

**A BANKING ASSOCIATION FOR THE ISSUANCE  
AND CIRCULATION  
OF A PRIVATE AND EXTRA NATIONAL CURRENCY**

*a proposal to the members of the former Ecu Banking Association  
and other large international banks*



**The New Bancor**

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# THE NEW BANCOR BANKING ASSOCIATION : THE NBBA

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# 1

## **THE NEW BANCOR BANKING ASSOCIATION ( the NBBA ) presented to the former members of the ECU BANKING ASSOCIATION ( the EBA ) and other large financial institutions**

The project that is set out in these pages is that of the creation of an Association of big international Eurobanks, which would issue and circulate a new extranational payment currency called the **New Bancor** (NB), a composite currency unit with constant real value.

This Association would be set up on the model of the Ecu Banking Association (EBA) which, from 1985 onwards, and with notable success, issued and circulated the private Ecu (which was not quite the same thing as the public Ecu, with which it was not interchangeable) until the private Ecu was absorbed by the European Central Bank when the Euro was launched, at the beginning of 1999.

The disappearance of the private Ecu represents, for the former members of the EBA, an exceptional opportunity to renew the experience of the Ecu with the NB, and also to take things much further than they did with the private Ecu, thanks to the remarkable property of stable real value that such a payment money can have, a property which no other money has ever had, not excluding gold.

All the parts of the existing mechanisms by which a payment numéraire is created and put into circulation are **private in origin** : Central banks, central money, bank-notes, clearing, bills, discounting, etc. The Ecu was no exception to this rule : it was created in 1978 as neither a payment currency nor a reserve unit, but merely as a unit of account for the institutions of the European Community.

It was **private initiative** which, in 1985, turned it into a payment currency for the use of the public.

It is now up to private initiative to innovate, to put at the service of money such recent advances - also of private origin - as :

- firstly, the opening of an immense area, that of the Euromarket (or, better, xenomarket, to ensure there is no confusion), a space in which no government's writ runs,

- the concept of the stability of a currency that is exclusively external (such as the NB), which was first presented to the world of Economic Science by Jacques Riboud in 1974,

- modern techniques of communication and data-processing for the use of bank clearing, which would be taken beyond its present stage.

All the advantages that the New Bancor would bring are easy to imagine and demonstrate:

- this venture would use already existing and established **banking procédures**. It would not require any investment.

- there is **a précédent and a model** for it, that of the EBA, which was a great success. The Centre Jouffroy made a contribution of its own in the early years, after the publication of "The Mechanics of Money" (1980), which drew attention to the possibilities of the clearing mechanism for a world currency.

- finally - and this is a major point - as it would be exclusively extranational, the enterprise would not fall **foui of any restrictive** administrative régulations.

Famé and fortune await those who will be the first to break with the taboos of a strangely outdated monetary lore.

And they will also have rendered distinguished service to the général interest, by supplying the expérimental information that is needed for the expected reform of the international monetary System.

## THE CENTRE JOUFFROY POUR LA REFLEXION MONETAIRE

Finance, its mechanisms, its innovations and its policy are subjects that are continually analysed and discussed. The subject fills the newspapers, and not just the financial press. The same is not true of money.

The mechanisms of money and the way they are understood are of utmost importance : it was ignorance of the monetary mechanisms which, at the beginning of the Thirties, transformed what should have been only a passing stock market crisis, into a deep and lasting malaise which plunged the world into dépression and then war,

The international monetary System in force today has remained fundamentally **unchanged** since the introduction of the Gold Exchange Standard in 1922 by the Genoa Monetary Conférence. International monetary arrangements have since benefited from various initiatives, many of which (e.g. the Euro) have been fertile, but they were political initiatives. As regards **fundamental innovation**, however, the field of money is **stagnant**. The technological révolution of the last fifty years has not resulted, as might have been expected, in any évolution away from the old concepts in which money continues to be imprisoned.

These were the considerations which led Jacques Riboud to create in 1974 a think-tank called the **Centre Jouffroy Pour la Réflexion Monétaire**, through his company SOPEREF.

The first objective set for the think-tank, was a project for a constant value European payment and reserve currency, the need for which had been proclaimed by the Ail Saints' Day Manifesto published over four pages in *The Economist* in November 1974 and signed by nine distinguished economists, one for each of the then nine Member States of the European Economic Community.

Some time before, in a paper read to the *Société d'Economie Politique* (in June 1974) and then to the Mont Pèlerin Society (in September of the same year), Jacques Riboud had shown how this search for a constant European currency could be enhanced by the concept of stable purchasing power of an external currency.

For the development of this new concept, a company was formed, called "*Eurostable International*" under the aegis of the Centre Jouffroy.

This company included as directors a number of monetary experts, including two eminent signatories of the Ail Saints' Day Manifesto, Pascal Salin and Herbert Giersch.

The French establishment's négative reactions to this enterprise, added to divergences of view among the members of the Centre Jouffroy as to basic ideas on money, obliged the Centre Jouffroy to close « *Eurostable International* » and continue its research independently.

This research, **which** was encouraged by various distinguished economists, led to the création of the **New Bancor**, which the Centre Jouffroy is now attempting to promote internationally, in the anticipation that the international Banking community will form an Association to exploit **the** practical opportunities for the NB in **the** financial markets.



THE NEW BANCOR (NB)  
an extranational payment and reserve currency,  
a standard of real value

All currencies at présent in circulation are **national, nominal** currencies, even those that circulate in the Euromarket. The real value of each one is determined by its purchasing power in the country where it is the national currency, and this purchasing power closely dépends on the daily equilibrium between consumption and production.

No one has ever succeeded in creating, in a context of économie freedom, a payment and reserve currency with unvarying real value.

This notion of "**real value**" is fundamental. In order to grasp what the NB really is and what it can do, it is necessary to reflect on the meaning of the word "value" and what the standard by which it is defined is, or rather ought to be.

In essence, money is what it has always been : something used to take the place of barter and function like a **token** until such time as it is used to make a payment (to a seller, a supplier or a creditor).

At an indeterminate time and in an **indeterminate** place this payée will then, in turn, exchange this token for something else which will probably be quite différent in nature from what he previously supplied and was paid for, but which is supposed to give him a **level of satisfaction** that will be at least equal to the satisfaction he obtained from the object he originally sold.

This notion of "level of satisfaction" is fundamental because it defines the sensé of value in monetary matters.

This token which was used to guarantee value, and thus provide a means of making measurements, was gold, because of its incomparable physical properties and, what is more, the attraction that human beings hâve always felt for precious metals, in ail places and at ail times.

As a result, units of account (Sterling, Dollar, Franc) were defined as a given weight of gold.

Precious métal did not hâve a perfectly stable purchasing power, but it did hâve an **intrinsic** worth which offered protection against risk.

#### THE NEW BANCOR

The value of one NB is defined as equal to the sum of one half **constant** Dollar and one half **constant** Euro at a given time.

The NB's value is related to the nominal Dollar and Euro through the consumers' price indices.

The NB, as it circulates **exclusively** for payments in the area between institutions, enterprises and trading places known as the Euromarket (more rightly called the "xenomarket"), benefits from the exceptional property of being immunised against the diseases that are endemic to national nominal currencies, namely dépréciation and appréciation in real value (purchasing power). Indeed, its own area, the xenomarket, is not affected by the very causes of real value instability, the main one being an unavoidable **lack of equilibrium** between national production and final consumption (see chapter 5, page 10).

For a more concrete representation of the New Bancor, one may refer it to the "basket" of goods and services compiled from statistics. It shows, better than an abstract formula, the physical reality, in nature and amount, of what one money unit can buy.

Claim money, also called paper money, has neither the one nor the other.

Today there is no longer any currency that is capable of guaranteeing a constant **potential of satisfaction** in terms of real value. There is no numéraire with real value independent of time, place and circumstances.

That is **the rôle** the "new bancor" can assume by taking advantage of the latest monetary developments.