

"Panic will be the rule and depression the only result"

Posté le : 1 octobre 2008 18:24 | Posté par : Blog du cercle des économistes e-toile
Catégorie: Actualité chaude, Histoire économique récente, Economie et politique

Article passé par Didier Dufau par le Financial Times le 11 janvier 2008 en réponse à un article de Wolf.

Didier Dufau, e-toile (guest contributor) "Movements in exchange rates are, to put it mildly, unpredictable. But this one ought to happen. It should also be welcomed. This possibility was, indeed, why the UK had to keep out of the eurozone."

This statement is highly ideological and doesn't take into account important facts. Since the international monetary system set at Bretton Woods exploded in 1971, a de facto and so called "floating currency system" is the mainframe of the global economy.

Since then the exchange rates of the main currencies are bouncing in unpredictable ways creating havoc in the financial markets and the international commercial exchanges. It is ludicrous to pretend as we can read so often that changes in rates are kindly "anticipated" by economic agents thru clever technical ploys. When the Euro moves from 80 to 1.40 dollars, in little more than a year no firm can cope with that nicely. When dollar started to move up steeply in 1997-98 the economies who were borrowing in dollar could not repay. When dollar slumped to record low back in 1973, oil producers had to find some ways to keep their revenues. The various crises were named with funny names: oil crisis, emergent countries crisis etc. All of them were actually dollar crisis and a consequence of the IMS structural flaws.

If they are bouncing, currencies are also sinking. Gold ounce was 35 dollars back in 71 and today round 900! A 96% devaluation of the dollar evaluated in gold! Just try to find an economist ready to assert: what a boon, with our IMS within in the next 30 years dollar will see its value in gold again divided by 25 and gold ounce will cost 22,500.00 dollars...

It is not only true for the dollar but for every currency, pound included, even if some of them are temporarily up in the bouncing game.

The floating system is self destructive. The day of reckoning has come. What makes the current crisis so deep is that everyone understands that the "solutions" used in 1974, 1992 and 2001 are of no use. We are at the end of this particular story.

Flooding the world with other abyssal US deficits will only foster retaliation and further disruptions. The only solution is to create a new IMS stable currency framework far from the ideology of free floating markets, creating some kind of intergovernmental disciplines. The US can't be the anchor of the new system and only "primus inter pares". Only quick international initiatives in this direction can spare a deep worldwide recession, by sending to the markets a clear sign that there won't be any more "benign neglect" on the money markets.

Otherwise, floating system being deprived of any mechanism to stop disruptions, panic will be the rule and depression the only result.