http://tinyurl.com/USD-bancor
http://tinyurl.com/why-the-thaler

The U.S. cannot run with just **"$2 trillion worth of SDRs over the next few years"** (cf. p. 2).

Check out the links above.

D. Chakalov
June 19, 2011

IMF calls for dollar alternative

By Ben Rooney, *CNNMoney*, February 10, 2011: 4:37 PM ET
http://money.cnn.com/2011/02/10/markets/dollar/

NEW YORK (CNNMoney) -- The International Monetary Fund issued a report Thursday on a possible replacement for the dollar as the world's reserve currency.

The IMF said Special Drawing Rights, or SDRs, could help stabilize the global financial system.

SDRs represent potential claims on the currencies of IMF members. They were created by the IMF in 1969 and can be converted into whatever currency a borrower requires at exchange rates based on a weighted basket of international currencies. The IMF typically lends countries funds denominated in SDRs

While they are not a tangible currency, some economists argue that SDRs could be used as a less volatile alternative to the U.S. dollar.

Dominique Strauss-Kahn, managing director of the IMF, acknowledged there are some "technical hurdles" involved with SDRs, but he believes they could help correct global imbalances and shore up the global financial system.

"Over time, there may also be a role for the SDR to contribute to a more stable international monetary system," he said.

The goal is to have a reserve asset for central banks that better reflects the global economy since the dollar is vulnerable to swings in the domestic economy and changes in U.S. policy.

In addition to serving as a reserve currency, the IMF also proposed creating SDR-denominated bonds, which could reduce central banks' dependence on U.S. Treasuries. The Fund also suggested that certain assets, such as oil and gold, which are traded in U.S. dollars, could be priced using SDRs.

Oil prices usually go up when the dollar depreciates. Supporters say using SDRs to price oil on the global market could help prevent spikes in energy prices that often occur when the dollar weakens significantly.

The dollar alternatives

Fred Bergsten, director of the Peterson Institute for International Economics, said at a conference in Washington that IMF member nations should agree to create **$2 trillion worth of SDRs over the next few years.**

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http://money.cnn.com/galleries/2010/fortune/1007/gallery.Alternate_Currency.fortune/2.html

So what good are SDRs? As a lender to member nations, the IMF typically lends countries funds denominated in SDRs. They represent potential claims on currencies of IMF members and can be converted to whatever national currencies the borrower desires at various exchange rates developed by the IMF.

But a recent United Nations report recommends that SDRs -- and not U.S. dollars -- should make up the majority of the world's reserves. Because the value of SDRs is linked to the average value of key international currencies (U.S. dollars, yen, euros and pounds), they argue that SDRs can counter the volatile highs and lows that the U.S. dollar has undergone during the past few years.

Nevertheless, many experts say this is not going to happen anytime soon. The idea would likely need backing from the majority of IMF members.

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IMF's Bancor Last Man Standing?
Daily Bell Staff Report, November 17, 2010
http://www.thedailybell.com/1532/IMFs-Bancor-Last-Man-Standing.html

420 banks demand 1-world currency ... International finance group seeks remedy to looming exchange wars ... The Institute of International Finance, a group that represents 420 of the world's largest banks and finance houses, has issued yet another call for a one-world global currency, Jerome Corsi's Red Alert reports. "A core group of the world's leading economies need to come together and hammer out an understanding," Charles Dallara, the Institute of International Finance's managing director, told the Financial Times.

An IIF policy letter authored by Dallara and dated Oct. 4 made clear that global currency coordination was needed, in the group's view, to prevent a looming currency war. "The narrowly focused unilateral and bilateral policy actions seen in recent months – including many proposed and actual measures on trade, currency intervention and monetary policy – have contributed to worsening underlying macroeconomic imbalances," Dallara wrote. "They have also led to growing protectionist pressures as countries scramble for export markets as a source of growth."

Dallar encouraged a return to the G-20 commitment to utilize International Monetary Fund special drawing rights to create an international one-world currency alternative to the U.S. dollar as a new standard of foreign-exchange reserves.

Likewise, a July United Nations report called for the replacement of the dollar as the standard for holding foreign-exchange reserves in international trade with a new one-world currency issued by the International Monetary Fund.

Special Drawing Rights (SDRs)

The IMF's Special Drawing Rights (SDRs) have received a lot of attention lately because they are increasingly seen as the stepping-stone to a true international currency. In order to understand how this could happen, it is important to comprehend just what an SDR is and how it might evolve into the world's main currency.

SDRs are international reserve assets supported by the International Monetary Fund (IMF). It is not a currency of itself but a "claim" on the IMF member currencies. In point of fact, if a country wants to cash in its SDRs, it has to find another country willing to trade dollars for its SDRs. While the SDR basket includes the pound, the euro and the Japanese yen in

addition to the dollar, the dollar remains the settlement currency of choice as it is the most liquid and yet the world's "unofficial" reserve currency.

There are apparently over 22 billion SDRs that have been apportioned by the IMF. It is important to note that they are not currency per se and thus cannot be spent in the open market, only traded for another currency (the dollar), which provides the sought-after liquidity.

SDRs do not stand-alone but are backed by the IMF's money pool, the result of contributions by all 187 member states to the IMF. It is the money pool itself and the commitment of IMF members to honor the SDRs that provide SDRs with their reserve status.

SDRs were initially created in 1969 to help with a shortage of dollars and gold; the idea was that additional currency would provide additional international trade. This initial rationale became inoperative after the US went off the gold standard in 1971, however SDRs survived.

Of late, the IMF and its Anglo-American elite backers have seen the opportunity to turn SDRs into a **true world currency**. A roadmap to this was released at the 2011 Davos conference, emphasizing the creation of an IMF managed bond and repo market and other necessities of modern-day fiat currency. It is not enough merely to have a currency. One needs a central bank (the IMF) and a bond market so that countries can safely store their excess currency while receiving some sort of yield.

In order to turn SDRs into a true world currency, the IMF with the agreement of its member states would have to reconfigure the SDR so that it was fungible of itself, without the current two-step process that trades SDRs for dollar-liquidity. The economist John Maynard Keynes anticipated this idea by nearly half a century, suggesting just such a liquid international currency, which he called the bancor.

Theoretically, there is no reason why a bancor could not be created if member states agree to it. Likely the bancor would be backed by a basket of currencies and would be accompanied by the creation of the IMF as a formal central bank to issue bancors, along with a bond market for bancors, etc. The dollar would be part of the basket and give the bancor its initial credibility.

But as the bancor itself became the currency-reserve choice, the dollar's clout would gradually fade away.

Creating a global currency this way is at least a two-step process. First SDRs have to become a more ubiquitous secondary currency; after this, steps must be taken to make the currency liquid in world markets. All this is doable but as it stands now, the IMF would control the

currency and the IMF itself, despite its false pretense of democracy, is controlled by the Anglo-American elite.

This is the ultimate sticking point. The long-deferred dream of the Anglosphere is to achieve a global currency under its control issued by a global central bank. But China, Russia, India and other sizeable countries are loath to give the Anglo-American elites this sort of additional control.

With the dollar collapsing, leaders in these countries may believe they can set up their own international currencies and maintain greater control over them.

Thus it is that a great battle is being played out on the international stage – a kind of tug-of-war between developing countries and the West over who will have control of the world's first truly global fiat currency. If this contest cannot be resolved it is quite possible that the fiat-dollar reserve itself might fracture and the world will be left only with regional fiat currencies.

If this is the case, a gold standard might reassert itself organically as a market-based gold (or gold and silver) money standard is the obvious alternative to such synthetic currencies as SDRs. For many, including most free-market thinkers, such a gold-standard default would be infinitely preferable to what the IMF and its Anglo-American controllers have in mind.
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SDRs should be converted into bancors, backed perhaps by a basket of currencies and commodities (even gold), it will be suggested. Many important world-thinkers, including Nobel prize winners, will concur. The bandwagon will start to roll.

A one-world currency will suddenly be seen as feasible and even necessary. Too far out?

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World Economic and Social Survey 2010. Retooling Global Development. Prepared by the Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA). United Nations, New York, June 28, 2010.
http://www.un.org/esa/policy/wess/wess2010files/wess2010.pdf

p. 23 (xxii): Fifth, a new global reserve system could be created, one that no longer relies on the United States dollar as the single major reserve currency. The dollar has proved not to be a stable store of value, which is a requisite for a stable reserve currency. Nonetheless,

motivated in part by needs for self-insurance against volatility in commodity markets and capital flows, many developing countries accumulated vast amounts of such reserves during the 2000s. Hence, a new system needs to be developed. That system should allow for better pooling of reserves at the regional and international levels; it must not be based on a single currency or even multiple national currencies but, instead, should permit the emission of international liquidity (such as SDRs) to create a more stable global financial system. Such emissions of international liquidity could also underpin the financing of investment in long-term sustainable development, as suggested above.
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p. 154 (121): D'Arista and Erturk (2010) present other possible features of these funds as related to their structure, their governance and their investment strategies.9 These funds could issue their own liabilities in a variety of national currencies and use the proceeds to pay for stocks and bonds of private enterprises and public agencies denominated in local currencies across a wide spectrum of developing countries.

Jane D'Arista and Korkut Erturk (2010). Reforming the international monetary system. Background paper prepared for World Economic and Social Survey 2010: Retooling Global Development.
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p. 161 (128): A feasible evolutionary path towards a more stable system is one along which there is an increased use of SDRs, within a system of nationally supplied reserve assets, dominated by the dollar. The current crisis has already seen a more than 10-fold ad hoc increase in the total quantity of SDRs in existence. The SDR, already the unit of account of IMF, is a basket of four currencies—the dollar, the euro, the Japanese yen and the pound sterling. The weight of each currency in the basket, last revised in November 2005, is based on the value of the exports of goods and services and the amount of reserves denominated in the respective currencies held by other members of IMF. In the future and given the changing weights in the global economy, other currencies, including those of emerging market economies, would need to be included in the SDR basket.

The members of IMF could start a process directed towards increasing the use of SDRs as a currency for central bank operations among themselves (though under the present rules, the United States has a single-country blocking vote on the issue of increased SDR allocations). SDRs could be increased through periodic allocations in line with the expansion of international commerce.
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p. 162 (129): IMF could begin by using only SDRs in its standby lending and extinguishing them as loans are paid back.

SDRs could also be invested in bonds issued by regional development banks.13

Footnote 13: It might be necessary to activate the substitution account mechanism to facilitate the conversion of SDRs into actual currencies.

p. 162 (129): To turn the SDR into an investment asset or a unit of value (roles that the United States dollar plays at this time), more institutional changes and more time would be required, along with possibly giving IMF the role of a market maker for the buying and selling of SDRs at spreads comparable to those on the United States dollar (Eichengreen, 2009). Additional international agreements (regarding what kind of debts SDRs might discharge, for example) could also increase its viability as an investment asset.

To summarize, reducing dependence on the dollar through increased use of a created currency made up of a basket of currencies such as the SDR could be a significant step towards greater stability in the world economy. Greater SDR use would constitute an additional tool for creating the international liquidity needed for the conduct of a global counter-cyclical policy, for which there is already a precedent, as reflected in the April 2009 decision of the G-20. Greater reliance on the SDR could also open up the possibility of utilizing such a created currency for development or other global purposes. SDRs can be used to swap for bonds of developing countries or backstop the issuance of global bonds whose proceeds could be used for specific purposes.

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http://clicks.moneymorning.com//t/AQ/AAWDMQ/AAWO2w/AAQE8g/AQ/As-KIQ/fTkJ

I believe with 100% certainty
that we as Americans are in
the early stages of a crisis
that will shake the very
foundation of our nation.

The IMF has proposed replacing the U.S. dollar with something called "Special Drawing Rights," or SDRs. SDRs represent potential claims on the currencies of IMF members. SDRs were created by the IMF in 1969 and can be converted into any currency, based on a weighted basket of international currencies. When the IMF lends money, it typically does so via SDRs.

The IMF also proposed creating SDR-denominated bonds, which could reduce central banks' dependence on U.S. Treasuries. The Fund also suggested that certain assets, such as oil and gold, which are traded in U.S. dollars, could be priced using SDRs.

This is a HUGE and important step to replace the U.S. dollar as the world's reserve currency. It's just another sign of the growing trend...
Any government or investor with any sense is looking to get out of the U.S. dollar as quickly and safely as possible...
For example...

China is Secretly Getting Out

China holds more U.S. dollars than anyone else on the planet. And publicly, at least, China is still buying our debt.
But behind the scenes, China is secretly getting out.
Here's what I mean...
Let's say you are China, our biggest creditor, and you hold $900 billion worth of U.S. treasury bonds, with more coming in daily.
If you are worried about the U.S. dollar, what can you do?
Well, you certainly can't just start dumping dollars, because prices would collapse, and you'd lose billions of dollars overnight.
So instead, the Chinese are doing something very clever.
They have essentially gone on a spending spree with U.S. dollars, paying basically any price to get the money into hard assets, around the globe.

In other words, China is getting rid of U.S. dollars, without seeming to get rid of them, and thus, without destroying their value.

Very clever.

In December, for example, the China Petroleum & Chemical bought all of the oil and gas assets in Argentina belonging to Occidental Petroleum for $2.5 billion. A few weeks before that they announced plans to buy 40% of the Brazilian operations of Spain's Repsol for $7.1 billion. That puts China's oil and gas deals in Latin America at $13.3 billion for 2010.

Before that, the Aluminum Corp. of China (Chinalco) began negotiating a $19.5 billion deal with the world's largest primary aluminum company, Rio Tinto. And China Minmetals paid $1.39 billion for the world's No. 2 zinc miner, Oz Minerals. And this is just the tip of the iceberg.

In fact, China is buying so much, so fast, that *The Economist* ran a story in November 2010 called: *China Buys Up The World*. The magazine reported:

"Chinese buyers–mostly opaque, often run by the Communist Party and sometimes driven by politics as well as profit–have accounted for a tenth of cross-border deals by value this year, bidding for everything from American gas and Brazilian electricity grids to a Swedish car company, Volvo."

Sure, it might look like China is overpaying now, but when the dollar collapses, China will have protected its wealth, and should even make a very nice profit. Wealthy Russian oligarchs have been using this trick for years.

Instead of keeping millions of dollars in bank accounts in Russia, many pay outrageous fees for houses, sports teams, yachts, etc... anything to get the money out of Russia, so it can't be taken from them by the government.
And when you look at the numbers on a percentage basis, it's clear that China is looking to hold a smaller percent of its reserves in U.S. dollars. The number has gone form 74% in 2005 to 65% in 2010.
These moves by China, of course, are just one sign of the end of the U.S. dollar standard. There are many more...

No need for U.S. dollars anymore

Russia and China have announced an interesting agreement recently...
To settle their ordinary trading of about $50 billion per year, they will no longer convert to U.S. dollars.
You see, it used to be that China had to obtain dollars to buy gas supplies from Russia. But not anymore. And Russia no longer needs U.S. dollars to buy stuff from the Chinese.

Bloomberg News recently reported that China and Russia plan to start trading in each other's currencies to diminish the dollar's role in global trade. "Given the risk to the dollar and U.S. assets from their fiscal position, they want to reduce their dependence on the dollar as an invoicing currency," said Bhanu Baweja, of UBS bank.

Iran, of course, has already moved all of its reserves out of U.S. dollars, and Kuwait de-pegged it's currency from the dollar a few years ago.