-states are using their currency systems to protect their national currencies, “corporate currencies” (paypack systems, miles and more...) do not only increase customer loyalty but also the influence of the corporations behind these currency systems. According to a report by the Economist (2002) the international airlines have piled up some eight million millions (8,000,000,000,000) “frequent flyer miles” equivalent to 500 billion (500,000,000,000) US dollar. Thus, according to the British magazine, the ‘bonus miles’ have become the second biggest currency after the US dollar. For comparison: the Gold reserve of the German Federal Bank with a value of 45 billion dollar (December 2003: 3439,5 t) is not even a tenth of these ‘bonus miles’, the US Gold reserve totalling 106 billion dollar are merely a fifth (December 2003: 8135,4 t)!

This example of the ‘bonus miles’ clearly shows that it is very well possible to establish complementary currency systems next to national currencies. A number of other examples are known: In Japan, the “Hurei Kipp” (“home care-procurement-ticket”) was introduced in order to finance home care. Rendered care service is being credited and can be used at a later time for the own care, or be transferred to relatives in need of home care. The “Time Dollars” used in the US are of a similar system. “Time Dollars” are being accepted by a number of health insurance companies, are being circulated by a few hundred communities in the USA, are sponsored by 30 states for the practical solution of social problems and are officially recognised as a tax exempt currency. Also widely used are the so-called “Lets” (Local Exchange Trading System) – complementary currencies built on mutual credits which are

being used in various forms in Canada, Great Britain, New Zealand, France, Thailand, Mexico... The number of local community currency systems used worldwide is being estimated at 2,500. Further information about complementary currency systems can be found in the Internet e.g. at [www.transaction.net/money](http://www.transaction.net/money) or [www.futuremoney.de](http://www.futuremoney.de).

Despite the rapid propagation of local complementary currency systems, there is no transnational complementary currency system. Yet, for the protection of transnational citizen interests, the creation of such a transnational currency is indispensable. In the case of the transnational currency PAYOLA it made sense, to first peg it to a national currency (the Euro) to ease its introduction. At a later point there will be the possibility to replace the “Euro Standard” by the Gold Standard or a “Basket of Commodities Standard” as proposed by Bernard Lietaer.

Georg Zoche, *Central Bank of the United Transnational Republics*

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