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A Brief History of International Money Supply Systems in Major Civilizations with a Focus on Links to Major Economic Depressions

Kazutake Miyahara
Kobe City University of Foreign Studies, ma26ax36ml@kcn.jp

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Kobe City Univ. of Foreign Studies
ma26ax36ml@kcn.jp

My hypothesis is: A civilization is formed with a pairing of language and money under a political system. For example, the contemporary Japanese civilization is being formed with the Japanese language and Japanese yen under Japanese government.

In a previous paper (Comparative Civilizations Review No. 60, Spring 2009)[1] I wrote that civilization is a process that integrates whole civilizations on the Earth, and that globalization today is being advanced with mainly American English and the U.S. dollar. I also described there the important role of major *linguae francae*, international languages.

So this time I would like to describe international money supply systems in major mainstream civilizations: Sumerian, Mesopotamian, Achaemenid Persian, Greek, Roman, French, British and American versions. A global civilization would require an international currency as well as an international language.

I will conclude by arguing that inadequate or unfit international money supply systems are a major cause of economic crises or depressions, and I will suggest a new supply system of international currency.

What is money?
Money, currency, is a sign of trust with a certain value in a human group, and its function is to exchange goods and services, to preserve and measure value, and to invest as capital. However, we must remember that the most important essence of money is trust. If trust in a society's monetary system is lost, the money will not be accepted or circulate.

Materials for money
Currencies with utility value can be cereals, salt, dry fish, livestock and other items with real value in practical life. Cereals were often used for money with utility value in the earliest civilizations. In the case of the Yellow River civilization, it was millet, and in the Mesoamerican civilizations, it was corn.

Examples of items used for money with symbolic value are gold, silver, copper, iron, shell, and stone. In a small society, people could use shell, stone and other symbolic materials as money. But in a larger society, metals were more commonly used. Gradually the ranks of those metals became clear according to their symbolic value. Gold became the first and silver was the second and the average exchange ratio between gold and silver was usually from one to thirteen to one to fifteen. But those precious metals were always in short supply in every civilization in each period. Thus, political authorities and people always felt a "money shortage" owing to a material shortage. Metals may have some practical value as well as symbolic value, especially in the modern world.

Currencies with symbolic value only are paper moneys, which are usually backed with the trust of their issuer's banks. Otherwise, paper is just paper, fragile and of little practical value. Banks have sometimes failed to meet the society's expectation. To correct this, political authorities have often designated a money-issuing bank as a national central bank. A paper money monetary system usually gains trust with the support of the political authorities.

There are many auxiliary paper currencies in modern civilizations, such as checks, promissory notes, bills of exchange, postal money orders, and so on. Also, today plastic money, credit cards, and electronic money on computers constitute moneys with symbolic value only. Those forms of currency were very fragile originally and were not trusted in preindustrial society.

But in economically developed societies, trust levels were raised among organizations and people in general and those monetary devices and systems became widely used and accepted.

Civilization, Money and Cities

Cities and civilization are critically dependent on both language and money. Why money? Because if money is supplied to the society, "Division of Labor" becomes possible. The division of labor allows the development of many kinds of specialists, such as political leaders, priests, officers, military, merchants, craftsmen, and scholars. Specialists such as these made possible the creation of more advanced cities and civilizations.

In rural areas, people lived a self-sufficient life and seldom used money. But in cities people could not live without money. City dwellers are all specialists of some kind, and new cultures or civilizations are usually born in cities, where money is very actively circulating.

Money and Political Authority

Political authority has usually played an essential role in the development of civilizations. How does a political authority build and manage civilizations? The tools are primarily two: language and currency. The political authorities build a civilization by using language and by supplying and managing money. Money suppliers are usually political authorities, but if they fail in supplying or managing money, they suffer from serious disorder and are usually removed. Thus, political authority and the monetary system of a civilization have an intimate relationship.

What is international currency?

International currency is the money used for international, beyond border businesses. It makes possible the international division of labor. However, it is not for business only. International business conveys and diffuses the cultures of mainstream civilization to other civilizations. It also works as a promoter for cultural integration together with its *lingua franca*.

For example, after World War II Japan accumulated large amounts of U.S. dollars through its businesses, and with the accumulated dollars it purchased many items of American culture such as industrial technology, books, movies, TV programs, and computer software. Japanese students studied in the United States, paying in U.S. dollars. Using U.S. dollars, Japan extended its businesses worldwide and spread not only American culture but also Japanese culture. The U.S. dollar came to be used as a world currency. Then what is international currency? We could say it is the money used to form a global civilization.

Moneys in Major Agrarian Mainstream Civilizations

Money in Sumerian Civilization (2800—2300 BCE). The temple was the center of political authority in Sumerian civilization and received from farmers significant amounts of wheat and barley as 'dedications'. The temple allotted these dedications to their priests, military, officials, craftsmen and so forth. As a wielder of political authority, the temple promoted the civilization using the cereals it had been given as money. Though they did not have symbolic international money, their cereals played the role of international money, as did the Sumerian language. This means that the cereals paid for the development of Mesopotamian culture.

Money in Mesopotamian Civilization (2300—1700 BCE). Akkadians conquered the whole region of Mesopotamia and Akkadian kings provided mainly cereal moneys, and some silver. During the third Ur dynasty, silver became the value standard and the silver ingot was used as money. In the Babylonian dynasty wages were paid not only in cereals but also in silver ingot. Also, in Hammurabi's Code (1750 BCE) the interest rate was proscribed at 20% for silver and 33% for barley.[2] This means that the city dwellers were dependent on money, so when they felt a lack of money, they were obliged to borrow.

Did Mesopotamian Civilization have international money? Maybe not. But both the cereals and the silver ingots were used for the conduct of international business and the Mesopotamian culture was transferred beyond their borders together with the Akkadian language, the lingua franca in those days.

Money in Achaemenid Persian Civilization (560—330 BCE). The Persian kings Cyrus the Great (560—530 BCE) and Darius I (550—486 BCE) built the Achaemenid Empire which was the largest and most powerful in human history until that time. The borders stretched from the Indus River (India) in the east to Egypt in the west.

Darius I revolutionized the Persian economy by introducing a silver and gold coinage system to the empire. Adopting Aramaic as the official language, developing standard weights and measures, and creating a postal service along the new Royal Road (a highway system), he facilitated the exchange of commodities across a vast empire.[3]

Among these accomplishments, the most important decisions were that Darius adopted Aramaic as official language of the empire and silver and gold coinage as common money in the empire. The use of gold coinage was especially important because it dominated the world as the most trusted currency thereafter for more than 2,000 years.

Zoroastrianism was the de facto state religion of the empire and it banned slavery. Therefore, for example, when Darius constructed Persepolis, he paid workers in silver and gold coins. The workers had been invited from many countries; stone cutters came from Greece and Asia Minor, goldsmiths from Egypt, and brick makers from Babylon. Also, cedar came from Lebanon and gold from Bactria.[4] This means that Persian coins, gold and silver, served as international money.

In later days, Persian kings ordered their tax collectors to collect taxes in gold and silver coins. The ratio between gold and silver in the empire was 1:13.

Persian kings issued gold and silver coins as domestic money but they were at the same time used for international purposes. Because the gold and silver coins were purely gold and silver, they maintained the same value outside the empire. As a result, gold and silver coins conveyed the Persian cultures to other civilizations.

Money in Greek Civilization (800—150 BCE). Phoenicia was primarily a commercial society. Its merchants bartered, using no money. They could not build a civilization without money. However, Athens began to use silver ingots for trade. One reason for this is that Athens had a silver mine near their city; later they minted silver coins and issued them as money.

Neighboring Sparta, on the other hand, had neither silver or gold mines nearby. Wars were costly, and Sparta had little money to pay for them, especially if they were lengthy wars. The economically more powerful Athens defeated Sparta.

Macedonia possessed gold mines and King Philip, the father of Alexander the Great, minted gold coins. This gold enabled Macedonia to become a strong economic and military power, and it supported Alexander's wars.[5] When he conquered the Persian Empire, he looted huge amounts of gold and gold coins from the Persian palaces. Also, he released the bulk silver and gold concealed in the Persian motherland, introducing a huge amount of money into the whole empire he conquered. As a result, the economy of the empire was vitalized and the people prospered.

Athenian silver coins were widely used in the Mediterranean world but after Alexander's conquest of the Persian Empire, Greek coins became international money throughout the empire and beyond. "Koine," Greek language, followed as well.

Money in Roman Civilization (272 BCE—476 CE). In the 4th century BCE, bronze coins were cast and were used to pay wages for the military. Also a silver coin, the "denarius," was created in the 2nd century BCE. In those days Rome's city population reached up to 1.25 million and the shortage of materials for money became serious. As a result, the coins were "light weighted."

For example, the weight of bronze coins changed from 273 grams →100g→27 g→9g and the coins eventually became brass. Also, silver coins vanished and were replaced with copper coins. The weight of the gold coin was lightened from 8.18 g to 4.5 g in the period of Constantine the Great (306—337 CE).[6] Another reason for the money shortage came from increased importation of merchandise from overseas locations such as India and China.

This means that massive amounts of gold and silver coins flowed out of the Roman Empire. Even today many Roman gold coins are found in Indian ruins. A serious money shortage left the Roman economy inactive and weakened. Finally inflation attacked Rome in the middle of the 5th century and the Roman Empire collapsed by 476 CE.

Latin served as the lingua *franca* and helped to spread Roman Civilization. The Roman money was used in international markets, and helped to spread Roman culture too, though its influence was not as great as that of Latin.

Notable currencies in other civilizations.

Byzantium. The solidus gold coin was the standard money of the Byzantine Empire and it served as an international money in the eastern Mediterranean world in the 12th century. Byzantium obtained gold from several conquered countries and institutions: gold mines in the Ural Mountains, treasures of the churches and monasteries, and from the surplus of international commerce. The solidus gold coin worked as a promoter for cultural integration in the region.

Sassanian Persia. The Sassanians adopted the silver standard.

Mongolian China. From 1260 to 1356, Mongolian China issued paper money for 96 years. At the end of the 13th century, an Italian traveler wrote in his book, "The Travels of Marco Polo," that he was deeply surprised to see paper money, which circulated throughout the vast Chinese empire, although gold and silver were used for money in most of the other countries in the world. However, when certain economic policies failed, and inflation attacked the empire, the political authority of the Mongolians collapsed. That was in 1368. After the failure of paper money, China adopted the silver standard system until the beginning of the 20th century.

Despite this failure, the experience of Mongolian China demonstrated that paper money can be fully useful and effective when the extant political authority is trusted by the people.

Money in French Civilization (800—1700 CE). In 780 CE, Charlemagne (742—814), the king of Franks, established a monopoly to mint money in his kingdom. But coins were all silver coins, such as the Libra, solidus and denarius. The value of one Libra was twenty solidi and one solidus was twelve denarii. He procured a huge volume of silver from the stocks in his kingdom, war booty, foreign trade with the Islamic nations, and silver mines in his country. In Western Europe, the silver standard continued, but gold coins from Byzantine and Islamic nations came into France and were also used there and circulated.

Thus, French authorities either could not strictly control their money supply, or they welcomed the arrival of gold coinage in order to do business with Byzantines and Muslims.

The period between the 11th and the 13th century was a prosperous one and the population increased significantly. This made possible the Crusades to the Middle East. Population growth and a gradual increase in trade and commerce required much more money in France. But the French kings suffered from a serious shortage of silver. In this period, the king began to collect taxes, as much as possible, in silver and silver coins.

During the Middle Ages in Western Europe, the silver standard continued, but the French King Louis IX minted an Ecu gold coin in 1266. It was 14 years after that when Genoa and Florence in Italy began to issue gold coins. This tendency meant that gold was expanding its predominance even in Western Europe.

In the 14th and 15th centuries, a dearth of gold metal occurred and it was especially serious in the Iberian Peninsula, where people used gold to buy spice, sugar, jewels and other luxury items. This shortage of silver and gold gave birth to the "bill of exchange." This shortage was the main stimulus that motivated the Spanish and Portuguese to sail overseas in search of gold, silver, and new trade routes to the east. This opened "the Age of Discovery."[7]

As a result, Spain and Portugal conquered most of Latin America and brought back huge volumes of silver and gold to Europe. This meant that both countries issued huge amounts of money, which resulted in serious inflation in their economies. Much of the gold and silver was used to purchase goods manufactured in other countries rather than in Iberia. As a result, Spain and Portugal became weaker while England and France became more powerful and eventually dominated Europe.

Until the 18th century, France was a dominant civilization in Western Europe based on its agriculture rather than on trade, commerce and industrial growth *per se*. As a result, commercial and monetary centers did not exist in France except for the Champagne fairs of the 12th and the 13th centuries. On the other hand, the northern European nations organized a commercial confederacy, the Hanseatic League of North German Cities. The monetary (financial) center moved from Flanders to the Netherlands and finally to Britain.

In the case of French Civilization, they did not have an eminent international money, except for the Ecu gold coin in the 13th century. The French language was welcomed in other areas but their money was neither active nor influential in the outside world.

Summary of Money in Agrarian Civilizations. In an agrarian society, most people lived a self-sufficient life based on subsistence farming. Therefore, they did not have great need for money. However, the political rulers did need to pay their officers, military, clergy, craftsmen, scholars, merchants and civil servants. So the political authorities forced their people to 'dedicate' cereals to the temple, and those cereals became money in the original civilizations. But cereals were too bulky and troublesome to handle.

Soon after civilizations developed, they began to use more portable monies such as the silver ingot and gold coins. Besides being more portable, why were silver and gold coins welcomed?

It was primarily because those brilliant metals were non-corrosive, beautiful and appealed to people instinctively. This, along with a short supply of the materials, helped give it value worldwide, except for within the Egyptian Civilization, where they deemed gold as god and did not use it as money.

The biggest problem for these precious metals was the shortage of materials for money everywhere, anytime on the earth.

Yet another serious problem was that political authorities could not effectively control silver and gold moneys, because they moved so easily in and out of a country's borders. Gold and silver coins were from the start international moneys and they circulated not only in domestic markets but also overseas. Therefore, during the agrarian period, domestic money supply systems were simultaneously the international money supply systems.

From the 15th century to the 16th century, the Western European countries promoted Mercantilism in order to obtain national wealth based on gold, silver, and surplus money from foreign trade. Every king competed with other rulers to build rich nations and obtain overseas colonies. Mercantilism and colonialism constituted in effect major efforts to gain gold, silver and surplus money for the West Europeans as the agrarian civilizations were coming to an end.

Throughout the agrarian period, after the Achaemenid Persian Civilization, the mainstream civilizations including Byzantine and Islamic issued prominent gold coins and these circulated well beyond borders of nations and empires. This demonstrates that gold was always trusted by most people in the world and, consequently it was the primary international money used throughout the agrarian period.

Currencies in the Industrial Period

Money in British Civilization (1700—1940). Prior to the industrial revolution, England began a transition from an economy based primarily on agriculture to one based on trade and commerce. Mercantilism was the prevailing economic policy. In the era of Edward III (1327—77), England was an exporter of raw wool to Flanders and the Netherlands, and an importer of woolen textiles from them. The king wanted to change this economic structure, and he did so by banning raw wool exports and encouraging woolen textile manufacturers. He invited skilled weavers and dyers from the Netherlands and Flanders to come to England. These craftsmen built their own manufactures mainly in the rural area, where no guild could control them.[8] They developed the British woolen and worsted industry, and later this industry helped to lead Britain to the Industrial Revolution.

In 17th century England, the industrial world was suffering from a serious money shortage (a lack of capital). This had a great impact on existing and new businesses. The money shortage was due primarily to a shortage of gold and silver. Consequently many bankers appeared to fill this shortage and began to issue bank notes, which were a private paper money backed by the issuing banks. But there was disorder and confusion in the society without a value standard and common money.

Among those banks, the Bank of England seemed to be trustworthy, and it was given a monopoly title to issue bank notes. In 1694 the Bank of England became a central bank of England and began to issue convertible notes. The Bank of England was the first central bank in the world, and it was the politically authorized bank in charge of England's money supply and management. The convertible notes could reduce the volume of gold needed to circulate, but the bank had to increase the gold reserve according to the expansion of the national economy.

In 1703, a free trade agreement between Britain and the Portuguese was concluded, and this made it possible for Britain to export huge volumes of woolen textiles to Brazil, Portugal's colony. In return, Britain received enormous quantities of gold from Brazil.

As gold gradually accumulated in London, the money center of Europe moved from Amsterdam to London. The Brazilian gold was invested in new industries and played a critical role in bringing about the Industrial Revolution in 18th century Britain. For more than 2000 years, Western Europe had been buying Asian products, primarily from India and China, and paying for them with gold and silver. But Britain changed this trend by forcing India to become Britain's colony. Manufactured products such as cotton textiles were exported to India, and Britain received gold and silver in return.

Most of the world also imported British products, further increasing gold accumulation in London, which eventually became the No. 1 international financial center of the world. Worldwide bankers, insurance and shipping companies established their offices in London and settled their drafts and documents. The Pound Sterling was used by these businesses as the international key money.

In 1844, the Bank of England was officially chartered as the central bank of Britain and began to serve, in effect, as a central bank of the world. For example, when it lowered the interest rate of the Pound, an outward flow of gold began. This meant that the Bank of England supplied money to the world economy. But the Bank always had to reserve a certain amount of gold, since the Pound was under the gold standard system. Under this system, when the world economy expanded, more gold had to be provided. Fortunately, in 1848 gold was discovered in California, then later in Australia and Siberia. In the 1890s South Africa began to produce much gold and, altogether, this helped to fulfill the world's needs.

Most of the major banks, governments, and trading firms in the world opened deposit accounts in London. Britain became "the world bank" after having been the "world factory." In the latter half of the 19th century, Britain's balance of payment in foreign trade became unfavorable due to fewer exports and increased imports. But other income from shipping, insurance, and overseas investments contributed to England's overall favorable balance of payments with these surpluses.

Backed with these surpluses, the Pound Sterling maintained its strength as did the gold standard system. As one result, the rest of the world trusted the Pound Sterling and it served as the international key money for about 100 years, from the middle of the 19th century to the middle of the 20th century. During this period, the Bank of England, as a political authority, provided international money and this helped to form the world economy. Therefore, interdependence of the economies of nations grew, and this began to form a global civilization.

After 1870, the rest of the major countries of the world (except for China) joined this system and adopted the gold standard. In the case of the agrarian French Civilization, the French language was more influential than the French currency. But in the case of industrial Britain, its money played much a more important role than its language and the Pound Sterling was crucial in integrating the whole world.

Money in American Civilization (1800—Present). During the colonial period, America had to import many kinds of industrial products from Britain. Gold continued to flow out of America to Britain. Moreover, the British government followed the economic policy of Mercantilism and did not pay for raw materials in gold coin. Consequently, colonial America always suffered from a serious money shortage. This was one of the major reasons why Americans wanted independence.

In order to cover the huge amount of war expenditure to fight the War for Independence, the new America established a new bank based on funding from France and issued government bills. In 1792 the Money Act was enacted and the U.S. dollar was born. It was a bi-metallic standard with the ratio between gold and silver set at 1:15.

When the American Civil War began, the government issued paper money called “green backs” to pay for the cost of war. In the beginning, these were convertible but they became unconvertible later, because total money volume increased and gold stocks vanished. Even so, people trusted their government and the now-unconvertible green backs circulated throughout the nation.

In 1873 the United States adopted the gold standard system, and in 1913 the Federal Reserve Banks were established as the central banks of the United States.

After World War I, America changed from being a debtor to a creditor nation in the world economy. Major parts of Europe were destroyed by the war but America avoided destruction of its homeland. Moreover, America was positioned to sell huge quantities of merchandise to Europe, and as a result, it enjoyed the prosperity of the so called “golden 20s.”

But this meant that the majority of the gold in the whole world accumulated in America and the rest of the world suffered from a crisis of gold shortage. America had collected the majority of the world’s gold and the rest of the world had little, so the world economy stopped moving. This was the original cause of the Great Depression in the 1930s.

Britain lost huge amounts of its gold supplies and could not maintain the gold standard. It adopted the “managed money system” (unconvertible paper money).

The rest of the world followed Britain. Under the managed money system, each country could issue unconvertible paper money without the backing of gold. Local economies recovered a little but this situation meant that all moneys in the world now lost significance and value beyond their own nation’s borders. As explained in the case of Mongolian China in the 13th and 14th centuries, the unconvertible paper money could circulate within the empire, but it was not trusted outside the country.

Similarly, no paper money -- including the U.S. dollar -- was completely trusted in international markets. Industrialized civilizations could not survive without a stable international money supply, and the world put faint trust in the Pound Sterling as key money, because it was already weak and unstable. The major nations began exchange dumping to do favorable foreign business. The exchange dumping war was one of the major reasons for World War II.

After the War concluded, it was found that 75% of the official gold reserves in the world had accumulated in America.[9] Based on this American gold, the major Western nations agreed to establish the International Monetary Fund (IMF), and asked the American government to issue international money under the rules of the IMF.

The main rule was this: the exchange rate was fixed under the international gold standard. Namely, one ounce of gold was equivalent to the U.S. $35.00. Instead of the British Pound, the U.S. dollar became the key international money after 1944, when the IMF treaty was concluded.

As long as the U.S. dollar was backed with gold, the dollar was trusted by other nations. But when the American gold reserve began to decrease as a result of consecutive red ink in that nation's international balance of payments, the value of the dollar fell lower against other major moneys.

Now, we must recognize that the IMF treaty was intended to form an international money supply system *through the American red ink balance in international payments.* From the beginning, this was a really strange system though it was backed with gold.

America imports goods and services from abroad more than America exports. This American deficit makes dollars flow out and provides dollars to the world economy. Therefore, America must buy more and more every year to make deficits so that America can supply international money. Then the U.S. dollar can keep its status as the international key money. However, we must note that this money supply system promoted "globalization" together with the American version of English.

The Original Cause of the Financial Crisis in 2008.

By 1971, America's gold reserves had decreased to crisis levels. President Nixon decided to abandon the international gold standard. At this point, gold ceased its long life as money in civilization history. At the same time the U.S. dollar lost its backing by gold, and the value of the dollar decreased sharply at the exchange market. For example, one dollar ($1) went from 360 to 265 Japanese yen in 1971.

The exchange market changed from a fixed rate to a floating rate. Under this floating system, the exchange rate between the U.S. dollar and the Japanese yen changed as follows: $1 = 265 yen in 1971, 145 yen in 1990, 105 yen in 2000, and 90 yen in 2008.[10]

Why did the U.S. dollar decrease in relative value? Because the U.S. economy accumulated huge debts and the country couldn't balance its international trade. From 1971, the U.S. economy has continued to accumulate debts every year consecutively. This has continued up until the present time.

The red ink amounts were $1,303 million in 1971; $19,407 million in 1980; $80,864 million in 1990; $379,835 million in 2000; and $700,000 million in 2007.[11]

Thus, for the past 40 years, debts have been accumulating and totals have reached unprecedented levels. So finally America has become the largest debtor in the world though it is still considered to be the richest country. (The major creditors are China, Japan and the EU.)

However, we must remember that this is the international money supply system since 1971. Through the huge amount of American deficits in foreign business, an international money has been supplied to the world economy. This means that tremendous amounts of money have been supplied to the world economy, which has led to two different kinds of effects.

One is that it has expanded the scale of the world economy and has helped to develop countries such as China and India. The other is that currencies have flooded worldwide, especially in industrialized countries such as Japan and the nations of the EU. This money flood has pushed the interest rate down in the developed countries. It has been especially low in Japan for more than 10 years. Its official rate has been 0.1%~0.3 %.[12]

Large amounts of money have flooded the American economy as well, and American financial enterprises have had to find areas in which to invest the money. They approached the government and Congress for assistance. In order to find ways to invest in-flowing supplies of moneys, the government established housing loan organizations such as Freddie Mac, later adding Fannie Mae, and it supported them. Shortly afterward, subprime loans appeared. Also, financial enterprises have developed financial engineering with many economists' help, and so they have invented new financial instruments, which are called "derivatives." Then, these instruments have been sold worldwide.

By 2008 it became clear that the new financial instruments were really poisonous derivatives. Major financial enterprises in the world held those derivatives in huge quantities. For example, the total amount of CDS (credit default swaps) reached to $54 trillion,[13] and financial businesses fell into a distrust of one other. Then almost all moneys stopped moving among financial enterprises worldwide.

This was the first step of the global financial crisis that began in 2008.

As explained above, the original cause of the crisis was not the derivatives alone, but rather it was the flood of money. The money flood produced very low interest rates and created a demand for the derivatives. Why was there a flood of money? Because Americans paid huge amounts in U.S. dollars to foreign exporters for vast quantities of consumer goods. In the process they accumulated huge debts over the past few decades. The accumulated debts were the real cause of the money flood.

Why then, could Americans import so many foreign products? The answer: the U.S. dollar made it possible, since it is the key international money. (This also enabled America to begin the Afghan and Iraq wars.)

The conclusion is that the current international money supply system has been the leading cause of the financial crisis since 2008.

The Future of the International Currency Supply System

Except for the paper money used in Mongolian China at the end of the 13th and the beginning of the 14th century, almost all moneys issued in mainstream civilizations during the agrarian period were gold and silver coins. And they were international moneys at the same time. Thus gold and silver were universal moneys, especially gold, and they were trusted by people beyond national borders.

Therefore, when the British Civilization opened the industrial period, they had to adopt the gold standard system and the rest of the world followed them. But it became clear that the volume of gold was limited as a natural resource.

This was especially true after World War I. More than 70% of gold for money in the world accumulated in America and the rest of the world suffered from a serious shortage of gold for the gold standard system. This meant that most countries had little money to manage their economy. The whole world suffered from the Great Depression, and each nation adopted the managed paper money system and abandoned the gold standard. As the result, each civilization could issue paper money and manage it for its own economy. The Great Depression helped to move all nations to abandon backing their money with gold.

Once this occurred, each civilization could issue paper money and manage its economy but there was no authority to supply international money, though the industrialized civilizations had to have an international money supply system.

Then the world had to fight World War II. During that War, an international conference was held in Bretton Woods, New Hampshire in 1944 and the participants discussed how to organize an authority to supply international money (global reserve currency). They agreed to establish the International Monetary Fund (IMF) and asked America to supply the international money under the rules agreed upon. At this stage, almost all national moneys in the world were under the managed paper money system. But there was little trust of those paper moneys and the international key money had to be backed with gold. Backed with gold, the U.S. dollar became an international key money. (This is also called international reserve money.)

However, this Bretton Woods system had a fundamental paradox. In 1960 Yale economist Robert Triffin indicated that the use of a national money as international reserve money leads to a tension between national monetary policy and international monetary policy.[14] This was the well known "Triffin Dilemma," and it became obvious when President Nixon announced in August 1971 that the dollar could no longer be exchanged for gold.

By the 1960s the American economy was strong and it continued to accumulate a surplus in its international balance of payments. This meant that U.S. dollars were not supplied to the world economy and the world faced a serious international money shortage, namely the dollar shortage. In order to fill this shortage, the International Monetary Fund (IMF) created a new money system, Special Drawing Rights (SDR), in 1969 and it allocated them to the member nations according to the contributed amounts to use this new money when their reserve of U.S. dollars became scarce.

However, with the end of the 1960s the American economy began to accumulate deficits in its international balance of payments. So, the world had little need for the new money (SDR), and they have been usually used in IMF documents and as the basis for international fees owed to the Universal Postal Union.

In 1987 Harvard economist Richard N. Cooper wrote in his book that the SDR would be taken up about 2010 as the international money.[15] In connection with the financial crisis of 2008, the governor of the People's Bank of China (Chinese Central Bank), Zhou Xiaochuan, in fact proposed in March 2009 to adopt the SDR as a global reserve currency.[16]

When the Bretton Woods conference was held in 1944, a leader of the British delegation, economist John Maynard Keynes, proposed the 'Bancor' (which means 'paper gold') system. Though his proposal was very different from the later SDR, the idea itself was close to the SDR. Thus, Keynes' proposal was not accepted in 1944 but it would be realized in the 2010s in the form of the SDR.

World civilization now needs a new international currency to replace such national moneys as the U.S. dollar or the Euro.
In order to create a new system, we must reorganize the International Monetary Fund, make it more powerful and give it the authority to supply and manage international money. The name of the money could be called "Bancor" in honor of John Maynard Keynes, instead of SDR. But its system should be similar to that of the SDR system.

The original exchange rate between SDR and the U.S. dollar was equal, namely one SDR was equal to one U.S. dollar. Currently, however, one SDR is about 1.6 U.S. dollars.

The SDR is defined in terms of a basket of four major currencies used in international trade and finance. The ratio in recent years is as follows:

USD:	44%,	JPY:	11%,
EUR:	34%,	GBP	11%.[17]

When the system is revised in the future, other moneys such as Chinese, Indian and Russian currency will be added to those moneys. The SDR or Bancor is a very stable money system because it is backed by major economies. Therefore, it will be trusted by the world, and a stable world economy can be realized. Without a stable economy, we cannot fight against major global problems such as the environmental crisis.

The great river of mainstream civilization reached America in the middle of the 20th century. The American type of civilization spread worldwide with American English and the U.S. dollar. It also opened the concept of globalization. If the world can reorganize the International Monetary Fund (IMF) to create a new international money supply system in the beginning of the 21st century, human history will begin to form a mainstream global civilization.

Endnotes

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